豐盛生活服務有限公司
FSE LIFESTYLE SERVICES LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 331)

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

For the year ended 30 June		**2023 HK$M**	2022 HK$M	% Change
Revenue	:	**7,767.2**	6,966.9	+11.5%
Gross profit	:	**1,051.6**	992.5	+6.0%
Profit attributable to shareholders of the Company(i)	:	**522.9**	502.9	+4.0%
Basic earnings per share	:	**HK$1.14**	HK$1.10	+3.6%

The Board recommended the declaration of a final dividend of HK21.3 cents (2022: HK24.1 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2023(ii).

Note (i) If excluding the effects of government grants in the Group's results for both years to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit of 7.5% to HK$445.9M (i.e. after excluding government grants of HK$77.0M from profit attributable to shareholders of the Company of HK$522.9M) for the year ended 30 June 2023 as compared to its adjusted net profit of HK$414.7M (i.e. after excluding government grants of HK$88.2M from profit attributable to shareholders of the Company of HK$502.9M) for the year ended 30 June 2022. 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 18.

Note (ii) Together with the interim dividend of HK24.5 cents (2022: HK20.9 cents) per ordinary share paid in March 2023, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2023 will be HK45.8 cents (2022: HK45.0 cents) per share.

For the year ended 30 June 2023, the dividend payout ratio of the Company is 40.1%, calculated based on the Group's adjusted profit for the year ended 30 June 2023 attributable to ordinary shareholders of the Company of HK$514.4M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK$8.5M for the year ended 30 June 2023 from profit attributable to shareholders of the Company of HK$522.9M).

For the year ended 30 June 2022, the dividend payout ratio of the Company was 41.0%, calculated based on the Group's adjusted profit for the year ended 30 June 2022 attributable to ordinary shareholders of the Company of HK$494.4M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK$8.5M for the year ended 30 June 2022 from profit attributable to shareholders of the Company of HK$502.9M).

The board of directors (the “Board”) of FSE Lifestyle Services Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 June 2023 (“FY2023” or the “Year”).

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

	Notes	**2023 HK$’000**	2022 HK$’000
Revenue	2	**7,767,209**	6,966,935
Cost of services and sales		**(6,715,594)**	(5,974,478)
Gross profit		**1,051,615**	992,457
General and administrative expenses		**(470,722)**	(444,268)
Other income, net	3	**42,023**	42,302
Operating profit	4	**622,916**	590,491
Finance income		**10,564**	1,518
Finance costs		**(16,916)**	(5,420)
Share of results of associates		**1,445**	1,859
Share of results of joint ventures		**(263)**	269
Profit before income tax		**617,746**	588,717
Income tax expenses	5	**(93,548)**	(84,813)
Profit for the year		**524,198**	503,904
Profit for the year attributable to:			
Shareholders of the Company		**522,902**	502,935
Non-controlling interests		**1,296**	969
		524,198	503,904
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)			
– Basic and diluted	6	**1.14**	1.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2023

	2023 **HK$'000**	2022 HK$'000
Profit for the year	**524,198**	503,904
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to consolidated income statement:		
Currency translation differences	**(10,963)**	(1,900)
Items that will not be subsequently reclassified to consolidated income statement:		
Remeasurement gains/(losses) on defined benefit retirement scheme, net of tax	**100**	(2,526)
Remeasurement gains on long service payment liabilities, net of tax	**813**	12,385
Other comprehensive (loss)/income for the year, net of tax	**(10,050)**	7,959
Total comprehensive income for the year	**514,148**	511,863
Total comprehensive income for the year attributable to:		
Shareholders of the Company	**512,852**	510,894
Non-controlling interests	**1,296**	969
	514,148	511,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	**2023 HK$'000**	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**57,415**	40,680
Right-of-use assets		**87,696**	115,563
Other intangible assets		**176,870**	180,823
Interests in associates		**234**	199
Interests in joint ventures		**956**	1,219
Deferred income tax assets		**11,292**	12,230
Pension assets		**3,554**	3,553
		338,017	354,267
Current assets			
Trade and other receivables	8	**2,318,986**	2,015,769
Contract assets		**560,239**	438,717
Inventories		**21,291**	23,514
Cash and bank balances		**751,901**	767,037
		3,652,417	3,245,037
Total assets		**3,990,434**	3,599,304
EQUITY			
Ordinary shares		**45,000**	45,000
Convertible preference shares		**140,900**	140,900
Reserves		**513,252**	227,554
Shareholders' funds		**699,152**	413,454
Non-controlling interests		**269**	23,320
Total equity		**699,421**	436,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2023

	Note	**2023 HK$'000**	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**263,658**	263,478
Lease liabilities		**28,174**	55,987
Long service payment liabilities		**46,794**	44,040
Deferred income tax liabilities		**22,173**	21,284
Pension liabilities		**1,229**	1,031
		362,028	385,820
Current liabilities			
Trade and other payables	9	**2,042,773**	2,013,922
Contract liabilities		**716,295**	499,766
Borrowings		**18,377**	140,000
Current portion of lease liabilities		**45,784**	44,607
Taxation payable		**105,756**	78,415
		2,928,985	2,776,710
Total liabilities		**3,291,013**	3,162,530
Total equity and liabilities		**3,990,434**	3,599,304
Net current assets		**723,432**	468,327
Total assets less current liabilities		**1,061,449**	822,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622 of the Laws of Hong Kong. The consolidated financial statements have been prepared under the historical cost convention, except for plan assets under defined benefit retirement scheme which are measured at fair value and defined benefits obligations which are measured at present value of estimated future cash outflows using interest rates determined by reference to market yields at the period end date.

(i) Amendments and improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2022

The following amendments to existing standards are mandatorily effective for the financial year of the Group beginning on 1 July 2022:

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

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

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

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023
HKFRS 17 and its Amendments	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to 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 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 consolidated financial statements.

2. 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 and facility management services, property agency and related services for buildings, carparks 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 services, trading of environmental and building materials products and landscaping services); and

(iii) E&M services — Provision of engineering and consultancy services on installation.

For the year ended 30 June	**2023 HK$'000**	2022 HK$'000
Revenue		
Property & facility management services	**708,609**	696,298
City essential services		
– Cleaning & pest control services	**1,731,162**	1,409,300
– Technical support & maintenance services		
– Renovations, system retrofit and repairing(i)	**842,971**	719,163
– Routine maintenance(ii)	**119,849**	114,819
– Security guarding & event services		
– Rendering of services	**612,693**	613,900
– Sales of goods(iii)	**20,817**	22,467
– Insurance solutions	**110,409**	99,580
– Environmental solutions		
– Rendering of services(iv)	**267,534**	186,243
– Sales of goods(v)	**61,348**	87,107
City essential services subtotal	**3,766,783**	3,252,579
E&M services	**3,291,817**	3,018,058
Total(vi)	**7,767,209**	6,966,935

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, carpark 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.

(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 year ended 30 June	**2023** **HK$'000**	2022 HK$'000
Contracting revenue recognised based on percentage of completion method		
Technical support & maintenance services		
– Renovations, system retrofit and repairing	**280,850**	119,558
Environmental solutions		
– Rendering of services	**166,588**	100,311
E&M services	**3,291,817**	3,018,058
Total	**3,739,255**	3,237,927

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 allowance 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 purpose unless the segment is engaged in financing activities.

As at 30 June 2023 and 30 June 2022, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Additions to non-current assets comprise mainly additions to property, plant and equipment, right-of-use assets and other intangible assets.

