豐盛服務集團有限公司

FSE SERVICES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 331

Annual Report 2019-2020

About FSE Services Group Limited

FSE Services Group Limited (Hong Kong Stock Code: 331) is one of the leading diversified service providers in Hong Kong, which has 5 major competences: electrical and mechanical ("E&M") engineering, environmental services, cleaning and waste management, professional laundry services as well as property and facility management. FSE Services' competences are being delivered through 5 major groups of companies which have all been the market leaders in the respective industries. They include FSE Engineering Group, FSE Environmental Technologies Group, Waihong Services Group ("Waihong"), New China Laundry Group ("NCL") and FSE Property and Facility Management Services Group which comprises Urban Group ("Urban") and Kiu Lok Service Management Group ("Kiu Lok"). With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Services, the Group is able to build up a strong network and offer a full range of professional services to renowned clients and main contractors who are often engaged in property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

Our Vision

Better Life, Better Home, Better Quality to You Everyday.

Our Mission

We offer superior service, we create an integrated, convenient and safe living environment.

We are devoted to serve:
Our Customers — We provide customised service and maintain long term partnership.
Our Staff — We promote work-life balance and create a strong sense of belonging.
Our Community — We maintain sustainable development and contribute to community.

Our Core Values

Quality
Teamwork
Integrity
Caring
Passion
Innovation

Contents

This annual report is printed on environmental paper
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Where the English and the Chinese texts conflict, the English text prevails.

Financial Highlights

	2020 HK$M	2019 (restated)[i] HK$M	% Change
Revenue	**4,882.1**	5,422.7	-10.0%
Gross profit	**760.4**	769.5	-1.2%
Profit attributable to shareholders of the Company	**309.6**	307.4	+0.7%
Basic earnings per share	**HK$0.68**	HK$0.68	–

The Board recommended the declaration of a final dividend of HK14.4 cents (2019: HK11.9 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2020[ii].

Note (i) Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

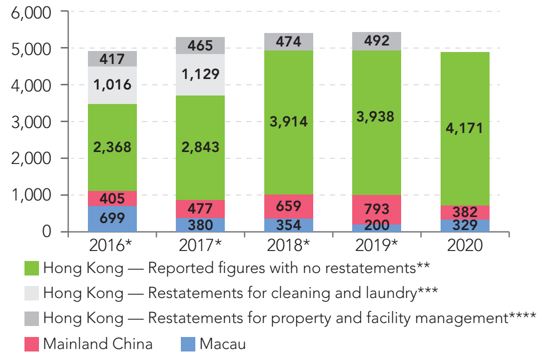
Note (ii) Together with the interim dividend of HK12.8 cents (2019: HK10.1 cents) per ordinary share paid in March 2020, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2020 will be HK27.2 cents (2019: HK22.0 cents) per share, representing an increase of 23.6% compared with last year's and a dividend payout ratio of 45.7% (2019: 40.0%), calculated based on the Group's adjusted profit for the year ended 30 June 2020 attributable to ordinary shareholders of HK$267.7M (i.e. after excluding the profit of HK$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of the property and facility management services business as described in Note 2.1(iv) to the consolidated financial statements, and preferred distribution to the holder of convertible preference shares of HK$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK$309.6M) (For the year ended 30 June 2019: 40.0%, calculated based on the Group's profit for the year ended 30 June 2019 attributable to shareholders of the Company of HK$247.5M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2019 which does not include the profit of HK$59.9M made by the property and facility management services business during the year ended 30 June 2019 accounted for pursuant to its application of merger accounting for business combinations under common control as mentioned in Note (i) above).

Financial Highlights

FSE SERVICES GROUP — CONSOLIDATED

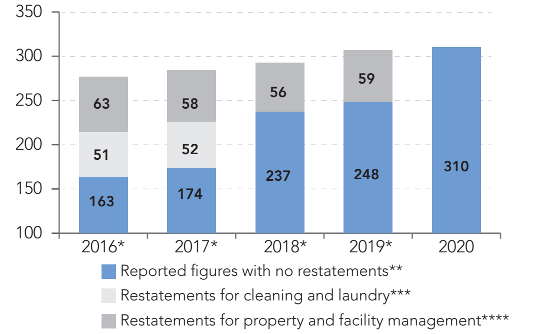
Revenue by Region

For the year ended 30 June
HK$'million



Profit Attributable to Shareholders of the Company

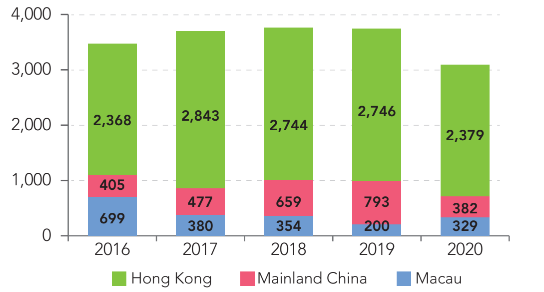
For the year ended 30 June
HK$'million



E&M ENGINEERING & ENVIRONMENTAL SERVICES SEGMENT

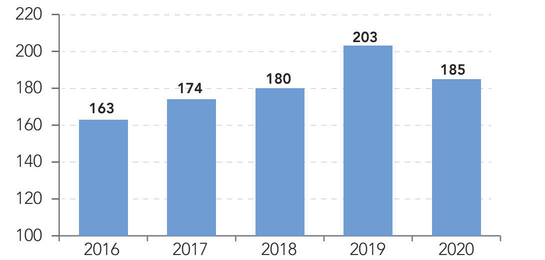
Revenue by Region

For the year ended 30 June
HK$'million



Profit for the Year

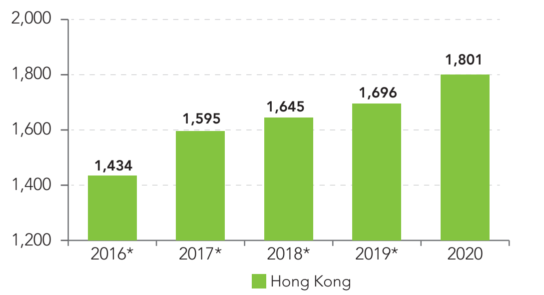
For the year ended 30 June
HK$'million



INTEGRATED PROPERTY & FACILITY SERVICES SEGMENT

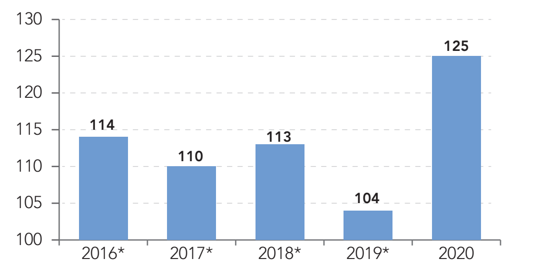
Revenue by Region

For the year ended 30 June
HK$ million



Profit for the Year

For the year ended 30 June
HK$ million



* Restated for the Group's application of merger accounting for business combinations under common control
** Reported figures per respective years' published annual results without including subsequent restatements caused by business acquisitions
*** Restatements for the amounts of cleaning and laundry services businesses acquired in April 2018
**** Restatements for the amounts of property and facility management services business acquired in December 2019

Major Events and Accolades

JULY 2019

- FSE Services Group Limited (the "Company") garnered the "Outstanding Listed Company Award 2019" from The Hong Kong Institute of Financial Analysts and Professional Commentators Limited ("IFAPC") for the fourth consecutive year, affirming the Company's dedication in maintaining high level of transparency and delivering sustainable business performance throughout the year.

- The Company and its volunteer team received the "Gold Award for Volunteer Service (Organization)" and "Gold Award for Volunteer Service (Group)" from the Social Welfare Department respectively in appreciation of its contribution of over 1,000 hours of volunteer service to the community in 2019.

SEPTEMBER 2019

- 2 properties managed by Urban — Rhythm Garden and The Merton received a total of 4 awards in the presentation ceremony of "International Facility Management Association ("IFMA")'s Asia Pacific Awards of Excellence 2019." organised by the IFMA. In particular, Rhythm Garden was presented the highest level of award — "Winner" in the category of Asia Pacific Facility Management Operations.

Major Events and Accolades

OCTOBER 2019

- 23 properties under the Urban received the "Excellence in Facility Management Award" presented by The Hong Kong Institute of Facility Management, in recognition of the outstanding facility management services provided by it including technological advancement, green initiatives, carbon reduction, barrier-free access, and high occupational health and safety standard.

NOVEMBER 2019

- Majestic Engineering Company Limited ("Majestic Engineering") won the "Gold Prize" at the "Outstanding Registered Electrical Contractor Competition 2019" organised by the Electrical and Mechanical Services Department ("EMSD").

DECEMBER 2019

- The Company, together with its subsidiaries, received awards under the volunteer team and enterprise categories at "The 10th Hong Kong Outstanding Corporate Citizenship Awards Presentation Ceremony" for their outstanding achievements in implementing and promoting corporate social responsibility.

Major Events and Accolades

DECEMBER 2019

- FSE Engineering Group Limited ("FSEE") participated in the "Construction Innovation Expo ("CIExpo") 2019" which was co-organised by the Development Bureau of the Government of the Hong Kong Special Administrative Region and various organisations with an aim to increase the construction productivity and develop Construction 2.0. FSEE garnered the "Merit Award of the Best Exhibitor 2019".

JANUARY 2020

- Waihong was awarded the "Gold Award" for "Best Property Contractor in Occupational Safety and Health — The Palazzo" in the award presentation ceremony of "The 7th Best Property Safety Management Award" organised by the Occupational Safety & Health Council.

- City One Shatin managed by Urban, was granted the "Silver Award" in the award presentation ceremony of "The 7th Best Property Safety Management Award" organised by the Occupational Safety and Health Council, in recognition of its effective implementation safety management system and outstanding achievements in occupational safety and health.

Major Events and Accolades

MARCH 2020

- Majestic Engineering received the "Merit Award" of "1st Tier Sub-contractor of Building Construction Site" of the "Construction Industry Safety Award Scheme 2019/2020", which was organised by Labour Department and 15 organisations to recognise its good occupational safety and health performance in the construction of the subsidised sale flats development at Queen's Hill Site 1 Phase 3 and Portion of Phase 6 in Fanling.

- Kiu Lok was awarded the "Hong Kong Sustainability Award" by The Hong Kong Management Association.

APRIL 2020

- NCL received the "Happy Company Label 2020" presented by the Hong Kong Productivity Council ("HKPC") to commend its contributions in establishing a happy workplace.

- FSEE has been accredited and upgraded to the "Super MD ("Manpower Development")" status by the Employees Retraining Board ("ERB"), to recognise its exemplary and continuous achievements in manpower training and development.

Chairman's Statement

To Our Shareholders:

On behalf of the board of directors (the "Board") of FSE Services Group Limited (the "Company", together with our subsidiaries, the "Group"), I am pleased to present the annual results of the Company for the year ended 30 June 2020 ("FY2020" or the "Year").