(a) As at and for the year ended 30 June 2023

The segment results for the year ended 30 June 2023 and other segment items included in the 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	708,609	3,766,783	3,291,817	–	7,767,209
Revenue – Internal	3,926	92,598	–	(96,524)	–
Total revenue	712,535	3,859,381	3,291,817	(96,524)	7,767,209
Timing of revenue recognition					
Over time	712,535	3,727,732	3,291,817	(88,941)	7,643,143
At a point in time	-	131,649	–	(7,583)	124,066
Total revenue	712,535	3,859,381	3,291,817	(96,524)	7,767,209
Operating profit before unallocated corporate expenses	154,302	256,009	219,512	–	629,823
Unallocated corporate expenses					(6,907)
Operating profit					622,916
Finance income					10,564
Finance costs					(16,916)
Share of results of associates					1,445
Share of results of joint ventures					(263)
Profit before income tax					617,746
Income tax expenses (Note 5)					(93,548)
Profit for the year					524,198
Other items					
Depreciation and amortisation	12,451	34,176	28,154	–	74,781
Impairment losses, net					
– Trade and other receivables	–	720	–	–	720
Reversal of provision for inventories	–	(2,681)	–	–	(2,681)
Additions to non-current assets (other than financial instruments and deferred tax assets)	6,539	41,813	13,725	–	62,077

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

(b) As at and for the year ended 30 June 2022

The segment results for the year ended 30 June 2022 and other segment items included in the 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	696,298	3,252,579	3,018,058	–	6,966,935
Revenue – Internal	3,691	96,309	–	(100,000)	–
Total revenue	699,989	3,348,888	3,018,058	(100,000)	6,966,935
Timing of revenue recognition					
Over time	699,989	3,189,157	3,018,058	(89,539)	6,817,665
At a point in time	–	159,731	–	(10,461)	149,270
Total revenue	699,989	3,348,888	3,018,058	(100,000)	6,966,935
Operating profit before unallocated corporate expenses	151,604	239,633	205,023	–	596,260
Unallocated corporate expenses					(5,769)
Operating profit					590,491
Finance income					1,518
Finance costs					(5,420)
Share of results of associates					1,859
Share of results of joint ventures					269
Profit before income tax					588,717
Income tax expenses (Note 5)					(84,813)
Profit for the year					503,904
Other items					
Depreciation and amortisation	12,373	33,221	16,288	–	61,882
Reversal of impairment losses, net					
– Trade and other receivables	(1,075)	(585)	–	–	(1,660)
Reversal of provision for inventories	–	(1,443)	–	–	(1,443)
Additions to non-current assets (other than financial instruments and deferred tax assets)	13,319	35,337	61,777	–	110,433

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

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

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

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

For the year ended 30 June	2023 HK$'000	2022 HK$'000
Revenue		
Hong Kong	**7,024,720**	6,123,305
Mainland China	**637,250**	565,815
Macau	**105,239**	277,815
Total	**7,767,209**	6,966,935

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

For the year ended 30 June	2023 HK$'000	2022 HK$'000
Customer A	**1,562,309**	1,191,232
Customer B	**1,422,019**	1,356,885

The revenue contributed by the above major customers is mainly attributable to the Group's E&M services segment in Hong Kong and Mainland China, city essential services and property & facility management services segments in Hong Kong.

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

As at 30 June	2023 HK$'000	2022 HK$'000
Non-current assets, other than deferred tax assets and pension assets		
Hong Kong	**289,357**	302,903
Mainland China	**27,559**	27,054
Macau	**6,255**	8,527
Total	**323,171**	338,484

3. Other income, net

For the year ended 30 June	**2023** **HK$'000**	2022 HK$'000
Government grants[(i)]	**36,795**	36,986
Gain on disposal of right-of-use assets	**833**	–
Gain on disposal of property, plant and equipment, net	**485**	280
Ex-gratia payments from the government for retirement of motor vehicles	**485**	519
Administrative fee income for application of government grants	**421**	3,112
Exchange loss, net	**(234)**	(1,254)
Sundries	**3,238**	2,659
Total	**42,023**	42,302

Note:

(i) During the year ended 30 June 2023, the Group was entitled to government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and the Government of the Macau Special Administrative Region (the "Macau SAR Government") as financial support for its businesses, amounting to HK$77.1 million in total (2022: HK$88.2 million). Out of which, (i) HK$36.8 million was recognised as "Other income, net" (2022: HK$37.0 million) and (ii) HK$40.3 million (2022: HK$51.2 million) was net off in its staff costs.

4. Operating profit

For the year ended 30 June	**2023 HK$'000**	2022 HK$'000
Operating profit is stated after charging/(crediting):		
Staff costs (including Directors' emoluments)	**3,166,654**	2,870,494
Subcontracting fees	**2,362,409**	2,052,609
Raw materials and consumables used	**1,267,311**	1,136,189
Depreciation of right-of-use assets	**49,912**	38,546
Cost of inventories sold	**37,634**	59,829
Depreciation of property, plant and equipment	**20,916**	19,080
Auditors' remuneration		
Audit services	**6,934**	6,312
Non-audit services	**749**	742
Amortisation of other intangible assets[(i)]	**3,953**	4,256
Expenses relating to short-term leases	**3,754**	12,618
Impairment loss/(reversal of impairment loss) on trade and other receivables, net	**720**	(1,660)
Reversal of provision for inventories	**(2,681)**	(1,443)

Note:
(i) Included in general and administrative expenses

Save as disclosed in this note and elsewhere in the consolidated 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.

5. Income tax expenses

For the year ended 30 June	**2023 HK$'000**	2022 HK$'000
Current income tax		
Hong Kong profits tax	**88,873**	82,240
Mainland China income tax	**76**	2,456
Under-provision in prior years	**2,986**	732
Deferred income tax expenses/(credits)		
Income tax	**1,670**	(485)
Withholding tax	**(57)**	(130)
Total	**93,548**	84,813

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the year ended 30 June 2023 (2022: 12% to 25%). According to applicable People's Republic of China ("PRC") tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiaries which are expected to fulfill the aforesaid conditions.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

For the year ended 30 June	**2023** **HK$'000**	2022 HK$'000
Profit before income tax	**617,746**	588,717
Less: Share of results of		
Associates	**(1,445)**	(1,859)
Joint ventures	**263**	(269)
	616,564	586,589
Calculated at a tax rate of 16.5% (2022: 16.5%)	**101,733**	96,787
Under-provision in prior years	**2,986**	732
Expenses not deductible for taxation purposes	**2,014**	1,051
Tax losses not recognised	**1,598**	2,457
Effect of different taxation rates in other regions	**521**	368
Temporary differences not recognised	**125**	59
Income not subject to taxation	**(14,894)**	(15,694)
Tax concessions	**(478)**	(726)
Withholding tax on undistributed earnings from subsidiaries in Mainland China	**(57)**	(130)
Utilisation of previously unrecognised tax losses	**–**	(91)
Income tax expenses	**93,548**	84,813

6. Earnings per share for profit attributable to ordinary shareholders of the Company

(a) Basic

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

For the year ended 30 June	**2023** **HK$'000**	2022 HK$'000
Profit for the year attributable to shareholders of the Company	**522,902**	502,935
Less: Preferred distribution to the holder of convertible preference shares	**(8,454)**	(8,454)
Earnings used in the basic earnings per share calculation	**514,448**	494,481
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**1.14**	1.10

(b) Diluted

On 16 December 2019, the Company issued convertible preference shares 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 30 June 2023 and 30 June 2022, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2023 and 30 June 2022. As a result, the diluted earnings per share equals to the basic earnings per share for the years ended 30 June 2023 and 30 June 2022.

7. Dividends

For the year ended 30 June	**2023** **HK$'000**	2022 HK$'000
Interim dividend paid of HK24.5 cents (2022: HK20.9 cents) per share	**110,250**	94,050
Final dividend proposed of HK21.3 cents (2022: HK24.1 cents) per share	**95,850**	108,450
Total	**206,100**	202,500

Note:
At a meeting held on 27 September 2023, the Board recommended a final dividend of HK21.3 cents (2022: HK24.1 cents) per ordinary share to the ordinary shareholders of the Company. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained earnings for the year ending 30 June 2024.

8. Trade and other receivables

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 30 June	2023 HK$'000	2022 HK$'000
Current to 90 days	**1,085,138**	769,641
91 to 180 days	**42,697**	35,868
Over 180 days	**60,749**	27,170
Total	**1,188,584**	832,679

9. Trade and other payables

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 30 June	2023 HK$'000	2022 HK$'000
1 – 90 days	**374,229**	223,214
91 – 180 days	**19,540**	21,811
Over 180 days	**20,549**	19,420
Total	**414,318**	264,445

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In FY2023, the Group recorded revenue amounting to HK$7,767.2 million, representing an increase of HK$800.3 million or 11.5%, as compared with HK$6,966.9 million in FY2022. Profit attributable to shareholders for the year was HK$522.9 million, representing an increase of HK$20.0 million or 4.0% as compared with HK$502.9 million in FY2022, mainly resulted from the strong performance of the cleaning & pest control, technical support & maintenance, insurance solutions, environmental solutions and E&M businesses, partly offset by the effects of (i) a lower contribution from the security guarding & event services business, (ii) a decrease in government grants and (iii) higher corporate finance costs. Details of the government grants recognised by the Group are summarised in the table below.

Summary of government grants

For the year ended 30 June	**2023 HK$'M**	2022 HK$'M
Recognised as deduction of staff costs included in "Cost of services and sales"	**34.3**	43.9
Recognised as deduction of staff costs included in "General and administrative expenses"	**6.0**	7.3
Recognised as "Other income"	**36.8**	37.0
Gross	**77.1**	88.2
Non-controlling interests	**(0.1)**	–
Net	**77.0**	88.2

Results excluding non-recurring items

If excluding the effects of government grants in the Group's results for both years to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit of 7.5% to HK$445.9 million (i.e. after excluding government grants of HK$77.0 million from profit attributable to shareholders of the Company of HK$522.9 million) for the Year as compared to its adjusted net profit of HK$414.7 million (i.e. after excluding government grants of HK$88.2 million from profit attributable to shareholders of the Company of HK$502.9 million) for last year. Such analysis, which involves the exclusion of government grants mentioned above, may not be comparable to similar analysis presented by other companies.

Gross value of contract sum and outstanding contract sum

As at 30 June 2023	Gross value of contract sum HK$'M	Outstanding contract sum HK$'M
Property & facility management services	**1,905**	**963**
City essential services	**9,857**	**6,196**
E&M services	**11,378**	**5,857**
Total	**23,140**	**13,016**

PROPERTY & FACILITY MANAGEMENT SERVICES SEGMENT

The Group's property and facility management services business, comprising Urban, International Property Management and Kiu Lok (together, the "Property & Facility Management Group"), is 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 customised professional management services for its 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 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.

During FY2023, our Property & Facility Management Group submitted tenders for 36 service contracts (with a contract sum not less than HK$1 million for each service contract) with a total tender sum of HK$966 million and, combining the submitted tenders from previous months, was awarded 30 service contracts (with a net contract sum not less than HK$1 million for each service contract) with a total contract sum of HK$294 million. Among these 30 service contracts, three of them were major service contracts (with net contract sum not less than HK$20 million for each service contract) for EcoPark and two residential estates in Tuen Mun and Fo Tan.

As at 30 June 2023, the property & facility management services segment has a total gross value of contract sum of HK$1,905 million with total outstanding contract sum of HK$963 million.

CITY ESSENTIAL SERVICES SEGMENT

Cleaning & 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 7,500 skillful staff, a strong fleet management with over 60 municipal vehicles and full support towards customers. High degree of service commitments keeps Waihong ranked among the top three 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 FY2023, Waihong submitted tenders for 476 cleaning service contracts (with a contract sum not less than HK$1 million for each service contract) with a total tender sum of HK$10,989 million and, combining the submitted tenders from previous months, was awarded 158 new service contracts (with a net contract sum not less than HK$1 million for each service contract) with a total contract sum of HK$3,312 million. Among these 158 service contracts, 34 of them were major service contracts (with net contract sum not less than HK$20 million for each service contract), which included 13 cleaning contracts for government leisure facilities and five shopping malls in various districts, three residential estates in Quarry Bay, Shatin and Fo Tan, two commercial complexes in Sheung Wan and Kai Tak, two pest control service contracts for Tuen Mun and Shatin, entertaining facilities in Shatin, the airport, an airport ancillary building, a hospital in Sai Ying Pun, waste collection services in Kowloon City, science facilities in Tai Po, broadcast facilities in Tseung Kwan O, an exhibition facility in Chek Lap Kok and government clinics in the New Territories West.

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 FY2023, the Group submitted tenders for 462 maintenance service contracts (with a contract sum not less than HK$1 million for each contract) with a total tender sum of HK$3,920 million and, combining the submitted tenders from previous months, was awarded 109 projects (with a net contract sum not less than HK$1 million for each project) with a total net contract sum of HK$613 million. Among these 109 projects, six of them were major projects (with net contract sum not less than HK$20 million for each project), which included chiller replacement for a convention plaza in Wan Chai, chiller and acoustic panel replacement for a shopping centre in Tin Shui Wai, two term contracts for E&M maintenance in Cheung Sha Wan Wholesale Food Market and a youth centre in Chai Wan, and system upgrading work for two hotels in Macau.

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 FY2023, General Security and Perfect Event submitted tenders for 90 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$1,507 million and, combining the submitted tenders from previous months, was awarded 51 service contracts (with a net contract sum not less than HK$1 million for each service contract) with a total contract sum of HK$528 million. Among these

51 service contracts, seven of them were major service contracts (with net contract sum not less than HK$20 million for each service contract) including four residential estates in Sai Kung, Shatin, North Point and Pokfulum, Kai Tak Sports Park, a youth centre in Chai Wan and a centre for heritage and arts in Central.

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.

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, customised 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 FY2023, Nova has secured placement for a number of sizeable construction projects. Nova also managed to get some new accounts, including food and beverages companies, listed companies, schools and educational institutions and non-governmental organisations. Furthermore, it has handled more professional indemnity insurance and trade credit insurance business. 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 FY2023, Nova submitted tenders for 16 service contracts (with a contract sum not less than HK$1 million for each service contract) with a total tender sum of HK$31 million and all of them were awarded.

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 tower, swimming pool, public toilet, 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.

(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 eco-friendly 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 FY2023, the Group submitted tenders for 33 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$99 million and, combining the submitted tenders from previous months, was awarded 16 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$42 million and 4 ELV service contracts (with a net contract sum not less than HK$1 million for each contract) with a total contract sum of HK$53 million. In addition, the Group submitted 17 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$34 million and, combining the submitted quotations from previous months, was accepted 4 orders (with a sum not less than HK$1 million for each order) with a total sum of HK$6 million.

As at 30 June 2023, the city essential services segment has a total gross value of contract sum of HK$9,857 million with a total outstanding contract sum of HK$6,196 million.

E&M SERVICES SEGMENT

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 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 FY2023, the Group's E&M services division submitted tenders for 152 E&M engineering projects (with a contract sum not less than HK$1 million for each project) with a total tender sum of HK$22,089 million and, combining the submitted tenders from previous months, was awarded 34 contracts (with a net contract sum not less than HK$1 million for each project) with a total net contract sum of HK$3,288 million. Among these contracts, ten of them were major projects (with net contract sum not less than HK$100 million for each project), which included, in Hong Kong the District Court in Caroline Hill Road, expansion of the Legislative Council Complex, three residential developments near the Ho Man Tin Station, in Kai Tak and Kwun Tong, a public housing development in Wang Chiu Road and, in Mainland China three commercial complex developments in Hangzhou and Ningbo and a hotel complex in Shanghai Huangpu.

As at 30 June 2023, the E&M services segment has a total gross value of contract sum of HK$11,378 million with a total outstanding contract sum of HK$5,857 million.

FINANCIAL REVIEW

Revenue

In FY2023, the Group's revenue increased by HK$800.3 million or 11.5% to HK$7,767.2 million from HK$6,966.9 million in FY2022, reflecting higher revenue from all our 3 business segments of the city essential services segment, the E&M services segment and the property & facility management services segment amounting to HK$514.2 million, HK$273.8 million and HK$12.3 million respectively.

	For the year ended 30 June		
	2023 HK$'M	2022 HK$'M	% Change
Property & facility management services*	**708.6**	696.3	1.8%
City essential services*	**3,766.8**	3,252.6	15.8%
E&M services*	**3,291.8**	3,018.0	9.1%
Total	**7,767.2**	6,966.9	11.5%

* 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 57.6% in FY2023 (2022: 56.7%), whereas the revenue from E&M services segment contributed 42.4% in FY2023 (2022:43.3%).

	For the year ended 30 June			
	2023 HK$'M	**% of total revenue**	2022 HK$'M	% of total revenue
Property & facility management services*	**708.6**	**9.1%**	696.3	10.0%
City essential services*	**3,766.8**	**48.5%**	3,252.6	46.7%
E&M services*	**3,291.8**	**42.4%**	3,018.0	43.3%
Total	**7,767.2**	**100.0%**	6,966.9	100.0%

* Segment revenue does not include inter-segment revenue.

In FY2023, the Group's revenue contribution from Hong Kong, Mainland China and Macau was 90.4%, 8.2% and 1.4% (2022: 87.9%, 8.1% and 4.0%) respectively.

	For the year ended 30 June			
	2023 HK$'M	**% of total revenue**	2022 HK$'M	% of total revenue
Hong Kong	**7,024.7**	**90.4%**	6,123.3	87.9%
Mainland China	**637.3**	**8.2%**	565.8	8.1%
Macau	**105.2**	**1.4%**	277.8	4.0%
Total	**7,767.2**	**100.0%**	6,966.9	100.0%

- *Property & facility management services:* This segment contributed 9.1% (2022: 10.0%) of the Group's total revenue. The services were principally provided in Hong Kong.