MARKET REVIEW

Started in January 2020, the outbreak of the novel coronavirus ("COVID-19") pandemic has brought an unprecedentedly severe impact to the global economic dynamism. The remaining period of 2020 will undoubtedly be a difficult time in the face of heightened uncertainty looming over the global political and economic environment, including the resurgence of pandemic, the escalating tensions between China and US, the hard Brexit, China's economic growth prospects, the global quantitative easing and the ultra-low interest rate environment. Since the pandemic has dampened economic activities globally, the market sentiment and the general operating environment for businesses in Hong Kong are susceptible to a slowdown. As a result of the social unrests and outbreak of pandemic occurred in the city during the Year, our laundry services business was dealt a blow by the plummeting tourist arrivals and exceptionally low hotel room occupancy rates. Besides, some of our E&M engineering projects have also been hindered by the suspension of site works, delayed delivery of parts and materials as well as Legislative Council's funding approvals for new public works. Nevertheless, our management has adopted various immediate measures to cope with this situation, including proactive reviews of project execution and continuing cost management, which we believe can help the Group navigate the crisis. In addition, we achieved another milestone of successfully completing the acquisition of Urban and Kiu Lok ("FSE Property and Facility Management Services Group") on 16 December 2019 which enabled the Group to expand its business scale, diversify its revenue stream and increase its profitability as planned, despite the current pandemic environment. With the above efforts, the Group's FY2020 profit attributable to shareholders reached HK$309.6 million, including HK$81.0 million (equivalent to 26.2% of the Group's FY2020 profit or HK$0.18 of earnings per share) contributed by FSE Property and Facility Management Group acquired during the Year, a testimony to its resilience and capability for sustainable business growth, while maintaining a net cash position at the end of the Year. The Board has proposed a final dividend of HK14.4 cents per ordinary share to its ordinary shareholders for the Year. Including the interim dividend of HK12.8 cents per ordinary share for the six months ended 31 December 2019, the total dividend payout for the Year is HK27.2 cents per ordinary share, representing an increase of 23.6% compared with last year's and a dividend payout ratio of 45.7%.

E&M ENGINEERING & ENVIRONMENTAL SERVICES

Hong Kong

Although building and construction activities are expected to suffer in 2020 due to the lingering impacts of the pandemic and prevailing political uncertainty that may lead to delayed approvals for public works and declining market sentiment on private construction investments, we remain optimistic towards the construction and E&M engineering industry. Given the Hong Kong Government's effort on increasing infrastructure investment and maintaining steady land supply, the total E&M construction works expenditure for the fiscal year 2020/21 is expected to exceed HK$23 billion for the public sector and over HK$25 billion for the private sector according to the medium-term construction expenditure forecast provided by the Construction Industry Council. The Group's E&M engineering business currently enjoys the position as one of the two dominant players in the Hong Kong market and is adequately prepared to take on different sizeable infrastructure and building projects. Notable among these are our major submitted tenders: the additional District Cooling System at the Kai Tak Development and the mixed-used developments at former Kai Tak runway and MTRC Wong Chuk Hang station, currently under negotiation. Preparations are also underway for the tenders for the Government Chinese Medicines Testing Institute and Chinese Medicine Hospital in Tseung

Chairman's Statement

Kwan O, the second 10-year plan of in-situ hospital re-development covering a total of 18 hospital projects, Lok Ma Chau Loop development and the New Town Extension projects at Kwu Tung North, Fanling North and Hung Shui Kiu. Innovation and technology are instrumental to delivering the infrastructure of tomorrow. Towards that end, in order to accommodate the Construction 2.0 initiative of the Government which advocates innovation, professionalism and revitalisation, the Group strives to maintain a stable and professional E&M team complemented by advanced technological capabilities in areas including Building Information Modelling (BIM) and Modular Integrated Construction (MiC) technology. Through these capabilities, the Group can enhance engineering designs and both work quality and productivity to meet the requirements of these potential projects.

Regarding our Group's environmental services, as the growing public awareness of environmental issues is driving demand for associated environmental engineering services and projects, the Group continues to capitalise on this trend and provide customers with total solutions that are energy efficient as well as environmentally friendly.

Mainland China

Despite the current pandemic, the economic fundamentals of China's economy have not changed. Domestically, the Chinese government continues to introduce moderate growth-supportive measures to alleviate pressure from the precarious economic situation and further support the economy and implement fiscal stimulus as needed. Thanks to the geographical proximity, the Greater Bay Area development represents another strategically significant initiative which undoubtedly injects a new growth impetus into the Group. As one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China, the Group has an advantage in optimising project coverage in this crucial market, with Qianhai and Zengcheng projects in the pipeline, and laying a solid foundation for future development. As in previous years, the Group will strive to extend its presence in Mainland China with our dual-core engine, supply/installation and project management expertise.

Macau

Like other regions, the pandemic has disrupted the economic environment of Macau. Nevertheless, we are still optimistic about its long-term development and anticipate another wave of financial investments from the gaming concessionaires and sub-concessionaires before the licence renewal in 2022 to further position Macau as a world-class tourism centre. The rollout of Macau's Light Rail Transit system in late 2019 and the on-going expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China will further enhance the connectivity in the city. Together with the ongoing Greater Bay Area integration initiatives, Macau could look forward to significantly improved accessibility as well as enhanced market growth along this strategic direction.

INTEGRATED PROPERTY & FACILITY SERVICES

Waihong is one of the top three players whilst NCL is one of the top two players in the Hong Kong environmental hygiene services market and laundry services market respectively. Owing to the recent pandemic, the Hong Kong Government has stressed on environmental and hygiene control and allocated funds for reinforcing related policies including waste management and recycling for a greener and healthier living environment. Waihong is expected to benefit from the escalated demand for pandemic prevention and disinfection works in the coming months. Once the pandemic gets under control, the progressive transformation of Hong Kong economy towards higher value-added activities, high-end residential and commercial buildings will definitely be the key growth driver to Waihong's business in the coming years. Capitalising on its extensive experience, quality and customised services and distinctive brand, Waihong will continue to expand its current service capacity and broaden the spectrum of its premier clients in order to expand its market share. As a result of the pandemic outbreak and social unrests in Hong Kong, our laundry services business has also been severely impacted by declined business activities as mentioned earlier. To cope with this, NCL will continue to focus more on key accounts and adopt effective cost management.

Chairman's Statement

Urban and Kiu Lok, with a well-established brand as "Hong Kong's Premier Community Manager", is the largest among all independent players in the residential, non-residential and car park property management markets in Hong Kong after discounted service companies owned by property developers. Regarding its industry outlook, the property management market is expected to expand in parallel to the growing number of properties in Hong Kong, supported by the expediting of land supply and strong demand for housing. Moreover, after the promulgation of Property Management Services Ordinance on the licensing regime on 22 May 2020 coupled with the aftermath of the pandemic, it will boost the demand for high-quality property management services like ours, which generally outperform the industry peers without fulfilling the licensing requirements. Proclamation of the Outline Development Plan for the Greater Bay Area to become an international first-class bay area and world-class city cluster presents a unique opportunity for Hong Kong with great institutional advantage. Leveraging the Group's extensive E&M experience in Mainland China, its property and facility management group companies are exploring and accelerating their expansion by means of organic growth, strategic collaboration and mergers and acquisitions into the Greater Bay Area, so as to realise its full potential and expand its scale of property and facility management business geographically.

CONCLUSION

Despite the challenges from the pandemic and social unrests in Hong Kong, the Group will surmount the difficulty with its solid financial position and proven track record. It will also continue to seek business opportunities to further expand and maximise shareholders' value.

On behalf of the Board, I would like to express my most sincere gratitude to all shareholders, customers and business partners for their unwavering support to the Group. I wish to also thank the management team and all fellow staff members for their steadfast dedication. As always, we remain fully committed to assuring the Group's long-term development and fair returns to shareholders.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 25 September 2020

Board of Directors and Senior Management

BOARD OF DIRECTORS

Dr. Cheng Kar Shun, Henry *GBM, GBS*

Chairman and Non-executive Director

Dr. Cheng, aged 73, was appointed the Chairman and Non-executive Director of the Company in August 2015. Dr. Cheng assumes an advisory role in respect of the overall strategic planning of the Group. Dr. Cheng has substantial corporate management experiences in a wide range of industries and has been assuming management roles in various listed public companies in Hong Kong, including the Chairman and an executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the Chairman and a non-executive director of New World Department Store China Limited, the Vice-Chairman and a non-executive director of i-CABLE Communications Limited and a non-executive director of DTXS Silk Road Investment Holdings Company Limited. He was a non-executive director of SJM Holdings Limited up to his retirement on 11 June 2019, an independent non-executive director of Hang Seng Bank Limited and HKR International Limited up to his retirement on 10 May 2018 and resignation on 31 March 2018 respectively, and the Chairman and a non-executive director of Newton Resources Ltd up to his resignation on 9 April 2018, all of the foregoing companies are listed public companies in Hong Kong. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the Hong Kong Government in 2001 and 2017 respectively. Dr. Cheng is the brother-in-law of Mr. Doo Wai Hoi, William, who is one of the controlling shareholders of the Company. He is also the uncle of Mr. Doo William Junior Guilherme and the cousin of Mr. Poon Lock Kee, Rocky's spouse.

Mr. Lam Wai Hon, Patrick

Vice-Chairman and Executive Director

Mr. Lam, aged 58, was appointed an Executive Director of the Company and a member of the Remuneration Committee of the Board in April 2016, and became the Vice-Chairman of the Company in January 2017. He is on the boards of various companies within the Group, and is responsible for the overall strategic planning of the Group. Mr. Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. He is also a non-executive director of NWS Holdings Limited, a listed public company in Hong Kong. Mr. Lam is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia Advisory Board of the Ivey Business School, Western University, Canada.

Mr. Poon Lock Kee, Rocky

Chief Executive Officer and Executive Director

Mr. Poon, aged 64, joined the Group in February 1989 and is the Chief Executive Officer and Executive Director of the Company, and a member of each of the Nomination Committee and the Remuneration Committee of the Board. He also sits on the boards of various companies within the Group. He is primarily responsible for overseeing daily operational management and business performance of the Group and leading our E&M engineering business units in Hong Kong, Macau and the PRC. Mr. Poon is a member of the American Society of Mechanical Engineers, a Chartered Engineer of the Engineering Council in the United Kingdom, and a fellow of both the Chartered Institution of Building Services Engineers in the United Kingdom and the Hong Kong Institute of Engineers. Mr. Poon was awarded the Medal of Merit — Professions by the Macau Government in September 2019. He is also the President of the Macau Air-Conditioning & Refrigeration Chamber of Commerce, Past President of the Hong Kong E&M Contractors' Association Limited, appointed Council Member of Construction Industry Council and the 10th Council — Vice President of Macau Construction Association. Mr. Poon is a Council President of the Hong Kong Federation of Electrical & Mechanical Contractors Limited, a committee member of the Committee of the Chinese People's Political Consultative Conference in Shaoguan City and the Hubei Province of the PRC, a Deputy Chairman of the Shaoguan Overseas Friendship Association (Hong Kong & Macau Region) (韶關海外聯誼會理事會副會長(港澳)), a member of the Trust Committee of the Henry Fok Foundation (澳門霍英東基金會信託委員會委員), and a director of Macau Urban Renewal Limited. Mr. Poon is the cousin-in-law of Dr. Cheng Kar Shun, Henry and Mr. Doo William Junior Guilherme's mother.