  Segment revenue grew by 1.8% or HK$12.3 million to HK$708.6 million from HK$696.3 million. Such growth was mainly driven by (i) newly awarded property management contracts for residential and industrial buildings in Hong Kong and (ii) property management income from a property management project in Shanghai.

  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 FY2023 would increase by HK$3,100.0 million from its reported amount of HK$708.6 million (2022: HK$696.3 million) to about HK$3,800.0 million (2022: HK$3,500.0 million).

- *City essential services:* This segment contributed 48.5% (2022: 46.7%) of the Group's total revenue. The individual components of this services segment are as below:

	For the year ended 30 June		
	2023	2022	% Change
	HK$'M	HK$'M	
Cleaning & pest control services	**1,731.2**	1,409.3	22.8%
Technical support & maintenance services	**962.8**	834.0	15.4%
Security guarding & event services	**633.5**	636.4	(0.5%)
Insurance solutions	**110.4**	99.6	10.8%
Environmental solutions	**328.9**	273.3	20.3%
Total	**3,766.8**	3,252.6	15.8%

  Most of the revenue reflected an increase in contribution from Hong Kong (HK$549.4 million), offset by a decrease in revenue from Macau (HK$30.3 million) and Mainland China (HK$4.9 million).

  Segment revenue grew by 15.8% or HK$514.2 million to HK$3,766.8 million from HK$3,252.6 million reflected (i) many new general cleaning service contracts, encompassing a wide range of buildings and facilities, including government leisure facilities, shopping malls, clubhouses, exhibition centres, airport ancillary building, government clinics and buildings, residential and commercial properties; (ii) higher revenue from its technical support and maintenance services business for system replacement and upgrading works including various shopping malls in Tseung Kwan O and Lei Yu Mun, a residential property in Central and term contract works for a number of government departments and facilities; (iii) higher revenue from its environmental solutions business, especially its provision of ELV device installation services for 11 SKIES project in Chak Lap Kok and (iv) an increase in new insurance contracts for general insurance and insurance for construction projects awarded.

- *E&M services:* This segment contributed 42.4% (2022: 43.3%) of the Group's total revenue and 80%, 19% and 1% (2022: 76%, 18%, 6%) of this segment's revenue were contributed from Hong Kong, Mainland China and Macau respectively. Higher revenue contribution was recorded this Year from Hong Kong (HK$352.1 million) and Mainland China (HK$64.0 million), offset by a decrease in revenue from Macau (HK$142.3 million).

	For the year ended 30 June		
	2023	2022	% Change
	HK$'M	HK$'M	
Hong Kong	**2,651.1**	2,299.0	15.3%
Mainland China	**610.3**	546.3	11.7%
Macau	**30.4**	172.7	(82.4%)
Total	**3,291.8**	3,018.0	9.1%

Segment revenue increased by 9.1% or HK$273.8 million to HK$3,291.8 million from HK$3,018.0 million, mainly reflected the substantial progress of a number of E&M engineering installation projects this year including Immigration Headquarters in Tseung Kwan O, redevelopment of an office building in Wan Chai, a public rental housing project in Tai Po and Ningbo New World Plaza Comprehensive Development project, partly offset by a lower revenue contribution from the InIand Revenue Tower project in Kai Tak and Macau Studio City Phase 2 which had significant progress last year.

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 FY2023 would increase by HK$2,500.0 million from its reported amount of HK$3,291.8 million (2022: HK$3,018 million) to about HK$5,800.0 million (2022: HK$3,700.0 million).

Gross profit

The following table presents the breakdowns of the Group's gross profit by business segment:

	For the year ended 30 June			
	2023	**2023**	2022	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	**230.7**	**32.6%**	219.4	31.5%
City essential services	**465.9**	**12.4%**	434.4	13.4%
E&M services	**355.0**	**10.8%**	338.7	11.2%
Total	**1,051.6**	**13.5%**	992.5	14.2%

In FY2023, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 21.9% (2022: 22.1%), 44.3% (2022: 43.8%) and 33.8% (2022: 34.1%) of its gross profit respectively. The Group's gross profit increased by HK$59.1 million or 6.0% to HK$1,051.6 million from HK$992.5 million in FY2022, with an overall gross profit margin decreased to 13.5% from 14.2%, mainly reflecting higher labour costs of the security guarding and event services business and a decrease in government grants.

	For the year ended 30 June			
	2023 HK$'M	**Gross profit margin %**	2022 HK$'M	Gross profit margin %
Gross profit and gross profit margin excluding government grants				
Gross profit as reported	**1,051.6**	**13.5%**	992.5	14.2%
Excluding government grants	**(34.3)**	**(0.4%)**	(43.9)	(0.6%)
Gross profit excluding government grants	**1,017.3**	**13.1%**	948.6	13.6%

If excluding the effects of these grants in the Group's gross profit for both years (i.e. HK$34.3 million for the Year and HK$43.9 million in last year) to better illustrate the Group's performance without such effects, the adjusted gross profit margin would decrease to 13.1% from 13.6% last year. This was mainly caused by a lower gross margin of the city essential services segment, principally driven by the higher labour costs in the security guarding & event services business.

- *Property & facility management services:* This segment recorded an increase in its gross profit of HK$11.3 million to HK$230.7 million from HK$219.4 million, with its gross profit margin increased to 32.6% from 31.5%. This was caused by higher property management remuneration income from a commercial complex in Wanchai.

- *City essential services:* This segment recorded an increase in its gross profit of HK$31.5 million to HK$465.9 million from HK$434.4 million, with its gross profit margin decreased to 12.4% from 13.4%. This was caused by (i) an increase in new cleaning service contracts; (ii) a higher gross profit contribution from its technical support and maintenance business driven by an increase in system replacement and government's term contract works; (iii) an increase in new service contracts for general insurance and insurance for construction projects awarded; and (iv) a higher gross profit contribution from its environmental solutions business, especially its provision of ELV device installation services for Inland Revenue Tower project in Kai Tak and 11 SKIES project in Chak Lap Kok, partly offset by the decrease in government grants and a lower gross profit contribution from its security guarding & event services.

- *E&M services:* The gross profit of the E&M services segment increased by HK$16.3 million to HK$355.0 million from HK$338.7 million with its stable gross profit margin at 10.8%, principally reflected a higher gross profit contribution from its Immigration Headquarters project in Tseung Kwan O, partly offset by a decrease in government grants.

General and administrative expenses

General and administrative expenses of the Group for the Year increased by HK$26.4 million or 5.9% to HK$470.7 million from HK$444.3 million last year, reflected an increase in staff costs following an increase in the number of staff and a decrease in government grants.

	For the year ended 30 June			
	2023	2022	Change	% Change
	HK$'M	HK$'M	HK$'M	
General and administrative expenses excluding government grants				
General and administrative expenses as reported	**470.7**	444.3	26.4	5.9%
Excluding government grants	**6.0**	7.3	(1.3)	(17.8%)
General and administrative expenses excluding government grants	**476.7**	451.6	25.1	5.6%

If excluding the effects of government grants in the Group's general and administrative expenses for both years (i.e. HK$6.0 million for the Year and HK$7.3 million last year) to better compare their amounts without such effects, the adjusted general and administrative expenses would increase by 5.6% to HK$476.7 million compared to HK$451.6 million last year.

Other income, net

Other net income of HK$42.0 million was recorded by the Group during FY2023 compared to HK$42.3 million recorded in FY2022.

The other net income recorded during the Year mainly represented the recognition of government grants in Hong Kong and Macau and gain on disposal of a property in the Mainland China. The net income recorded last year mainly represented the recognition of government grants in Hong Kong and Macau and the administration fee income for property management companies under Anti-epidemic Support Scheme.

Finance income

In FY2023, the Group recorded finance income of HK$10.6 million (2022: HK$1.5 million). The increase mainly reflected higher average market interest rates and principal sum of the Group's bank deposits placed during the Year.

Finance costs

The Group's finance costs of HK$16.9 million (2022: HK$5.4 million) for FY2023 included interest expenses of (i) HK$10.2 million (2022: HK$2.6 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019 (ii) HK$4.8 million (2022: HK$1.4 million) for other bank borrowings and (iii) HK$1.9 million (2022: HK$1.4 million) for lease liabilities.

Income tax expenses

The effective tax rate of the Group increased by 0.7% to 15.2% (2022: 14.5%), mainly attributable to a reduction in the non-taxable government grants.