Board of Directors and Senior Management

Mr. Doo William Junior Guilherme *JP*

Executive Director

Mr. Doo Junior, aged 46, joined the Group in June 2014 and is an Executive Director of the Company and a member of the Nomination Committee of the Board. He also sits on the boards of various companies within the Group, and is primarily responsible for the overall strategic planning, overseeing business development and major management decisions for the Group. Mr. Doo Junior is also an executive director and Deputy Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Doo Junior is a solicitor admitted in Hong Kong and is currently a non-practising solicitor in England and Wales. Mr. Doo Junior is a Standing Committee Member of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the PRC and has been a committee member of the Disciplinary Panel of The Hong Kong Institute of Certified Public Accountants. He was appointed a Justice of Peace by the Chief Executive of Hong Kong in July 2018. Prior to joining the Group, Mr. Doo Junior had legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Mr. Doo Junior is also a non-executive director of NWS Holdings Limited and an independent non-executive director of The Bank of East Asia Limited, both being listed public companies in Hong Kong. He was an independent non-executive director of The Bank of East Asia (China) Limited up to his resignation on 1 September 2020. Mr. Doo Junior is the nephew of Dr. Cheng Kar Shun, Henry and his mother is the cousin of Mr. Poon Lock Kee, Rocky's spouse.

Mr. Lee Kwok Bong

Executive Director

Mr. Lee, aged 49, joined the Group in July 2010 and is an Executive Director of the Company. He is also on the boards of various companies within the Group. Mr. Lee is primarily responsible for the overall financial management of the Group. He has been the Chief Financial Officer of FSE Holdings Limited, a controlling shareholder of the Company, since August 2010.

Mr. Lee holds a Bachelor's degree in Business Administration in Accounting, a Master of Science degree in Finance and a Bachelor's degree in Chinese Legal System. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a member and a Chartered Global Management Accountant of the American Institute of Certified Public Accountants. Mr. Lee has over 20 years of experience in auditing, financial management, accounting and corporate governance in Hong Kong and the PRC.

Mr. Soon Kweong Wah

Executive Director

Mr. Soon, aged 61, joined the Group in May 1983 and is an Executive Director and Chairman of the Risk Management Committee of the Board. Mr. Soon also sits on the boards of various companies within the Group, and is primarily responsible for the overall operational management and business performance control of the Group's E&M engineering installation business in Hong Kong, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for this business unit.

Mr. Soon holds a Bachelor's degree in engineering and a Master's degree in engineering from the University of Hong Kong. He also holds a Master's degree in finance from The City University of Hong Kong and an Executive Master of Business Administration degree in management from the Richard Ivey School of Business (Asia) (now known as Ivey Business School), the University of Western Ontario (also known as Western University) in Canada. Mr. Soon has over 30 years of experience in the building services sector and installation of construction industries, and has handled various renowned engineering and construction projects of the Group in Hong Kong, Macau and the PRC.

Mr. Soon is an active member of various academic institutions and external associations. He is now a Council Member of the Hong Kong E&M Contractors' Association Limited. He is a chartered engineer of the Engineering Council in the United Kingdom, a registered professional engineer in building services and electrical engineering of the Hong Kong Engineers Registration Board, and a fellow member of the Hong Kong Institution of Engineers, where he also served as the appointed member of its Building Services Discipline Advisory Panel from 2011 to 2017. Mr. Soon was the Chairman of the Chartered Institution of Building Services Engineers (Hong Kong Branch) from 2007 to 2008 and is now a fellow member of the institution.

Board of Directors and Senior Management

Mr. Wong Shu Hung (alias, Vong Hong)

Executive Director

Mr. Wong, aged 69, joined the Group in October 1986 and was appointed as an Executive Director of the Company in December 2017. He is on the boards of certain subsidiaries of the Group. Mr. Wong is mainly responsible for the operation and management of the Group's E&M engineering projects, and supervision of contracts managers, project managers and engineers. Mr. Wong obtained a Bachelor's degree in Mechanical Engineering from National Cheng Kung University, Taiwan and a Master of Science Degree in Heat Transfer Engineering from the Imperial College of Science and Technology, U.K. He has over 40 years' experience in the E&M engineering business in Hong Kong.

Mr. Wong Kwok Kin, Andrew

Non-executive Director

Mr. Wong, aged 74, joined the Group in January 1998, and was appointed the Vice-Chairman and Executive Director of the Company in August 2015. He was then re-designated as Non-executive Director of the Company in January 2017. He is also an executive director and the Vice Chairman of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Wong has over 30 years of substantial corporate management experiences in the hospitality and the service industries, and has obtained extensive achievements in financial control, human resources administration and business development. He was an executive director of several subsidiaries and affiliates of the New World group of companies, which are principally engaged in the businesses of duty-free liquor and tobacco concessions, E&M engineering, environmental facility services, property management and the provision of communication, cleaning and laundry and security services.

Mr. Kwong Che Keung, Gordon

Independent Non-executive Director

Mr. Kwong, aged 71, was appointed an Independent Non-executive Director of the Company and the Chairman of the Audit Committee of the Board in November 2015. Mr. Kwong is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd. (appointed on 9 July 2020), Henderson Investment Limited, Henderson Land Development Company Limited and NWS Holdings Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed public company in Athens, Greece. He was an independent non-executive director of Global Digital Creations Holdings Limited and OP Financial Limited, up to his retirement on 22 May 2020 and 27 August 2019 respectively, both being listed public companies in Hong Kong. Mr. Kwong graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1972 and was qualified as a Chartered Accountant in the Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) from 1984 to 1998 and an independent member of the Council of the Stock Exchange from 1992 to 1997, during which he had acted as the convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Board of Directors and Senior Management

Mr. Hui Chiu Chung, Stephen *JP*

Independent Non-executive Director

Mr. Hui, aged 73, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Board in November 2015. Mr. Hui has 49 years of experience in the securities and investment industry. He had for years been serving as a member and Second Vice-chairman of Council of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee and GEM Listing Committee of the Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a government appointed independent non-executive director of Hong Kong Exchanges and Cleaning Limited. He was also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference from 2006 to 2017. Mr. Hui is a member of Hengqin New Area Development Advisory Committee, and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China South City Holdings Limited, Gemdale Properties and Investment Corporation Limited, Lifestyle International Holdings Limited, SINOPEC Engineering (Group) Co., Ltd and Zhuhai Holdings Investment Group Limited. He is also a non-executive director of Luk Fook Holdings (International) Limited, also a listed public company in Hong Kong. Mr. Hui is a fellow of The Hong Kong Institute of Directors and a senior fellow of the Hong Kong Securities and Investment Institute.

Mr. Lee Kwan Hung, Eddie

Independent Non-executive Director

Mr. Lee, aged 55, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Board in November 2015. Mr. Lee is also an independent non-executive director of a number of listed public companies in Hong Kong, including China BlueChemical Ltd., Embry Holdings Limited, Glory Sun Financial Group Limited, NetDragon Websoft Holdings Limited, Newton Resources Ltd, Red Star Macalline Group Corporation Ltd., Ten Pao Group Holdings Limited and Tenfu (Cayman) Holdings Company Limited. He was an independent non-executive director of Landsea Green Properties Co., Ltd. (up to his retirement on 19 June 2020), Asia Cassava Resources Holdings Limited (up to his resignation on 13 May 2018) and Futong Technology Development Holdings Limited (up to his resignation on 18 November 2017), all being listed public companies in Hong Kong. He obtained a Bachelor of Laws (Honours) degree from the University of Hong Kong in 1988 and was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. He was a partner of Woo, Kwan, Lee & Lo and is currently a consultant of Howse Williams. Mr. Lee was successively a manager and a senior manager of the Listing Division of the Stock Exchange from December 1992 to April 1994.

Dr. Tong Yuk Lun, Paul

Independent Non-executive Director

Dr. Tong, aged 79, was appointed an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board in April 2016. Dr. Tong holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from the University of Hong Kong, and a Doctor of Philosophy degree from the Victoria University of Manchester. Dr. Tong is a member of the Institute of Civil Engineers, London and the Hong Kong Institution of Engineers, and has solid and extensive experience in the construction industry. Dr. Tong was a director of BTS Group Holdings Public Co. Ltd., a company listed on the Stock Exchange of Thailand, up to his resignation on 11 November 2019.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chan Ju Wai

Chief Financial Officer and Company Secretary

Mr. Chan, aged 52, is the Chief Financial Officer and Company Secretary of the Company. Mr. Chan is also a director of two subsidiaries of the Company established in the Mainland China. Mr. Chan is principally responsible for overseeing the Group's financial management, treasury, legal and corporate governance functions.

Mr. Chan holds a Master's degree with distinction in accountancy from the Lingnan University in Hong Kong and a Master's degree with credit in Business Administration from the University of Sunderland in the United Kingdom. Mr. Chan is currently a fellow of the Institute of Public Accountants in Australia, the Institute of Certified Management Accountants in Australia and the Institute of Financial Accountants in the United Kingdom. He was also inducted as a member of the Lingnan University Chapter of Beta Gamma Sigma, the international honor society for collegiate schools of business.

Mr. Chan has more than 25 years' professional experience in auditing, finance and accounting in an international accounting firm, multi-national and listed companies. Mr. Chan joined the Group in May 2001 and has been a financial controller in the E&M engineering business for over 15 years.

Dr. Cheng Chun Fai

Director of Operations and Corporate Development
Alternate Director to Mr. Wong Shu Hung

Dr. Cheng, aged 62, was appointed Director of Operations & Corporate Development of the Company in March 2020 and was appointed as an alternate to Mr. Wong Shu Hung, an executive director of the Company, on 30 September 2019. He has been a director of New China Laundry Group, which became a member of the Group in April 2018, since February 2011. Dr. Cheng is also Director of Operations and Corporate Development in FSE Holdings Limited, a controlling shareholder of the Company. Dr. Cheng obtained a Master of Business Administration from the University of South Australia in 2008, a Master of Laws in Chinese Business Law from the Open University of Hong Kong in 2010 and a Doctor of Philosophy in Business Administration from the Bulacan State University in 2012. He has over 20 years' experience in operational management in different industries. He is also a chairman of The Council of Hong Kong Professional Associations and a member of the executive committee and vice chairperson of the committee on social enterprise and employment of The Hong Kong Society for Rehabilitation.

Mr. Tsang Tin Ngai

General Manager — Internal Audit

Mr. Tsang, aged 51, joined the Group in August 2015 and is the General Manager of the Internal Audit Department of the Company. He is responsible for internal audit and overall risk assurance of the Group.

Mr. Tsang holds a Bachelor's degree of Arts (Hons) with major in Accountancy from the City University of Hong Kong. Mr. Tsang is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Internal Auditors and a Certified Internal Auditor. Mr. Tsang has over 25 years' experiences in auditing and corporate governance in Hong Kong and the PRC.

Board of Directors and Senior Management

Mr. Cheung Chi Wai

General Manager — E&M Maintenance
FSE Engineering Group

Mr. Cheung, aged 56, joined the Group in 1989 and is the Director & General Manager of the E&M maintenance section and also a director of certain subsidiaries of the Company. He is mainly responsible for the overall management and business performance control of the E&M maintenance business in both Hong Kong and Macau, as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Cheung has over 35 years' experience in the E&M engineering business in Hong Kong.

Mr. Cheung holds a Bachelor's degree in Building Services Engineering and a Master's degree in Fire and Safety Engineering from The Hong Kong Polytechnic University. He is currently a member of The Hong Kong Institution of Engineers, a member of Chartered Institution of Building Services Engineers, a fellow member of Society of Operations Engineers, a chartered environmentalist of Society of the Environment, a member of Institution of Fire Engineers, a registered energy assessor of Electrical and Mechanical Services Department and a registered professional engineer in the Engineers Registration Board of Hong Kong. Besides, Mr. Cheung is an Authorized Signatory of Registered Specialist Contractors (Ventilation Works Category) and a registered licence plumber in Hong Kong.

Mr. Lee Wa Yip

General Manager — E&M Engineering (Mainland China)
FSE Engineering Group

Mr. Lee, aged 55, first joined the Group in December 1992 and had worked for the Group for over 15 years during the period from 1992 to 2009. Mr. Lee rejoined the Group in June 2012 and is the General Manager of our E&M Engineering operations in Mainland China. He is responsible for the overall project administration and business marketing for Mainland China projects. He has over 30 years' experience in quantity surveying and E&M project administration in Mainland China.

Mr. Lee holds a Bachelor's degree of Science in Quantity Surveying from the University of Hong Kong and a Postgraduate Certificate in Construction Project Management from the City University of Hong Kong. Mr. Lee is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. He is also a registered professional surveyor in the Surveyors Registration Board of Hong Kong.

Mr. Ko Ngai Chun

General Manager
FSE Environmental Technologies Group

Mr. Ko, aged 35, joined the Group in July 2016 and is the General Manager of the FSE Environmental Technologies Group. He is responsible for the overall management and business development of the environmental business in both Hong Kong and Macau.

Mr. Ko holds a Bachelor's degree in Science in Accounting and Finance from the University of Warwick in the United Kingdom. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had worked in an international accounting firm and financial institution.

Board of Directors and Senior Management

Dr. Cheng Kam Wah

Managing Director

Urban Group

Dr. Cheng, aged 61, has been the Managing Director of Urban Group since February 2002. Dr. Cheng has over 40 years substantial experiences in real estate, property asset management and facility services. He is responsible for the formulation of strategic directions, corporate business development, operations and management systems enhancement as well as new market development activities of Urban Group.

Dr. Cheng holds a Bachelor of Science Degree (Hons) in Estate Management from the University of Reading, UK, a Master Degree in Business Administration from the University of Hull, UK, and a Doctor of Philosophy Degree in Business and Management from the University of South Australia, Australia. He is a Fellow of the Hong Kong Institute of Housing, the Chartered Institute of Housing, the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Directors, the Hong Kong Institute of Facility Management, the Hong Kong Institute of Real Estate Administrators. He is also a Registered Professional Housing Manager, a Registered Professional Surveyor (General Practice) (Property and Facility Management), a Fellow Professional Facility Manager and a Licensed Estate Agent.

Currently, Dr. Cheng is the President of The Hong Kong Institute of Facility Management and the Vice President of The Hong Kong Association of Property Management Companies.

Mr. Chung Wai Man

General Manager

Waihong Service Group

Mr. Chung, aged 62, is the General Manager and a director of Waihong Services Group. Mr. Chung joined Waihong in 1978 which has become a member of the Group since April 2018 and he has accumulated over 40 years' experience in the cleaning and environmental industry. He is responsible for the stipulation of business directions, management control and operation systems enhancement as well as new market development activities of the sanitation, cleaning and environmental services businesses.

Mr. Chung holds a Bachelor of Business Administration in Corporate Administration. He was the Executive Committee and the Chairperson of Tendering Principles Sub-Committee of the Environmental Contractors Management Association (2013–2017). He was also the Chief Secretary of Environmental Services Contractors Alliance (Hong Kong) in 2013–2017.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to its corporate governance structure and practices in the manner as described in this report. Throughout the Year, the Company had complied with all the code provisions set out in the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Securities Dealing Code, with terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code for dealing in securities of the Company by its directors (the "Directors"). All Directors confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Securities Dealing Code adopted by the Company throughout the Year.

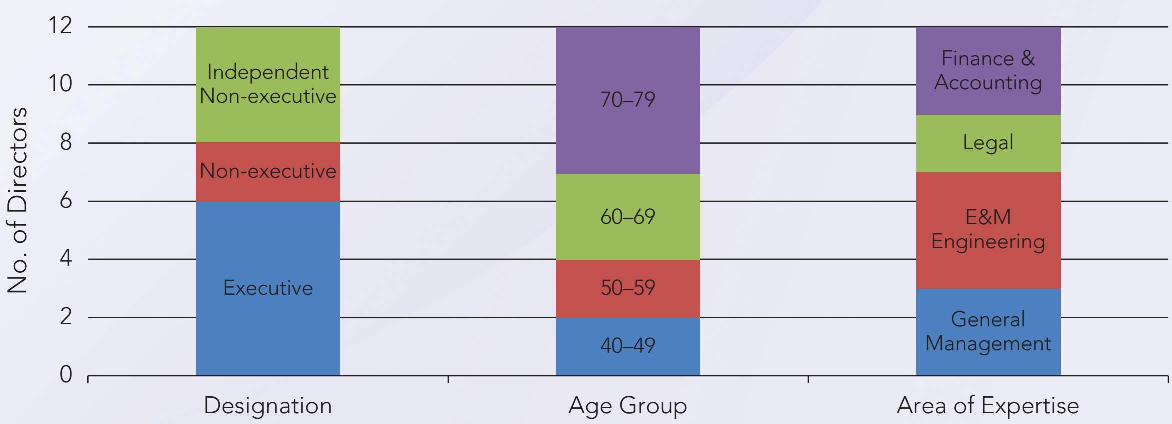
BOARD OF DIRECTORS

Board diversity policy

The Board has adopted a Board diversity policy which recognises and embraces the benefits of a Board that possess a balance of skills, knowledge, professional experience, expertise and diversity of perspectives appropriate to the requirement of the businesses of the Group. In ensuring diversity of the Board, gender, age, cultural and educational background will also be taken into account. All Board appointments are based on meritocracy and considered with due regard for the benefits of diversity on the Board.

Composition and responsibilities

The Board currently comprises 12 Directors, including 2 Non-executive Directors, 6 Executive Directors and 4 Independent Non-executive Directors. An analysis of the current Board composition is set out in the following chart:



The names, biographical details and relationship amongst them, if any, are set out on pages 11 to 14 in the section "Board of Directors and Senior Management".

While the Board is collectively responsible for the management and operations of the Company, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions.

Nomination policy

A nomination policy (the "Nomination Policy") for documenting the current procedures and practices for the nomination of Directors was approved by the Board in December 2018, which is applicable to both new appointments and re-appointments.

In accordance with the Nomination Policy, the procedures and process in respect of the nomination of Directors are summarised below:

1. The Nomination Committee shall invite nomination of candidates from the members of the Board, if any, for its consideration. The Nomination Committee may also put forward candidates who are not proposed by members of the Board.

2. For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.

3. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to shareholders of the Company.

4. Shareholders of the Company may also propose candidate for election as a Director at a general meeting in accordance with the procedures posted on the Company's website.

The following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity;
- qualifications, skills and experience that are relevant to the business of the Group;
- commitment in respect of available time to carry out duties as a director;
- independence in character and judgement to act in the best interest of all shareholders of the Company;
- contribution to the Company's Board diversity policy; and
- any other perspectives that meet the current and anticipated needs of the Board.

In case of nominating the candidate for appointment/re-appointment as an Independent Non-executive Director, in addition to the above selection criteria, the independence of the candidate would be assessed with reference to the independence criteria as set out in the Listing Rules.

Corporate Governance Report

Corporate governance functions

The Board is collectively responsible for performing the corporate governance duties which have been formalised into written terms of reference approved by the Board, including but not limited to developing, reviewing and monitoring the Group's policies, systems and practices in relation to its corporate governance and compliance with legal and regulatory requirements. The Board has reviewed the disclosures in this Corporate Governance Report.

Independence of Independent Non-executive Directors

The Company has assessed the independence of all Independent Non-executive Directors and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement.

Directors' continuous professional development

Directors are encouraged to participate in continuous professional development. A record of participation in various professional development programs provided by each Director is kept by the Legal and Company Secretarial Department. Based on the details so provided, a summary of training received by the Directors for the Year is set out as follows:

	Giving talks or attending seminars/ conferences/ forums	Reading journals and updates on relevant rules and regulations and the Company's industry
Non-executive Directors		
Dr. Cheng Kar Shun, Henry *(Chairman)*	✓	✓
Mr. Wong Kwok Kin, Andrew	✓	✓
Executive Directors		
Mr. Lam Wai Hon, Patrick *(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	✓	✓
Independent Non-executive Directors		
Mr. Kwong Che Keung, Gordon	✓	✓
Mr. Hui Chiu Chung, Stephen	✓	✓
Mr. Lee Kwan Hung	✓	✓
Dr. Tong Yuk Lun, Paul	–	✓
Alternate Director		
Dr. Cheng Chun Fai (alternate to Mr. Wong Shu Hung)	✓	✓

ROLES OF CHAIRMAN, VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Cheng Kar Shun, Henry, the Non-executive Chairman, leads the Board and ensures that the Board works effectively. Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman and Mr. Poon Lock Kee, Rocky, the Chief Executive Officer jointly manage the Company's day-to-day businesses and implement major strategies and policies of the Company. The positions of the Chairman, the Vice-Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including Independent Non-executive Directors) serve the relevant function of bringing independent views and judgement for the Board's deliberation and decisions. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has signed a letter of appointment with the Company for a fixed term of one year, subject to retirement by rotation in accordance with the Company's articles of association.

BOARD COMMITTEES

The Board is supported by various Board committees, including the Executive Committee, the Audit Committee, the Risk Management Committee, the Remuneration Committee and the Nomination Committee. Each Board committee is provided with sufficient resources to discharge its duties in accordance with its terms of reference adopted by the Board. Other Board committees are established by the Board as and when necessary to take charge of specific tasks.

Executive Committee

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility in handling the day-to-day businesses of the Company, while reserving the authority for the Board to approve, amongst other matters, the Company's long-term objectives, changes in capital structure, interim and annual financial statements, dividend policy, and significant operational matters. The Executive Committee meets regularly as and when necessary.

Audit Committee

The Audit Committee was established in November 2015. It currently comprises all the four Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, and is chaired by Mr. Kwong Che Keung, Gordon.

The Audit Committee is responsible for the review of the Company's financial information, financial reporting system, risk management and internal control systems. The Committee also oversees the Company's relationship with the external auditors and makes recommendations to the Board on the appointment and reappointment of external auditor.

During the Year, the Audit Committee held two meetings and reviewed, amongst other matters, the Company's audit plans, internal control procedure, financial reporting system, continuing connected transactions, risk management policy and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions. The Committee also reviewed the interim results for the six months ended 31 December 2019 and the annual results for the Year and submitted recommendations to the Board for its approval, and discussed the Reports to the Audit Committee prepared by external auditor relating to accounting issues and major findings in the course of review and audit.

Risk Management Committee

The Risk Management Committee was established in February 2016 under the supervision of the Audit Committee. The Risk Management Committee comprises senior management from different departments and is chaired by Mr. Soon Kweong Wah, an Executive Director. The Risk Management Committee reports to the Audit Committee which supports the Board by monitoring and guiding the activities of the risk management and internal control systems.

During the Year, the Risk Management Committee held five meetings to regularly review, assess and monitor all major risks identified in different departments.

Remuneration Committee

The Remuneration Committee was established in November 2015. It currently comprises three Independent Non-executive Directors and two Executive Directors, namely, Mr. Hui Chiu Chung, Stephen (as Chairman), Mr. Lee Kwan Hung, Eddie, Dr. Tong Yuk Lun, Paul, Mr. Lam Wai Hon, Patrick and Mr. Poon Lock Kee, Rocky.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing such policy. Prior to making its recommendations, the Committee consults the Chairman and/or the Chief Executive Officer of the Board. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the Year, the Remuneration Committee held one meeting and reviewed the Company's remuneration policy and structure, including that for the Directors and senior management of the Company. The Committee also reviewed and approved the yearly salary adjustments effective 1 January 2020 and the bonus payment for FY2019.