Profit for the year attributable to shareholders of the Company

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

	For the year ended 30 June			
	2023	2022	Change	% Change
	HK$'M	HK$'M	HK$'M	
Property & facility management services	**138.5**	136.3	2.2	1.6%
City essential services	**215.9**	201.5	14.4	7.1%
E&M services	**185.6**	173.4	12.2	7.0%
Unallocated corporate expenses and finance costs*	**(17.1)**	(8.3)	(8.8)	106.0%
Total	**522.9**	502.9	20.0	4.0%

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK$6.9 million (2022: HK$5.7 million) and interest expenses of HK$10.2 million (2022: HK$2.6 million).

The Group's profit for the Year increased by 4.0% or HK$20.0 million to HK$522.9 million compared to HK$502.9 million last year. The increase mainly resulted from the strong performance of the cleaning & pest control, technical support & maintenance, insurance solutions, environmental solutions and E&M businesses, partly offset by the effects of (i) a decrease in government grants, (ii) a lower contribution from the security guarding & event services business and (iii) higher corporate finance costs. Details of the government grants recognised by the Group are set out in Note 3 to the consolidated financial statements. The net profit margin of the Group reduced to 6.7% for the Year from 7.2% for last year.

	For the year ended 30 June			
	2023	2022	Change	% Change
	HK$'M	HK$'M	HK$'M	
Profit attributable to shareholders excluding government grants				
Profit attributable to shareholders as reported	**522.9**	502.9	20.0	4.0%
Excluding government grants	**(77.0)**	(88.2)	11.2	(12.7%)
Profit attributable to shareholders excluding government grants	**445.9**	414.7	31.2	7.5%

If excluding the effects of government grants in the Group's result for both years to better illustrate the Group's financial results without such effects, the Group would record an increase in adjusted net profit for the Year of 7.5% to HK$445.9 million (i.e. after excluding government grants of HK$77.0 million from its profit attributable to shareholders of the Company of HK$522.9 million) as compared to its adjusted net profit of HK$414.7 million for last year (i.e. after excluding government grants of HK$88.2 million from its profit attributable to shareholders of the Company of HK$502.9 million).

Other comprehensive (loss)/income

The Group recorded other comprehensive loss for the Year of HK$10.1 million (2022: other comprehensive income of HK$8.0 million), reflected an unfavourable exchange movement of HK$11.0 million (2022: HK$1.9 million) recorded during the Year following a depreciation of the Renminbi ("RMB") for conversion of the Group's net investment in Mainland China, partly mitigated by remeasurement gains on long service payment liabilities of HK$0.8 million (2022: HK$12.4 million) and defined benefit retirement scheme of HK$0.1 million (2022: losses of HK$2.5 million).

Capital structure

As at	**30 June 2023 HK$'M**	**% to total equity**	30 June 2022 HK$'M	% to total equity	Increase/ (decrease) HK$'M
Non-current assets	**338.0**	**48.3%**	354.3	81.1%	(16.3)
Cash and bank balances	**751.9**	**107.5%**	767.0	175.6%	(15.1)
Borrowings (i)	**282.0**	**40.3%**	403.5	92.4%	(121.5)
Net cash (ii)	**469.9**	**67.2%**	363.5	83.2%	106.4
Working capital (iii)	**723.4**	**103.4%**	468.3	107.2%	255.1
Total equity	**699.4**	**100.0%**	436.8	100.0%	262.6

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.

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 30 June 2023, the Group had total cash and bank balances of HK$751.9 million (30 June 2022: HK$767.0 million), of which 96%, 2% and 2% (30 June 2022: 89%, 9% and 2%) were denominated in Hong Kong dollar, RMB and other currencies respectively, and total borrowings of HK$282.0 million (30 June 2022: HK$403.5 million), of which HK$263.6 million was denominated in Hong Kong dollars (30 June 2022: HK$403.5 million) and HK$18.4 million (30 Jun 2022:Nil) was denominated in RMB. The Group's net cash balance increased by HK$106.4 million to HK$469.9 million as at 30 June 2023 as compared to HK$363.5 million as at 30 June 2022 mainly reflecting the net cash inflow from operating activities, partly offset by the distribution of the Company's FY2022 final dividend of HK$108.4 million and FY2023 interim dividend of HK$110.3 million and the Group's payments for principal portions of lease liabilities of HK$49.4 million. The Group's net gearing ratio was maintained at zero as at 30 June 2023 (30 June 2022: 0%). This ratio is calculated as net debt divided by total equity.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 30 June 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$2,649.7 million (30 June 2022: HK$2,731.6 million). As at 30 June 2023, HK$1,052.3 million (30 June 2022: HK$945.6 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 30 June 2023, the Group's total debts amounted to HK$282.0 million (30 June 2022: HK$403.5 million), of which HK$18.4 million is renewed on a monthly basis and HK$263.6 million matures in December 2024. The Group has managed its debt maturity profile to minimise it refinancing risks. HK$263.6 million of these debts are denominated in Hong Kong Dollar and bears interest at floating rates and HK$18.4 million of these debts are denominated in RMB and bears interest at a fixed rate.

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 forward foreign exchange contracts to reduce exposure should the need arises.

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK$128.7 million (30 June 2022: HK$136.6 million) as at 30 June 2023. The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

During the Year, the fluctuation of RMB against Hong Kong dollars was 10% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Year).

As at 30 June 2023, if the Hong Kong dollars had strengthened/weakened by another 10% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$12.9 million lower/higher.

Capital commitments

As at 30 June 2023, the Group had capital commitments of HK$1.4 million (30 June 2022: HK$1.9 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 30 June 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 30 June 2023, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2023 and 2022 pursuant to HKAS 33's requirements as described in Note 6 to the consolidated financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the financial year of 30 June 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 year ended 30 June 2023 would be HK$1.06 per share, calculated as the Group's profit attributable to shareholders of the Company of HK$522.9 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Addressing sustainability issues and managing Environmental, Social and Governance ("ESG") risks are essential to demonstrating our sustainability performance and meeting the expectations of our stakeholders. The Board of Directors holds the overall accountability for the Group's ESG management approach, strategy and performance. The Board's responsibilities include reviewing the Group's material ESG topics and approving the ESG related policies and targets. The Board also reviews and signs off the annual ESG Report. To support the Board's oversight and systematic management of the ESG issues, we have set up a Board-level ESG Committee. The members of the Committee are appointed by the Board and composed of three executive directors (one of the executive directors is the Chairman) and two independent non-executive directors of the Company. The ESG Committee meets regularly to review the Group's sustainable development and provide recommendations on relevant ESG matters to the Board. The recommendations are examined and endorsed by the Board, for various departments to drive ESG performance accordingly.

A stand-alone ESG report which references Appendix 27, Environmental, Social and Governance Reporting Guide, to the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in October 2023.

ENVIRONMENTAL

Environmental concerns

Having signed the Low Carbon Charter launched by Business Environment Council Limited ("BEC") in FY2022, we continue to commit to developing target setting aligned with Science Based Targets Initiatives ("SBTi"), implementing strategic actions, disclosing progress, and advocating sustainable practices to our stakeholders.

Our ISO 14001 – certified Environmental Management System helps us monitor and manage our environmental performance in a systematic approach, allowing us to identify and mitigate the environmental issues associated with our operations through a continuous improvement cycle. Although no significant impacts have been caused by the Group's business operation, to mitigate identified potential environmental issues timely and track improvements over time, our Environmental Aspect Register records environmental issues and the associated mitigation measures.

We recognise the potential risks and impacts associated with climate change and we have acted accordingly. Designated personnels have been assigned from every business unit, and they are required to meet regularly to discuss how the Group can reduce and mitigate climate change risks and identify potential opportunities.

Commitment to the environment

Our environmental targets set by the ESG Committee in FY2022 have been well achieved. To demonstrate further commitment in reducing environmental footprint, new environmental targets regarding reduction in fuel consumption, electricity consumption and paper procurement have been set to reflect our strong passion in environmental sustainability. Our new set of targets aims to reduce 0.5% of fuel consumption by intensity, 1.5% of electricity consumption by intensity, and 8% of paper procured by intensity.

Building a culture of sustainability

We believe fostering behavioural change within the Group is key to driving sustainable growth. To nurture an environmentally friendly culture within the Group, the Green Office Guidelines were officially launched in November 2016. The Guidelines focus on paper use reduction, energy conservation and materials recycling at our offices, sites, workshops and plant rooms.

SOCIAL

Environment appreciation journey

The Group has always been supportive towards the "Green Power Hike" organised by the Green Power. This year marks the second consecutive decade of the Group's participation. Pratising nature appreciation and raise funds for environmental conservation and education through exploring the ecology of Hong Kong is important to us and the wider community. Through the event, colleagues can acquire relevant knowledge and to practise "Leave No Trace" while enjoying the beauty of nature.

Sports and employee well-being

We believe that sport activities are closely related to the well-being of our employees. Therefore, the Group has hosted multiple sports activities for employees to participate in. A friendly football match has been held between Towngas and the Group in June 2023. During the competition, players showed traits of resilience and determination, which are also key elements to business success.

People development

We place great emphasis on the ongoing development and growth of the Group's workforce. We believe this is a key component of our ESG agenda, as it drives the long-term sustainable development of the Group and enables us to provide our customers with best-in-class products and services. To ensure that our employees stay up to date with the latest industry knowledge and innovative technologies, we have provided comprehensive and structured training and development programmes to our employees. We are not only closely identifying and nurturing future talents, but also providing upward mobility within the Group and aim to increase the level of employee loyalty.

Our training programmes cover aspects that may have an impact to the Group's daily operation, including but not limited to the integration of management systems, risk assessments, leadership training and cross-generation exchange programmes.

Our Training and Education Subsidy Scheme cultivates a continuous learning culture and is an effective tool to stimulate the potential of our employees. Our employees are welcome to apply for the Training and Education Subsidy Scheme with the ambition to accelerate personal growth and prepare for career advancement. Under FSE Engineering Group's Training Subsidy

Policy, employees can apply for subsidies for Master- or Degree- level education relevant to their jobs, with up to 80% subsidy granted. Besides tertiary and advanced education, employees are also encouraged to attend training courses such as Problem-Solving Skills Workshop, BIM Viewer Training, to strengthen individual workplace skillsets.

Hong Kong is an urban commercial region with constant changes and rapid development in macro workforce demographic composition. As a people-oriented business, we believe that the solution to the above-mentioned issue lies within the capability of the younger generation. The Group's Human Resource Department recognises the need of nurturing future talents to facilitate sustainable development and stay competitive within the commercial market. To address this topic, subsidiaries of the Group have rolled out training programmes for years. These renowned talent development programmes are necessary in shaping the future leadership figures of the Group, leading the group to even more success.

During the Year, a total of over 127,000 hours of training in various work skills were provided to our staff.

Corporate Social Responsibility ("CSR")

This year, our long-established CSR Committee continued to encourage our employees to participate in a variety of social services events and practice corporate citizenship. With a firmly established spirit of giving back and serving our community, we are dedicated to focusing on environmental awareness, supporting the children, the elderly and disadvantaged groups, and embracing to support ethnic groups through the Group's people-oriented activities. Our highly enthusiastic colleagues served different groups of beneficiaries, shaping a positive atmosphere, and creating positive impact in our shared community.

Caring for the environment

As an environmentally responsible business, we adhere to the principles of green living by supporting and participating in energy-saving events to demonstrate our commitment. To address the severity of impacts caused by climate change, we continued to take part in the Earth Hour campaign, an annual environmental movement led by the World Wild Fund for Nature (WWF). We supported Earth Hour 2023 by switching off all non-operational lights at the Group's Headquarters and all office buildings under our services for one hour at 8:30pm on 25 March 2023. Besides workplace practice, we also encouraged our staff to participate by switching off non-essential lights at home.

Caring for the children, the elderly and the disadvantaged groups

The drop in the number of COVID cases suggested some form of easing the situation. However, we believed it was not yet the time to let our guard down completely. We realised that our local community still needed our care and assistance. During these unprecedented times, we remained steadfast in our commitment to contribute to society and provided much-needed assistance to the elderly and disadvantaged with confidence in our ability to make a positive impact.

FSE Caring Day is the Group's signature ESG event. In March 2023, we collaborated with our trusted NGO partners, the Tung Wah Group of Hospitals (TWGHs) and Food Angel by Bo

Charity Foundation to launch this annual event at the CIC-Zero Carbon Park in Kowloon Bay. Social service activities were organised by our volunteers for FSE Caring Day to engage with the elderly and the underprivileged. Our volunteers expressed their love and warm reminder to stay safe during the pandemic. We hoped to advocate for a caring culture to the community and educate our employees that there are people who need our help through our flagship event.

Besides our flagship event, the Group also organised other engagement activities to address the needs of the elderly and the underprivileged. Since March 2023, FSE Lifestyle has been collaborating with Food Angel by Bo Charity Foundation. In May 2023, 20 FSE Lifestyle volunteer team members from different departments helped packed 500 "Fortune Bags", containing noodles, biscuits, oatmeal, oil, baked beans, and corn in two hours and distributed them to the elderlies and low-income families, in hope to share our care to them.

Child welfare is one of the focus areas of our community services. In September 2022, 4 members of the Urban Group joined and won the Charity 3-on-3 Basketball Competition in the "Sport-Friendly Action" Corporate Cup 2022 organised by the Chinese YMCA of Hong Kong. Held in Wu Kwai Sha Youth Village and with Urban Group being one of the donors, the aim of this event is to raise funds for the underprivileged children's basketball training programme alongside promoting wellness and sportsmanship. Urban Group will continue to support the "Sport-Friendly Action" Award Scheme in the future.

Addressing the needs of our society and keeping our community happy is one of the Group's aims when planning and organising CSR events. In April 2023, 20 employees from FSE Engineering formed a volunteer team and celebrated Easter with people with Down syndrome. Collaborating with Bradbury Parents Resource Centre, our volunteer team prepared fabulous programmes, including Easter egg painting, magic show and games, for 30 friends at the Centre. To make the event more enjoyable, gifts were prepared for our friends at the Centre. We hope this meaningful event will raise more awareness in the community about people with Down syndrome.

Caring for the ethnic groups

The Group attached great importance to ethnic groups in our community and made efforts to provide opportunities to them for future development. During the reporting year, we collaborated with Chi Lin Buddhist Secondary School to provide on-job-training programme for their Form 6 students with Special Educational Needs ("SEN"). For students completed a 3-week office work placement in FSE Engineering, Urban Group, Nova Insurance and Waihong Services on 10 June 2023, which provided them with hands-on working experience for their future careers.

Additionally, to support the development of ethnic minority groups in the community, the Group worked with The Zubin Foundation to offer job opportunities to them. We intend to provide further support in contributing to the community and ethnic groups in the future.

The Group is committed to upholding corporate social responsibility by organising a wide range of high quality and impactful charitable campaigns. We strive to create a positive impact in our shared community and address current needs in a beneficial manner. We are dedicated to encouraging a culture of volunteerism amongst our employees and will continue to strengthen our contribution in fostering a caring society by launching more events in the coming year.

GOVERNANCE

Compliance with relevant laws and regulations

During the Year, there were no reported cases of non-compliance with relevant laws and regulations that have had a significant impact on business regarding the environment, health and safety, labour standards, and data privacy.

ESG Committee

During the reporting year, the ESG Committee convened 3 meetings to discuss the ESG issues including materiality assessment, progress of environmental targets and ESG Report. The ESG Committee has also updated the environmental targets for fuel and electricity consumption, as well as paper procured for FY2023.

Risk Management Committee

The Risk Management Committee oversees the Group’s risk management mechanism, including risks and opportunities related to ESG, and is also responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. The Group has adhered to a formally established Risk Management Policy to identify, evaluate, and manage risks (environmental and social) on a regular basis. The Safety Committee reports to the Risk Management Committee.

Internal audit

The Board has authorised the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. The internal audit function, which is fully independent of the daily operations of the Group, is conducted by the Company’s Internal Audit Department.

Integrated Management System

The Group’s management committee oversees the implementation of the Group’s Integrated Management System (“IMS”) and sustainability policies under the leadership of an Executive Directive. The IMS comprises of three international management systems certified to standards established by the International Organisation for Standardisation (“ISO”) – ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 45001 Occupational Health and Safety Management System.

Ethical governance

We uphold the highest ethical standards and accountability throughout the Group’s daily operation and have a stringent zero-tolerance approach towards any fraudulent or unethical conduct. All employees are required to follow the instructions as stated in the Employee Handbook. For instance, it lists out the rules on accepting gifts from business partners.

The Group's whistleblowing and grievance mechanisms has been stated in our Whistleblowing Policy and Employee Handbook, to facilitate the Group's ongoing due diligence against unethical behaviour and provide confidential channels for concerned employees at all levels to report bribery or malpractice of any form. Moreover, our Anti-Fraud Policy provides a dedicated confidential channel for employees and external stakeholders to report any suspected or actual fraud, corruption, illegal acts, or unethical practices by employees and other personnel of the Group.