Nomination Committee

The Nomination Committee was established in November 2015. It currently comprises three Independent Non-executive Directors and two Executive Directors, namely, Mr. Lee Kwan Hung, Eddie (as Chairman), Mr. Hui Chiu Chung, Stephen, Dr. Tong Yuk Lun, Paul, Mr. Poon Lock Kee, Rocky and Mr. Doo William Junior Guilherme.

The Nomination Committee is responsible for reviewing the structure, size, composition and diversity of the Board regularly and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include but are not limited to identifying individuals suitably qualified to become members of the Board, maintaining a level of diversity of the Board based on its diversity policy to ensure it possesses a balance of skills, knowledge, professional experience, expertise, objectivity and perspectives appropriate to the requirement of the business of the Group, monitoring the succession planning of Directors and assessing the independence of Independent Non-executive Directors.

During the Year, the Nomination Committee held one meeting and reviewed the structure, size, composition of the Board with due consideration to the appropriate balance of skill and experience required by the Company. It also assessed and confirmed the independence of all the four Independent Non-executive Directors having regard to the criteria as set out in Rule 3.13 of the Listing Rules, and recommended to the Board the nomination of Mr. Lam Wai Hon, Patrick, Mr. Doo William Junior Guilherme, Mr. Soon Kweong Wah and Dr. Tong Yuk Lun, Paul for reappointment as Directors by the shareholders at the 2019 AGM. The Committee also discussed and resolved to recommend to the Board to approve the appointment of Dr. Cheng Chun Fai by Mr. Wong Shu Hung as his alternate director.

Attendance of meetings

The attendance records of the Directors at Board meetings, committee meetings and general meeting of the Company during the Year are as follows:

	Number of meetings attended/eligible to attend							
	Board Meeting	Executive Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 AGM	Extraordinary General Meetings
Non-executive Directors								
Dr. Cheng Kar Shun, Henry	5/7	–	–	–	–	–	1/1	3/3
Mr. Wong Kwok Kin, Andrew	7/7	–	–	–	–	–	1/1	3/3
Executive Directors								
Mr. Lam Wai Hon, Patrick	7/7	7/7	–	–	1/1	–	1/1	3/3
Mr. Poon Lock Kee, Rocky	7/7	7/7	–	–	1/1	1/1	1/1	3/3
Mr. Doo William Junior Guilherme	7/7	7/7	–	–	–	1/1	1/1	3/3
Mr. Lee Kwok Bong	7/7	7/7	–	–	–	–	1/1	3/3
Mr. Soon Kweong Wah	7/7	7/7	–	5/5	–	–	1/1	3/3
Mr. Wong Shu Hung	6/7	7/7	–	–	–	–	0/1	1/3
Independent Non-executive Directors								
Mr. Kwong Che Keung, Gordon	7/7	–	2/2	–	–	–	1/1	3/3
Mr. Hui Chiu Chung, Stephen	7/7	–	2/2	–	1/1	1/1	1/1	3/3
Mr. Lee Kwan Hung, Eddie	7/7	–	2/2	–	1/1	1/1	1/1	3/3
Dr. Tong Yuk Lun, Paul	7/7	–	2/2	–	1/1	1/1	1/1	3/3

Note:

Dr. Cheng Chun Fai, alternate director to Mr. Wong Shu Hung, attended one board meeting, the 2019 AGM and two extraordinary general meetings at which Mr. Wong Shu Hung was not available.

AUDITOR'S REMUNERATION

During the Year, the total fees paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

Type of services	Fees paid/payable for the year ended 30 June	
	2020	2019 (restated)
	HK$'000	HK$'000
Audit services	**5,101**	5,114
Non-audit services*	**2,311**	438
Total	**7,412**	5,552

* Non-audit services include tax advisory and other related services

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports of the Company and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for the preparation of financial statements of each financial period.

The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the external auditor in relation to the financial statements.

Annual report and financial statements

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Accounting policies

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, which have been consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Accounting records

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Safeguarding assets

The Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this annual report. The Board therefore has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 75 to 78 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the maintenance of sound risk management and internal control systems within the Group and reviewing their effectiveness.

The Board has entrusted 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. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board conducts review of the Group's risk management and internal control systems semi-annually. During the Year, the review covered the aspects of financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the Group's risk management and internal control systems are effective and adequate for their purposes.

A whistleblowing policy has also been adopted by the Board and is implemented in the Company's website and the intranet, which allows the Group's staff members and related third parties to raise concerns, in confidence, about misconducts, malpractices or irregularities in any matters related to the Group.

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Internal Audit Department, the senior executive in charge of which reports directly to the Audit Committee and is provided with unrestricted access to all information on the Group's assets, records and personnel in the course of audit. All Directors are informed of the findings of internal audit assignments. During the Year, the Internal Audit Department carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, examination of risk-related documentation, conducting interviews with employees as well as internal control self-assessment questionnaires. It has also conducted special audit on individual operation units.

The senior executive in charge of the Internal Audit Department attended all Audit Committee meetings to explain the internal audit findings and respond to queries from members of the Audit Committee.

Risk management

A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of the risks faced by the Group. Chaired by an Executive Director, the Risk Management Committee takes the lead in the effective implementation of the risk management policy by all divisions and business units of the Group. Risk assessment and evaluation are an integral part of the annual planning process. Each division/business unit of the Group is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented.

The Group emphasises the building of company culture around risk awareness. Workshops are organised for management staff to ensure proper appreciation, implementation and evaluation of risk management and corporate governance requirements. Risk registers are regularly updated and continuous follow-up actions are taken by management and reported to the Board at least annually.

The Group's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Group. Risk management is integral to all aspects of the Group's activities and is the responsibility of all staff members.

The Group's risk appetite is communicated to all level of staff through "Risk Management Manual". Department heads and project leaders have a particular responsibility to evaluate their risk environment faced by their daily operations. They need to update the risk register and report to the Risk Management Committee for the risks identified. Action plans to control the risks to an acceptable level will be developed and results will be monitored and reported to the Risk Management Committee regularly.

The Group's risk appetite will be reviewed annually or whenever there is a significant change to the Group's operating environment.

Through the above process, the Board has maintained an effective risk management system which enables the Group to respond to significant risks in attaining its strategic objectives.

Risk factors

The Group's business, financial condition and results of operations are subject to a number of risks. The risk factors set out below are those that could affect the Group's business, financial condition and results of operations materially different from expectations or historical results. Any of the following risks, as well as other risks and uncertainties that are not yet identified or risks that are currently considered as immaterial, may materially and adversely affect the Group in the future.

COVID-19

The outbreak of COVID-19 since January 2020 has caused serious contraction of the global economy. Despite the diversification of businesses, the Group's business operations have inevitably been affected to some extent. The Group continues to monitor the overall impact of COVID-19 and to contain its operational and financial risks. Different levels of proactive measures and contingency plans have been formulated to act on possible situations in order to sustain the Group's business operations.

Social and political unrests

Social and political unrests occurred recently in Hong Kong may have a negative impact on the Group's financial condition and results of operations. The Group closely monitors the current situation and will formulate the necessary policy and procedures to deal with them.

Global economy and government policy

The construction market in Hong Kong, Macau and Mainland China are largely influenced by the local government policies and regulations, as well as global and regional economic trend. The property markets in Hong Kong and Mainland China have witnessed volatility in recent years. The filibustering in the Legislative Council in Hong Kong has delayed the award of new public works contracts and consequently disrupted the regular progress of public works expenditure in the previous years and the years to come. New developments in casino-related projects in Macau are significantly slow down. China's economic growth prospect is likely to be dragged down with further escalation in trade tensions between the US and Mainland China. Any significant drop in the level of economic growth in these regions could adversely affect the Group's financial results of operations. The Group closely monitors any changes in the relevant government policies and legislations, and adopts advanced technology to increase its operational efficiency.

Labour shortage

Due to aging workforce and less young people joining the construction market, Hong Kong construction industry is facing severe labour shortage which is expected to continue for years. This may affect the Group's ability to sustain a stable workforce to complete the projects in time. As a result, labour costs have been increasing in the past few years; and may keep in the rising trend though in a slower pace compared with the past few years. Similarly, the Group's facility services business is also impacted by labour shortage with a consequential increase in labour costs. Labour shortage therefore affects the Group's business and results of operations. The Group maintains good relationship and frequent communication with its labour subcontractors to ensure the availability of sufficient qualified and skilled labourers needed for the delivery of quality services of the projects.

Currency fluctuations

The results of the Group are presented in Hong Kong dollars. As part of the Group's business was carried out in Mainland China, part of the Group's assets and liabilities are denominated in Renminbi ("RMB"). Therefore, the Group is exposed to RMB fluctuations on translation of net assets of subsidiaries in Mainland China and may have an impact on the Group's financial performance. The Group closely monitors currency movements and adopts various measures to limit the exposure of currency risk.

Corporate Governance Report

Material price fluctuations
The Group's major business is in the E&M engineering & environmental services segment of the construction market. The Group procures a vast amount of building materials for its works. These building materials are subject to high volatility of price in raw materials, particularly steel and copper. The Group's business and results may be affected by the price fluctuation in the building materials. When the contract is awarded, the Group procures materials in time to reduce the risk in material price fluctuation.

Safety and personal injuries
Site construction and facility services providing activities involve different kinds of safety risks such as working at height, operation of machinery, electrical system and appliances, lifting of heavy objects, etc. Failure of implementing safety measures may result in personal injuries or even fatality. As a result, the Group may face litigation claims and suspension of tendering from public works for certain periods, resulting in a large impact on the Group's business opportunity. The Group always puts safety as its first priority by enhancing safety supervision and improving safety facilities to mitigate the safety risks.

Delays and latent defects
The Group's business involves working in uncertain site conditions, such as ground conditions, confined spaces and adverse weather. The Group is also responsible for material and labour quality. Any delay due to site conditions, late material delivery or poor installation quality may incur additional costs to the Group including any damages recoverable from other parties. In addition, the Group remains liable for latent defects for years and bear the associated costs despite the projects had been completed and occupied. The Group's business and operation results may be adversely affected. The Group always closely monitors the construction programme and keeps proper records in order to mitigate any potential liabilities due to project delay.

Contract renewals and tenders
The Group's maintenance and facility services businesses are subject to the risks associated with tendering process. The business contracts of the Group's maintenance and facility services businesses are normally awarded through a competitive tendering process on a project by project basis. There is no assurance that the Group's maintenance and facility services businesses will be successful in securing or renewing its business contracts during the tendering process. If the Group's maintenance and facility services businesses fail to secure engagement for new projects on favourable terms or at all, their businesses and results of operation could be materially affected. To increase tender competitiveness, the Group strives for operational efficiency and cost effectiveness in all aspects and continues to seek opportunities in growing its business.

Environmental concerns
The Group is required to comply with increasingly stringent environmental protection laws, regulations and requirements in Hong Kong, Macau and Mainland China. If the Group fails to comply with the applicable laws, the Group may be required to pay fines or take remedial actions, which may cause negative impacts on the costs and operations of the projects. Furthermore, any updates on impending laws may induce additional costs to the Group for compliance; failing which may lead to suspension or ceasing of our relevant licences to operate the Group's business, thus in turn adversely affect the Group's operation and financial results. To address these risks, the Group adopts green features products and keeps track of the latest environmental requirements.