The Group also invited the Independent Commission Against Corruption ("ICAC") to conduct a seminar on ethical awareness in March 2023. During the reporting period, the Group has fully complied with the laws and regulations relating to bribery, extortion, fraud, and money laundering, and did not have any concluded corruption cases press against the Group or its employees.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 24,496 employees (30 June 2022: 20,004), including 9,102 (30 June 2022: 8,070) 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 Year, including salaries and benefits, was HK$3,166.7 million (2022: HK$2,870.5 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.

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

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

OUTLOOK

Property & Facility Management Services segment

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

- There is an increasing demand for professional property management services in Hong Kong as a result of the government's policy to increase the supply of residential units over the next 10 years. Market opportunities arising from the increased supply of both private and public housing have led to a promising demand for professional property management services in Hong Kong.

- With the current social call and demand for safeguarding the rights of property owners, there is a growing demand for independent property and facility management companies that are not subsidiaries of property developers.

- The ongoing growth in the supply of residential properties in Hong Kong offers increased opportunities for the Group's sales and leasing business 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 its sales and leasing services to this target market.

- Our Property & Facility Management Group, with over 6,000 staff, has embarked on new operating methodologies and combined its quality manpower strengths with modern innovative technologies and Internet of Things ("IoT") applications to enhance its overall service efficiency and effectiveness. With the society's increasing demand for use of technology, our Property & Facility Management Group is readily poised for capturing the market opportunities arising from this trend.

- Our Property & Facility Management Group comprises one of the strongest professionally qualified teams to serve our diverse clientele. While its individual companies are licensed as property management companies under the Property Management Services Ordinance "PMSO") (Cap. 626 of the Laws of Hong Kong), it also maintains a strong team of over 500 Tier 1 and Tier 2 property management practitioners, considered to be one of the largest 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, it has established a good strategic position to capitalise on the market openings and demand generated by the full enactment of PMSO and maintains good competitive advantages over its competitors 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 been participating in and coordinating different types of building renovation and improvement projects for large private housing estates, commercial premises and modern intelligent buildings to enhance their building facilities and ultimately increase their asset value. It currently maintains a strong engineering team with over 500 highly trained technical personnel to serve its clients.

- In addition to the strong synergies created between the various business units within the Group, our Property & Facility Management Group has developed a wide range of partnerships with professional service providers and contractors. It maximises its competitive advantages by creating economies of scale and strong bargaining power for its clients to always achieve cost effectiveness and operational efficiency. Most importantly, it can provide its clients with the most cost-effective services at the best price levels.

- In addition to statutory requirements, our Property & Facility Management Group has been implementing 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" by organising and participating in over 100 corporate social responsibility activities annually. More importantly, Urban's clear and comprehensive risk and crisis management system covers a wide range of crises, from the operational suspension of building services and systems failures to territory-wide pandemics.

- 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 using digital platforms such as internet 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.

City Essential Services segment

1. Cleaning & Pest Control Services

Following the cancellation of various restrictive measures for prevention of COVID-19 since early 2023, Hong Kong's economy is recovering. Waihong believes the outlook of the cleaning and pest control industry is positive:

- In the coming years, a number of new residential and commercial projects will be launched in Kai Tak and the Northern Metropolis. As these buildings are gradually completed, coupled with the general public's increasing hygiene awareness, the demand for specialist cleaning and hygiene services for these properties and facilities will increase. Waihong will leverage its competitive advantages to explore more potential businesses from the private and public market segments as well as the government segment.

- Waihong is the cleaning service provider of Hong Kong Convention and Exhibition Centre, AsiaWorld-Expo, Hong Kong Stadium and Hong Kong Jockey Club. It benefits from a lot of international events including exhibitions, conferences, concerts, racing and sporting events which gradually resume. These events will result in higher demand for our service to Waihong to mitigate the effect of reduced income from disinfection service.

- The cleaning and pest control industry's landscape is changing due to technological advancements, increased demand for environmental sustainability and a changing workforce. Innovated 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 artificial intelligence ("AI") systems, including smart toilets, electronic face recognition attendance system and real-time work monitoring system to improve its ability to meet clients' needs. Waihong will continue to invest in technology which can enhance its competitive edge and profitability in the long run.

- Sustainability is a growing concern worldwide, Waihong responds to this by implementing green cleaning practices through providing disposal of municipal solid waste, medical waste, liquid waste, construction waste and collection of wastepaper, food waste, and aged battery to fulfil its ESG goals. Clients increasingly demand cleaning services that would not harm the environment. Green cleaning products and methods have become a mandatory norm for most of the industries like healthcare, hospitality, education, government, etc. Waihong will prioritise on sustainability, which not only reduces the environmental impacts but also demonstrate its commitment to social responsibility. The municipal solid waste charging scheme will be enacted in the second quarter of 2024. Waihong's waste management team has expanded the fleet scale and business mode to deal with the anticipated market demand.

- As always, Waihong's is actively seeking different market opportunities to secure new service contracts for it. Waihong also strives to understand and satisfy its clients' demands and renew all its existing service contracts in every effort to attain higher contract retention rate. On the other hand, Waihong has invested more resources to strengthen its competitiveness in tendering service contracts from 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 services to cover fire services and electrical systems in its government term contracts. Complementary to our Group's other service businesses, the outlook for this division is optimistic as there will be plenty of opportunities for this division to generate revenue and profit from both the public and private sectors:

- 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, large-scale renovation works for existing commercial premises are expected to create new business opportunities 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 is pursing 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 new projects as well as the existing buildings to reduce their carbon emissions through retrofitting works. In addition, with the support from power companies for promoting more sustainable energy solutions to facilitate different sectors to accelerate the decarbonisation, great business opportunities in the Hong Kong's private sector business in respect of chiller system replacement works are anticipated.

- The Group's technical support & maintenance services division advocates the implementation of innovative technologies to increase the efficiency and effectiveness of works. Our well-developed mobile application for maintenance services has enabled a shift in operations and maintenance methods from a traditional paper-based record management system to an advanced digitalised management system. As a next step, our Group's technical support & maintenance services division will continue to develop the production of Building Information Modeling ("BIM") in combination with the application of digitalised asset management for existing mechanical plants. This breakthrough can benefit demanding customers by enabling them to experience an innovative management system not only in new buildings, but also in existing ones.

3. Security Guarding & Event Services

Demand for security services has continued to grow steadily over the past year and is expected to continue to grow. 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 government's plan to build 330,000 public housing units over the next ten years, with an additional 440,000 residential units from the private sector. In addition, several government projects are in the pipeline, including the construction of 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 coming opening 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 increase, which will have a positive effect on the coming up performance of our Group's General Security.

- With the opening of Hong Kong in early 2023 after the peak of the pandemic, the exhibition and convention industry is expected to recover. Perfect Event is proactively positioning itself in the event service industry. It is actively seizing the potential opportunities offered by the same opening.

- On the one hand, the shortage of manpower is challenging 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.

4. Insurance Solutions

In December 2022, the Hong Kong Government released a roadmap for the development of Hong Kong's insurance industry. As the largest local insurance broker with a 34-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 help it to win more accounts from its competitors, even though they are typically foreign brokers with multinational backgrounds and larger operations.

- Nova continues to do what it does best, such as insurance related to construction projects. There are numerous 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. Nova is perfectly positioned to fill this gap, as it has experience and a proven track record with local flair. Through Nova's global network of brokers, it can serve the insurance needs of clients around the world.

- 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.

- For our Group's environment solutions business, its seawater and freshwater treatment and odor removal products, such as electrochlorination and biotech deodorisation systems, respectively, have driven steady growth in its environmental engineering business. 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.

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 to promote the adaption of EVs and the associated supporting facilities with the aim to attain zero vehicular emissions before 2050 provide us a tremendous business opportunity. There is a growing demand in the electricity installation of the supporting facilities in the car park to support the adaption of EVs.

- The Group's smart solutions business will keep up with the market trends and facilitate the identification of new products. It will continue to work with vendors to customize 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 higher market demand for green elements in 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 has new opportunities to promote new products with new features in these areas, including anti-bacterial tiles. Strategic collaboration with 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 prepared to grasp the large number of business opportunities on sizeable infrastructure and building projects 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 May 2022, expenditure in E&M construction works each year will amount to over HK$28 billion for the public sector and over HK$24 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 its 2021 Policy Address, the Hong Kong Government has identified about 350 hectares of land to build 330,000 public housing units and about 170 hectares of land to build 100,000 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 and North District into a metropolitan area ("Northern Metropolis") to provide a total land area of about 300 square kilometres, equivalent to the additional supply of over 500,000 housing units in the next 20 years.