Cyber security
With the increased application of Information Technology (IT) in the Group's businesses, the threats to IT systems including cyber-attacks are imminent and present a real challenge to the Group's business operations. As such, our Group has implemented a set of comprehensive security and business continuity policies and procedures to address those threats and mitigate the potential loss of the Group's assets and operations, reduce the impact on our business and resume our business operations as soon as practical. In addition, advanced monitor and detection mechanisms, including multi-layered firewalls, intrusion prevention, and offensive behavior detection technologies are established to promptly identify and minimise those threats. An annual security test is also carried out by trusted security agency to mitigate the risk of cyber attacks.

COMPANY SECRETARY

The Chief Financial Officer of the Group acts as the company secretary of the Company. He has confirmed that he had taken no less than 15 hours of relevant professional training.

SHAREHOLDER AND INVESTOR RELATIONS

The Board established a shareholders' communication policy setting out the principles with the objectives of ensuring that shareholders of the Company and the investing public are provided with ready, equal and timely access to balanced and understandable information of the Group.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents and latest corporate news are available on the Company's website.

The Company maintains an ongoing active dialogue with institutional shareholders. The Executive Directors and senior management of the Group are closely involved in promoting investor relations. Meetings and briefings with financial analysts and investors are conducted by the Executive Directors and senior management of the Group.

A Manual on Disclosure on Inside Information is in place giving guidance on the managing, protection and proper disclosure of information that has not already been made public. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene a general meeting (the "EGM") other than an annual general meeting of the Company are subject to the Company's articles of association, the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and applicable legislation and regulation:

(1) One or more shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition (the "Requisition"), not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.

(2) The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

(3) The Requisition may consist of several documents in like form which may be sent to the Board or the company secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) at the Company's head office in Hong Kong or through email at info@fseservices.com.hk.

(4) The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

(5) If the Directors are required under paragraph (1) above to call an EGM and fail to do so pursuant to paragraph (4), the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or through email at is-enquiries@hk.tricorglobal.com.

Shareholders may at any time raise any enquiry in respect of the Company at the Company's head office in Hong Kong or through email at info@fseservices.com.hk.

Procedures for putting forward proposals at shareholders' meetings

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or through email at is-enquiries@hk.tricorglobal.com.

Shareholders may at any time raise any enquiry in respect of the Company at the Company's head office in Hong Kong or through email at info@fseservices.com.hk.

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the Year and up to the date of this annual report, the Company has not made any changes to its constitutional documents. An up-to-date version of the memorandum and articles of association of the Company is available on both the websites of the Company and the Stock Exchange.

Management Discussion and Analysis

BUSINESS REVIEW

In FY2020, the Group recorded revenue amounting to HK$4,882.1 million, representing a decrease of HK$540.6 million or 10.0%, as compared with HK$5,422.7 million (restated) in FY2019. Profit attributable to shareholders for the Year was HK$309.6 million, representing an increase of HK$2.2 million or 0.7 % as compared with HK$307.4 million (restated) in FY2019, mainly reflecting an overall savings in general and administrative expenses and lower income tax expenses, partly offset by a slight decrease in gross profit contribution, an impairment loss on non-current assets of the Group's laundry business and one-off professional fees and finance costs incurred for the acquisition of the property and facility management services business. The expanded business scale after the completion of the acquisition of the property and facility management services business provides a broader and more diversified revenue stream and enhanced profit source to the Group.

E&M ENGINEERING & ENVIRONMENTAL SERVICES SEGMENT

E&M Engineering

The Group has maintained its position as one of the leading E&M engineering companies in Hong Kong, capable of providing a comprehensive range of E&M engineering services and continued to run its E&M engineering operations in Mainland China and Macau. On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group has integrated operating and control procedures, strong networks of well-established customers and suppliers, and an experienced and well-trained workforce to support all of its operations. Thus, the Group has strong confidence in securing and undertaking integrated E&M engineering projects in Hong Kong, Mainland China and Macau.

In addition, the Group 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, modular integrated construction (MiC), Design for Manufacture and Assembly (DfMA) to reduce energy usage, carbon footprint and construction waste. In order to help improve its operational efficiency and project management, the Group invests in innovative construction technologies such as Building Information Modelling (BIM), DfMA, Robotic Total Solution (RTS) and Sky Drilling Machine (SDM), 3D laser scanning and mobile Apps solutions etc.

Going ahead, 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.

As at 30 June 2020, the Group's E&M engineering projects encompassed a wide range of buildings and facilities, including government buildings and facilities, offices, shopping malls, convention and exhibition centres, hotels, integrated resorts, residential properties, universities, hospitals and airport facilities.

During FY2020, the Group submitted tenders for 731 E&M engineering projects (with a contract sum equal to or exceeding HK$1 million for each project, if awarded) with a total tender sum of HK$22,824 million and was awarded contracts with a total value of HK$4,578 million, which included 136 contracts (with a net contract sum equal to or exceeding HK$1 million for each project) with a total net contract sum of HK$4,393 million. Among these contracts, 8 of them are major projects (with net contract sum equal to or exceeding HK$100 million for each project), which include Immigration Headquarters in Tseung Kwan O, SKYCITY commercial development projects in Chek Lap Kok, residential development projects in Kwun Tong and the Kai Tak Development Area, commercial development projects in Central and the Kai Tak Development Area, Resort World and Studio City Phase 2 in Macau.

Management Discussion and Analysis

Environmental Services

The Group's environmental services business continues to provide environmental assessment and energy efficient solutions to assist its customers in achieving their environmental protection and energy conservation objectives.

During FY2020, the Group submitted tenders for 35 environmental service contracts (with a contract sum equal to or exceeding HK$1 million for each contract, if awarded) with a total tender sum of HK$170 million and was awarded contracts with a total value of HK$81 million, which included 5 projects (with a net contract sum equal to or exceeding HK$1 million for each project) with a total net contract sum of HK$11 million.

As at 30 June 2020, this business segment has a total gross value of contract sum of HK$10,004 million with a total outstanding contract sum of HK$7,681 million.

INTEGRATED PROPERTY & FACILITY SERVICES SEGMENT

Cleaning Services

The Group's cleaning services business, Waihong, encompasses a wide range of private buildings and public facilities in every corner of Hong Kong, which includes office towers, shopping malls, hotels, universities, international schools, tourism facilities, government properties, public utilities, convention and exhibition centre, railway stations, airport terminal building, hospitals, industrial buildings and residential properties. It is mainly engaged in providing specialist cleaning services including general cleaning, initial cleaning, housekeeping, recycling, marble and granite floor maintenance, food and solid waste collection, clinical and construction waste disposal, clinic support and integrated pest management services.

Regarding its cleaning service business, growing public awareness for clean and hygienic environment after the outbreak of COVID-19 will boost the demand of prestige service providers. Waihong, as a major player in the cleaning service industry, specialises in providing diverse, efficient, effective and the highest professional standard services to meet its customer needs.

Waihong is capable of providing professional and quality services for different kind of new projects to satisfy the market needs. The demand for specialist cleaning services is full of challenge recently due to slowdown of economy in Hong Kong. Nevertheless, newly-built commercial buildings, residential properties and public facilities will be increasingly constructed in the coming years. Needs for quality cleaning service will be increased and Waihong may benefit from the rising demand in the service market. By capitalising on its extensive experience, quality and customised service with distinctive brand, Waihong has competitive advantages to secure new service contracts and attain a high renewal rate for its existing contracts. Waihong will extend its business strategy to widen the service portfolios in private and public sectors to sustain its market leadership.

During FY2020, Waihong submitted tenders for 371 cleaning service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$7,370 million and was awarded service contracts with a total value of HK$1,571 million, which included 94 service contracts (with a net contract sum equal to or exceeding HK$1 million for each service contract) with a total contract sum of HK$1,509 million. Among these 94 service contracts, 17 of them were major service contracts (with net contract sum equal to or more than HK$20 million for each service contract), which included 3 shopping malls in Sha Tin, Sheung Wan and Tsim Sha Tsui, an international school and an academic hospital in the Southern District, a residential estate in Ma On Shan, an international bank facilities in Hong Kong, a group of shopping malls in East Kowloon and Tseung Kwan O Districts, 3 service contracts for government properties in Kowloon, New Territories and Hong Kong Island Districts, an exhibition center, the airport terminal building and 2 service contracts for a theme park in the Lantau Island District and a university in Kowloon Tong.

Management Discussion and Analysis

FY2020 was a challenging year for Waihong to sustain business growth under the social instability and outbreak of COVID-19. With the extra effort of its management team, Waihong has successfully renewed the most key contracts and gained numbers of profitable projects to widen its service portfolios in public and private markets. During FY2020, Waihong's revenue and net profit recorded double-digit increments compared with FY2019. Moreover, Waihong aims at investing in more innovative technologies such as robotic equipment and real time inspection system which may enhance its operation efficiency and relief workforce demands. Waihong will invest more resources to explore business opportunities from different market segments for further expansion.

Laundry Services

The Group's laundry business group, NCL, is an experienced expert in the laundry and dry cleaning services in Hong Kong. NCL's clientele covers prestigious hotels, service apartments, clubhouses, an international theme park and major airlines.

During FY2020, NCL has commenced to provide laundry services to a hotel in the Cyberport, maintained its existing client segments and explore new segments that require high quality of laundry services. NCL expanded its business with a luxury hotel and service apartment on the Kowloon waterfront that were newly opened in 2019. NCL successfully renewed contracts with its key clients including an international theme park and its three hotels, and a global provider of catering and provisioning services for airlines.

During FY2020, NCL submitted tenders for 32 service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$142 million and was awarded service contracts with a total value of HK$285 million, including previously submitted tenders. The awarded service contracts included 7 major service contracts (with a contract sum equal to or exceeding HK$5 million for each service contract) with a total contract sum of HK$270 million, including 2 contracts for an international theme park, a residential property group, a racing club, a restaurant group, an exhibition centre and a global provider of catering and provisioning services for airlines.

Despite the above mentioned development, NCL was adversely affected in FY2020 due to social unrests and the outbreak of COVID-19 in Hong Kong. The hard hit retail, tourism and hospitality industries have impacted the turnover of our laundries. As NCL offers laundry, dry cleaning and linen management services to corporate customers including major high-end hotels, restaurant chains and theme parks, its business is impacted by the plummeted tourist arrivals and low hotel room occupancy rates. The unprecedented economic contraction, particularly the total shutdown of tourism and hospitality industries, has resulted in an overwhelming drop in the volume of NCL's laundry service. In view of the challenges, NCL has adopted various measures to achieve efficient operation while maintaining a high service quality and will intensify its focus on key accounts, efficient and effective cost management, ensuring customer satisfaction and sustainable growth of its business.

Property and Facility Management Services

The Group's property and facility management services business, comprising Urban and Kiu Lok, is serving one of the largest property and facility asset portfolios in Hong Kong, which provides the most comprehensive and customised professional management services for its clients.

Urban and Kiu Lok are experts in six core property and facility management pillars: (i) residential property assets 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. Their property asset and facility services cover all kinds of property and facility assets including government 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.

Urban and Kiu Lok's unique market differentiation lies in their vertical integration of services, strong pool of professional talents and partnership approach towards customers. Innovation keeps Urban and Kiu Lok at the forefront of the industry. They have been pioneering in the introduction of modern international standards and service models in property and facility management in Hong Kong.