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

  With the introduction of the new Light Public Housing ("LPH") using the MiC approach, the overall public housing production will increase substantially by 50% to 158,000 units (including 30,000 LPH units at eight sites) in the next five years (from 2023-2024 to 2027-2028) as compared to the previous five-year period (from 2022-2023 to 2026-2027). In addition, three sites have been identified to build subsidised sales flats under a new pilot scheme on public-private partnership.

- Private Housing – For private residential and commercial developments, the redevelopments are driven by the Urban Renewal Authority and the Hong Kong Housing Society, the developments at 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.

- Railway Development – The Hong Kong Government strives to implement new and extension of railway projects in a proactive manner. Current proposals being studied include four new lines (Northern Link, Kwu Tung Station on the East Rail Line, Hung Shui Kiu and Oyster Bay) and two-line extensions (Tuen Mun South Extension and Tung Chung Line Extension) and new stations. 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 take forward the AsiaWorld-Expo Phase 2 project in 2023 and the Wan Chai North redevelopment project near the Hong Kong Convention and Exhibition Centre 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.

- 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 Shenzhen-Hong Kong I&T Co-operation Zone under the "one zone, two parks" model. In addition, the infrastructure works of the Hong Kong-Shenzhen Innovation and Technology Park ("HSITP") in the Lok Ma Chau Loop has commenced in June 2018, with the objective of providing the first batch of land parcels for superstructure development in 2022. 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 onward.

- 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 endeavoring to support the "Construction 2.0" initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and scale new heights. The 2022 Policy Address highlights that the Development Bureau and the Transport and Logistics Bureau are reviewing the labour shortage situation and implementing relevant solutions, including labour importation.

- Macau – In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the robust demand for public and private residential housing, the development of Galaxy Macau Phase 4, 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 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 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 11 cities of that Area. In addition, the 3 rapidly developing Guangdong Pilot Free Trade Zones – Hengqin, Qianhai and Nansha – will bring in new business opportunities to the Group.

- In recent years, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and strong value-added E&M project management expertise, it will be a preferred partner of foreign and Hong Kong-based developers of 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 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 the 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 is committed to creating a greener society. To help build a sustainable environment, it has been constantly optimising design and exploring innovative methods. At the project level, the Group incorporates the application of green building principles into building services equipment; and adopts green building design, MiC, MiMEP, DfMA to reduce energy usage, carbon footprint and construction waste.

- To help improve its operational efficiency and project management, the Group invests in innovative construction technologies such as BIM, Digital Works Supervision System ("DWSS"), modularisation and prefabrication, Robotic Total Solution ("RTS") and Sky Drilling Machine ("SDM"), 3D laser scanning and mobile Apps solutions etc.

- In addition, the senior executives of the Group's E&M services business have actively participated and taken key positions in Construction Industry Council ("CIC") as well as in different professional institutions such as The Hong Kong Institution of Engineers ("HKIE") and trade/industry associations such as The Hong Kong Federation of Electrical and Mechanical Contractors Limited ("HKFEMC"). The strong presence in these professional institutions and trade associations not only promote the company branding, but also demonstatres the Group's commitment in achieving professionalism within and gets abreast of modern developments with the construction industry.

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

Since the outbreak of COVID-19, its impact on the global economy has been far-reaching and we have taken various proactive measures and made contingency plans to manage the operational and financial risks it poses to the Group. These include flexible work and lunch hours, IT enhancements to sustain business operations, providing our front-line employees with personal protective equipment including masks, rapid antigen test ("RAT") kits, disposable gloves and protective gowns, body temperature testing for anyone entering our work areas, and placing hand sanitizer stations in easily accessible parts of our work areas to promote use by our staff, contractors and visitors.

Our property and facility management, cleaning and pest control, security guarding and insurance solutions businesses faced relatively little disruption. The COVID-19 outbreak created additional work on existing property and facility management contracts, and more ad-hoc demand for intensive disinfection cleaning services and security services. In addition, COVID-19 resulted in increased premium rates for certain types of insurance due to poor claims experience caused by the pandemic, which had a positive impact on our insurance solutions business. Nevertheless, to manage the risks associated with the pandemic, our cleaning and pest control and property and facility management services operations have taken various precautionary measures, including the following:

- Established policies to assign some staff to other offices or to work from home in the event of any reported cases of COVID-19, and designated different office entrances and exits for different groups of staff to reduce their interaction at our cleaning and pest control services operation; and
- Implemented a clear sanitation management procedure for property owners and tenants, users of public and private facilities, and employees of the property and facility management services operation, including immediate sanitation action if a suspected case of COVID-19 is reported in the work area.

Under the current circumstances, our environmental services business remains stable as usual. However, our landscape business with hotels and service apartments has been affected by the freeze in tourism in Hong Kong. Our building materials and trading business has also been affected by the current weak retail market. Our landscape and building material trading businesses have applied stringent cost control measures to mitigate the adverse impact caused by the pandemic mentioned above. They are expected to recover following the recovery of Hong Kong's economy after the reopening of cross-border activities started early this year.

The impact of COVID-19 on our E&M business is diminishing. Cross-border activities and land ports have reopened, so logistics and material supplies are returning to normal. With the relaxation of anti-pandemic measures in Mainland China, both Hong Kong and Macau are opening for travel, including the resumption of cross-border rail, ferry and coach operations.

Nevertheless, we will closely monitor its latest development and the effectiveness of the remedial measures we have adopted and make timely adjustments as needed.

Conclusion

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

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK21.3 cents (2022: HK24.1 cents) per ordinary share for the year ended 30 June 2023 to the shareholders whose names appear on the register of ordinary shareholders of the Company on 28 November 2023. The proposed final dividend, if approved at the forthcoming annual general meeting ("AGM") of the Company, will be paid on or about 11 December 2023. Together with the interim dividend of HK24.5 cents (2022: HK20.9 cents) per share paid in March 2023, total distribution of dividend paid to the ordinary shareholders by the Company for the year ended 30 June 2023 will thus be HK45.8 cents (2022: HK45.0 cents) per share, representing a dividend payout ratio of 40.1% (2022: 41.0%).

CLOSURE OF REGISTER OF ORDINARY SHAREHOLDERS

The register of ordinary shareholders of the Company will be closed as set out below for the following purposes:

(i) For the purpose of determining ordinary shareholders' eligibility to attend and vote at the 2023 AGM:

- Latest time to lodge transfer documents for registration	4:30 pm on 14 November 2023
- Closure of register of ordinary shareholders	15 to 20 November 2023 (both dates inclusive)
- Record date	20 November 2023
- AGM date	20 November 2023

(ii) For the purpose of determining ordinary shareholders' entitlement to the final dividend:

- Ex-dividend date	23 November 2023
- Latest time to lodge transfer documents for registration	4:30 pm on 24 November 2023
- Closure of register of ordinary shareholders	27 and 28 November 2023
- Record date	28 November 2023
- Dividend payment date	on or about 11 December 2023

During the above closure periods, no transfer of ordinary shares will be registered. To be eligible to attend and vote at the 2023 AGM and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the respective latest time specified above.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance the corporate value of the Group. The Company has applied the principles of the corporate governance code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules to its corporate governance structure and practices. Throughout the Year, the Company had complied with all the code provisions set out in the Corporate Governance Code, with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the board to attend the annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 18 October 2022 (the "2022 AGM") due to his prior commitment to another important engagement. Mr. Doo Wai Hoi, William, alternate director to Dr. Cheng Kar Shun, Henry, together with members of the Board who attended the 2022 AGM, were of sufficient caliber for answering questions at the 2022 AGM.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Board was established for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises four independent non-executive directors of the Company. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 30 June 2023, including the accounting principles and practices adopted by the Group.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

On behalf of the Board of
FSE Lifestyle Services Limited
Lam Wai Hon, Patrick
Executive Vice-Chairman

Hong Kong, 27 September 2023

As at the date of this announcement, the Board comprises Dr. Cheng Kar Shun, Henry (Chairman) (Mr. Doo Wai Hoi, William as his alternate) as non-executive director, Mr. Lam Wai Hon, Patrick (Executive Vice-Chairman), Mr. Poon Lock Kee, Rocky (Chief Executive Officer), Mr. Doo William Junior Guilherme, Mr. Lee Kwok Bong, Mr. Soon Kweong Wah, Mr. Wong Shu Hung and Dr. Cheng Chun Fai as executive directors, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul as independent non-executive directors.