During FY2020 , Urban and Kiu Lok submitted tenders for 30 service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$2,485 million and was awarded 20 service contracts (with a net contract sum equal to or exceeding HK$1 million for each service contract) with a total contract sum of HK$1,063 million. Among these 20 service contracts, 5 of them were major service contracts (with net contract sum equal to or more than HK$10 million), including 3 government properties, staff quarters of a university and a residential estate.

As at 30 June 2020, this business segment has a total gross value of contract sum of HK$4,836 million with total outstanding contract sums of HK$1,799 million for its cleaning services and HK$1,594 million for its property and facility management services businesses, respectively.

FINANCIAL REVIEW

Revenue

In FY2020, the Group's revenue dropped by HK$540.6 million or 10.0% to HK$4,882.1 million from HK$5,422.7 million (restated) in FY2019, reflecting lower revenue from the E&M engineering & environmental services segment amounting to HK$651.4 million, partly mitigated by higher revenue from the integrated property & facility services segment amounting to HK$110.8 million.

The following tables present breakdowns of the Group's revenue by business segment and geographical region:

	For the year ended 30 June			
	2020 HK$'M	**% of Total revenue**	2019 (restated) HK$'M	% of Total revenue
E&M engineering & environmental services*	**3,085.5**	**63.2%**	3,736.9	68.9%
Integrated property & facility services*	**1,796.6**	**36.8%**	1,685.8	31.1%
Total	**4,882.1**	**100.0%**	5,422.7	100.0%

* Segment revenue does not include inter-segment revenue.

	For the year ended 30 June			
	2020 HK$'M	2019 (restated) HK$'M	Change HK$'M	% Change
Hong Kong	**4,171.0**	4,430.4	(259.4)	(5.9%)
Mainland China	**382.3**	792.6	(410.3)	(51.8%)
Macau	**328.8**	199.7	129.1	64.6%
Total	**4,882.1**	5,422.7	(540.6)	(10.0%)

- *E&M (electrical and mechanical) engineering & environmental services:* This segment continued to be the key revenue driver of the Group and contributed 63.2% (2019: 68.9% (restated)) of the Group's total revenue. Segment revenue of HK$3,085.5 million (2019: HK$3,736.9 million) for the Year composed of revenue from the provision of E&M engineering & environmental services amounting to HK$3,015.5 million (2019: HK$3,665.8 million) and HK$70.0 million (2019: HK$71.1 million) respectively. Segment revenue dropped by 17.4% or HK$651.4 million to HK$3,085.5 million from HK$3,736.9 million, owing mainly to a reduced revenue contribution from Mainland China and Hong Kong by HK$410.3 million and HK$370.2 million respectively, partly mitigated by an increase in revenue contribution in Macau amounting to HK$129.1 million. The reduced revenue contribution from Mainland China and Hong Kong reflected 2 sizeable E&M engineering installation projects which were substantially completed last year, including Spring City 66 in Kunming and West Kowloon Government Offices, partly mitigated by the revenue contribution from a number of E&M engineering installation and renovation projects, including Transport Department's Vehicle Examination Centre in Hong Kong and St. Regis Service Apartment in Macau, which had substantial progress this year. It should be noted that, under contract terms, only the management fees and reimbursable costs are reflected in the revenue of the Kai Tak Sports Park project.

- *Integrated property & facility services:* This segment, which presently principally provides services in Hong Kong, contributed 36.8% (2019: 31.1% (restated)) of the Group's total revenue. Segment revenue of HK$1,796.6 million (2019: HK$1,685.8 million (restated)) for the Year comprises provision of cleaning services, laundry services and property and facility management services amounting to HK$1,126.9 million (2019: HK$988.2 million (restated)), HK$102.1 million (2019: HK$170.4 million) and HK$567.6 million (2019: HK$527.2 million) respectively and grew HK$110.8 million or 6.6%. Such growth was mainly attributable to (i) contributions from a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities, including a large-scale public transportation facility, shopping malls, a government department, residential and commercial properties, (ii) additional ad-hoc intensive disinfection cleaning contracts following the outbreak of COVID-19 and (iii) higher revenue from the property and facility management services business, mainly driven by extensions of 2 non-residential property management contracts, including government buildings in Hong Kong, Kowloon and the New Territories and staff quarters of a university, partly offset by a reduction in revenue from the laundry business resulted from the plummeting tourist arrivals and lower hotel room occupancy rates following the outbreak of COVID-19 and social unrests.

Gross profit

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

	For the year ended 30 June			
	2020		2019 (restated)	
	Gross profit HK$'M	Gross profit Margin %	Gross profit HK$'M	Gross profit Margin %
E&M engineering & environmental services	**434.9**	**14.1**	462.1	12.4
Integrated property & facility services	**325.5**	**18.1**	307.4	18.2
Total	**760.4**	**15.6**	769.5	14.2

The Group's gross profit slightly decreased by HK$9.1 million or 1.2% to 760.4 million in FY2020 from HK$769.5 million (restated) in FY2019, with an overall gross profit margin remained relatively stable at 15.6% (2019: 14.2% (restated)). The decrease in gross profit was mainly attributable to a reduction in E&M engineering & environmental services segment's gross profit of HK$27.2 million to HK$434.9 million from HK$462.1 million. Lower gross profit was recorded this Year from a number of sizeable E&M engineering installation projects in Mainland China and Macau which had significant progress or cost savings last year, including Shenyang New World International Convention and Exhibition Centre, Tianjin Chow Tai Fook Financial Centre and Parisian Macau. Despite the fact that a number of Mainland China and Macau E&M projects experienced low profit margin, the gross margin of the entire E&M engineering & environmental services segment has increased to 14.1% from 12.4% mostly reflecting cost savings from the West Kowloon Government Offices project.

Management Discussion and Analysis

The integrated property & facility services segment recorded an increase in the gross profit of HK$18.1 million to HK$325.5 million from HK$307.4 million (restated), with its gross profit margin remained relatively stable at 18.1% (2019: 18.2% (restated)). The increase in gross profit mainly reflected a number of new general and ad-hoc intensive disinfection cleaning service contracts, the extensions of 2 non-residential property management contracts with a government department and a university, partly offset by the reduced laundry business volume impacted by the plummeting tourist arrivals and lower hotel room occupancy rates since the government's implementation of containment measures on the COVID-19 pandemic.

Other (expenses)/income, net

Other net expenses in FY2020 amounted to HK$9.3 million as compared with other net income of HK$5.3 million (restated) recorded in FY2019. FY2020's net expenses mainly included an impairment loss of HK$13.9 million on non-current assets of the Group's laundry business.

Finance income

In FY2020, the Group recorded finance income of HK$5.5 million (2019: HK$5.2 million (restated)). The increase mainly reflected an increase in the average principal sum of the Group's bank deposits placed in Hong Kong.

Finance costs

The Group's finance costs of HK$10.1 million (2019: HK$0.4 million (restated)) for FY2020 included interest expenses of HK$7.4 million for the Group's bank loan financing its acquisition of the property and facility management services business and HK$0.3 million for the property and facility management services business' short-term bank borrowings which were fully repaid during the Year and finance costs on lease liabilities of HK$2.4 million following the Group's adoption of HKFRS 16 "Leases" starting from 1 July 2019.

General and administrative expenses

General and administrative expenses of the Group for the Year decreased by 6.7% to HK$384.0 million compared to HK$411.7 million (restated) for last year. Such decrease of HK$27.7 million mostly reflected a successful cost saving campaign and reduced depreciation of leasehold improvement in FY2020, partly offset by one-off professional fees of HK$12.1 million for the acquisition of the property and facility management services business.

Income tax expenses

The effective tax rate of the Group reduced by 1.7% to 14.9% (2019: 16.6% (restated)), mainly attributable to the non-taxable COVID-19 related government grants.

Management Discussion and Analysis

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			
	2020	2019 (restated)	Change	% Change
	HK$'M	HK$'M	HK$'M	
E&M engineering & environmental services	**210.3**	207.1	3.2	1.5%
Integrated property & facility services	**124.4**	104.6	19.8	18.9%
Unallocated corporate expenses and finance costs*	**(25.1)**	(4.3)	(20.8)	483.7%
Total	**309.6**	307.4	2.2	0.7%

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK$17.7 million (2019: HK$4.3 million), mainly representing the one-off professional fees of HK$12.1 million as mentioned above, and interest expenses of HK$7.4 million (2019: Nil) for the Group's bank loan financing its acquisition of the property and facility management services business.

As a result of the foregoing, the Group's profit in FY2020 slightly increased by 0.7% or HK$2.2 million to HK$309.6 million compared to HK$307.4 million (restated) in FY2019. The increase mainly reflected the decrease in general and administrative expenses and income tax expenses as mentioned above, partly offset by a slight decrease in gross profit contribution, the impairment loss on non-current assets of the Group's laundry business and the finance costs incurred for the acquisition of the property and facility management services business. The net profit margin of the Group improved to 6.3% for the Year from 5.7% (restated) in last year.

Other comprehensive loss

The Group recorded other comprehensive loss for the Year of HK$5.6 million (2019: HK$10.0 million (restated)), reflected an exchange reserve movement of HK$5.9 million (2019: HK$7.4 million) recorded during the Year following a depreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China, remeasurement losses on long service payment liabilities of HK$0.3 million (2019: gains of HK$1.8 million (restated)), partly offset by remeasurement gains on defined benefit retirement scheme of HK$0.6 million (2019: losses of HK$2.6 million (restated)).

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 2020, the Group had total cash and bank balances of HK$700.9 million (30 June 2019: HK$562.2 million (restated)), of which 92%, 6% and 2% (30 June 2019: 80%, 16% and 4% (restated)) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK$463.2 million (30 June 2019: HK$30.0 million (restated)) denominated in Hong Kong dollars. The Group's net cash balance decreased by HK$294.5 million to HK$237.7 million as at 30 June 2020 as compared to HK$532.2 million (restated) as at 30 June 2019 mainly reflecting the cash consideration paid by the Group for its acquisition of the property and facility management services business totalling HK$602.5 million and distribution of FY2019's final dividend of HK$53.6 million and FY2020's interim dividend of HK$57.6 million, partly mitigated by net cash inflow from operating and financing activities. The Group's net gearing ratio was maintained at zero as at 30 June 2020 (30 June 2019: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

Management Discussion and Analysis

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 2020, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$2,556.4 million (30 June 2019: HK$1,703.0 million (restated)). As at 30 June 2020, the Group has no banking facilities guaranteed by FSE Management Company Limited ("FMC", a direct wholly-owned subsidiary of FSE Holdings Limited) (30 June 2019: HK$137.0 million (restated)) was guaranteed by FMC). As at 30 June 2020, HK$959.1 million (30 June 2019: HK$353.9 million (restated)) 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 2020, the Group's total debt increased to HK$463.2 million from HK$30.0 million (restated) as at 30 June 2019. All the bank borrowings of HK$463.2 million as at 30 June 2020 will mature in December 2021. It is denominated in Hong Kong Dollar and bears interest at floating rates.

Foreign currency exposure

The Group operates primarily in Hong Kong, Mainland China and Macau and is not exposed to significant exchange risk. The Group does not have a foreign currency hedging policy and foreign currency risk is managed by closely monitoring the movements of the foreign currency rates. It will consider entering into forward foreign exchange contracts to reduce exposure should the need 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$169.7 million (30 June 2019: HK$175.3 million) as at 30 June 2020. 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 under review, the fluctuation of RMB against Hong Kong dollars was 5.4% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the period under review).

As at 30 June 2020, if the Hong Kong dollars had strengthened/weakened by another 5.4% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$9.2 million lower/higher.

Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 30 June 2020, the net proceeds of HK$264.5 million received from the Company's Initial Public Offering ("IPO") or Global Offering (referred to the prospectus issued by the Company on 26 November 2015) and the revised use of unutilised proceeds of HK$133.5 million as stated in the Company's announcement dated 26 June 2018 were applied in the manner as shown in the table below:

	Original use of proceeds from Global Offering HK$'M	Utilised amount as at 26 June 2018 HK$'M	Revised use of proceeds pursuant to the Company's announcement dated 26 June 2018 HK$'M	Aggregated utilised amount from 27 June 2018 to 30 June 2019 HK$'M	Aggregated utilised amount from 1 July 2019 to 30 June 2020 HK$'M	Unutilised amount as at 30 June 2020 HK$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	5.9	–	–	–	–
Development of environmental management business	51.0	3.6	20.0	13.0	7.0	–
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	88.1	88.1	–	–
Staff-related additional expenses	20.0	20.0	–	–	–	–
Development and enhancement of design capability	19.3	18.3	16.0	10.8	5.2	–
Enhancement of quality testing laboratory	12.2	4.9	7.3	1.8	1.9	3.6
Upgrade of corporate information technology system and software	8.0	5.9	2.1	2.1	–	–
General working capital	25.0	25.0	–	–	–	–
Total	264.5	131.0	133.5	115.8	14.1	3.6

The Group has utilised HK$260.9 million of the net proceeds from Global Offering, of which HK$14.1 million was utilised during the FY2020 with the actual usage consistent with the usage as intended and previously disclosed by the Company. The Group expects that the remaining balance of the IPO proceeds in the amount of HK$3.6 million will be utilised in accordance with the manner as shown in the table above within 4 years up to 2023. The Group held the unutilised net proceeds mainly in short-term deposits or time deposits with licensed banks and authorised financial institutions in Hong Kong.

Capital commitments

As at 30 June 2020, the Group had capital commitments of HK$0.5 million (30 June 2019: HK$2.9 million (restated)). Details of them are set out in the Note 34(a) to the consolidated financial statements.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2020 and 30 June 2019.

Management Discussion and Analysis

Major transaction

On 18 October 2019, a conditional sale and purchase agreement (the "S&P Agreement") was entered into between the Company, FSE Property Management Group Limited ("FPMGL", a direct wholly-owned subsidiary of the Company) and FMC (the "Vendor", a direct wholly-owned subsidiary of FSE Holdings Limited which is a controlling shareholder of the Company) whereby the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) and the Vendor agreed to sell the entire issued share capital (the "Sale Share") of Legend Success Investments Limited ("Legend Success") (together with its subsidiaries as at the completion of the S&P Agreement, the "Target Group") at an initial consideration (the "Consideration") of HK$704.9 million subject to adjustment. Pursuant thereto, the Company has nominated FPMGL to buy the Sale Share. The Target Group is principally engaged in the provision of property and facility management services.

The acquisition under the S&P Agreement was approved by the independent shareholders at the extraordinary general meeting of the Company held on 6 December 2019. Completion of the S&P Agreement took place on 16 December 2019 (the "Completion Date") upon which the initial sum of the 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 to FMC, credited as fully paid. A final cash payment for this acquisition of HK$38.5 million was made on 13 February 2020 with reference to the unaudited net tangible asset value of the Target Group as at the Completion Date. The aggregate consideration for this acquisition is thus HK$743.4 million.

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 2020, the effect of their conversion is not included in the calculation of the diluted earnings per share for year ended 30 June 2020 pursuant to HKAS 33's requirements as described in Note 13 to the consolidated financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the Year of 30 June 2020 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 2020 would be HK$0.65 per share, calculated as the Group's profit attributable to shareholders of the Company of HK$309.6 million divided by the weighted average number of the Company's ordinary shares in issue of 473.6 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 23.6 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.

Upon completion, each member of Legend Success became a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group have been consolidated in the financial statements of the Company for the Year.

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. Under the guidance of an Executive Director, the Group's management committee oversees the management of ESG-related risks and the implementation of our Integrated Management System ("IMS") for the majority of our Group's operations. The IMS combines three international management system standards — ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System — providing a systematic approach to monitoring and managing ESG-related matters.

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 November 2020.

Discussion on environmental policies and performance

While there are no major environmental impacts associated with the Group's operations, environmental sustainability is the Group's key responsibility of integrating sustainable practices in our operations and contributing to a greener future. We have implemented the ISO 14001 Environmental Management System which is a core component of our IMS to monitor our environmental performance. This system allows us to have a clear focus on enhancing environmental awareness and commitment within the Group. The system is regularly audited by both internal and external parties to ensure its effectiveness in achieving continual improvement.

We are committed to reducing energy consumption and greenhouse gas ("GHG") emissions throughout all business operations. The Group signed the "Energy Saving Charter" launched by the Hong Kong Government's Environmental Protection Department ("EPD"), demonstrating strong dedication to reducing its carbon footprint. We continue to nurture environmental stewardship among our employees and foster behavioural change including paper use reduction, energy conservation and materials recycling.

With the Group's newly-introduced Green Office Guidelines, we have stepped up our efforts in implementing waste recycling practices across all operations. For instance, we procure paper from sustainable sources and place scrap paper boxes next to printers. In addition, our solid waste reduction programme at the Fanling workshop has identified opportunities to maximise the use of scrap metal and minimise disposal.

To instil an environmentally friendly culture within the Group, we continue to organise green activities and support external initiatives relating to environmental protection. During the Year, we participated in a beach cleaning activity organised by the Food, Environmental Hygiene Department and arranged a visit to the Jockey Club Museum of Climate Change which enabled our employees to gain an understanding of the climate changes in Hong Kong. Dedicated to exploring new technologies for a greener future, we have collaborated with Nano and Advanced Materials Institute Limited ("NAMI") in two research and development projects on water treatment and solid waste treatment.

Account of key relationships with employees, customers and suppliers

Employees

We are steadfast in providing an inclusive, caring and safe work environment. We place strong emphasis on equal opportunities and our employees are remunerated with competitive salaries and benefits commensurate with their work experience and job duties. To effectively manage our human capital, we have a set of well-established and transparent procedures on talent acquisition and employee dismissal in place.

The wellbeing of our employees is crucial to creating a positive workplace. To accommodate the diverse interests of our employees, we arrange a variety of staff activities including interest classes on photography, pottery crafting, baking, and other sports and outdoor activities. Placing high value on continued professional development of our employees, we have established the Mentorship Programme and Graduate Scheme "A" Training.

As a component of our IMS, the Group has implemented the OHSAS 18001 Occupational Health and Safety Management System at our operations in Hong Kong, as well as the GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System at our operations in Mainland China. This integrated system guides our employees to assess, mitigate and control relevant health and safety hazards at all times. We also arrange safety training sessions on a regular basis to ensure our employees and subcontractors are well-informed of our safety policies and guidelines. With a high internal awareness on safety, we are pleased to report that there were no work-related fatalities during the Year.

Customers

The Group aims to provide efficient, professional and quality E&M engineering services to its customers. Aspiring to achieve high customer satisfaction rates, we have established the ISO 9001 Quality Management System. Each of our business units establishes its own set of guidelines to ensure accountability in quality assurance. Regular audits are carried out to identify potential risks and defect issues in the business, and a standard audit system has been set up for our projects in Mainland China. In cases where quality or safety concerns arise, a thorough investigation will be conducted and effective correction actions will be promptly implemented.

Suppliers and subcontractors

The Group seeks to positively influence the environmental and social practices of its suppliers and subcontractors. Our established procurement procedure assesses project experience, safety performance and financial conditions which enables the Group to select supplier and subcontractors which share our sustainability vision. Only those which can meet the evaluation criteria will be included in our approved vendor list. The Group also reviews the suitability and sustainability performance of its suppliers and subcontractors annually to maintain consistency in the quality of our services. In case of serious non-compliance, substandard suppliers and subcontractors will be suspended or removed from the approved vendor list.

Compliance status with relevant laws and regulations that have a significant impact on the business

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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 13,701 employees (30 June 2019: 13,047 (restated)), including 4,742 (30 June 2019: 4,878 (restated)) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or sub-contractors. Staff costs for the Year, including salaries and benefits, was HK$1,744.8 million (2019: HK$1,657.1 million (restated)). The increase mainly reflects an increase in the average headcount of the Group's permanent employees, mainly at its cleaning services division.

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 report, no share options under this scheme have been granted.

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

OUTLOOK

E&M Engineering & Environmental Services Segment

1. **Installation Services**

   In Hong Kong, according to the construction expenditure forecast provided by the Construction Industry Council, expenditure in E&M construction works will amount to over HK$23 billion for the public sector and over HK$25 billion for the private sector in the fiscal year 2020/21.

   The long-term housing strategy of the Hong Kong Government, as stated in its 2018 Policy Address, aims at continuing its ongoing efforts in increasing the land and housing supply and increasing the public-private housing ratio to 7:3. According to government projections, 450,000 residential flats will be provided in the next decade including 220,000 public housing units, 95,000 subsidised-sale units, and 135,000 private housing units. To achieve the target, the Government is allocating more land to public housing development and increasing the ratio of public housing to 70% of the housing units on its newly developed land for the coming 10 years up to 2029.

   The Government will invoke the Lands Resumption Ordinance to resume three types of private land for public housing. These include (1) private-owned brownfield sites located in Ping Shan and Lam Tei; (2) private land which has been zoned for high-density housing development in statutory outline zoning plans; (3) the urban private land located in Cha Kwo Ling Village, Ngau Chi Wan Village and Chuk Yuen United Village. Furthermore, the Housing Authority is invited to explore the feasibility of redeveloping its factory estates for public housing use.

Management Discussion and Analysis

To prepare for the challenges brought by the aging population, the Hong Kong Government earmarked HK$200 billion in 2016 for a 10-year hospital development plan. On top of the HK$200 billion invested in the first 10-year plan, the Hong Kong Government has committed to an extra HK$300 billion capital works program to support the second 10-year hospital development plan, improve the clinic facilities of the Department of Health, and upgrade and increase healthcare training facilities. In addition, the Hong Kong Government has decided to finance HK$5 billion for the construction of a Chinese medicine hospital at Pak Shing Kok in Tseung Kwan O which is expected to be commenced in 2021 and operated in 2024.

To promote sport in the community and maintain Hong Kong as a centre for major international sporting events, the Hong Kong Government has planned to spend a total of HK$20 billion between 2017 and 2021 to launch 26 projects to develop new or improve existing sports and recreation facilities. Besides, construction at the Kai Tak Sports Park, the largest sport project with an investment over HK$30 billion, has commenced in early 2019 and to be completed in 2023.

In addition, the Hong Kong Government has invited the MTRC to plan for three new railway lines including the Tung Chung Line Extension, the Tuen Mun South Extension and the Northern Link. The Hong Kong Government also requested the Airport Authority Hong Kong to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world. These include the construction of a three-runway system, the expansion of the existing Terminal 2, the development of a high value-added logistics centre at the South Cargo Precinct, the SKYCITY development projects and the AsiaWorld Expo at the Hong Kong International Airport.

To encourage and enhance innovation and technology, the infrastructure works of the Hong Kong-Shenzhen Innovation and Technology Park at the Lok Ma Chau Loop has commenced in June 2018, with the objective of providing the first batch of land parcels for superstructure development not later than 2021.

In the 2019 Policy Address, the Government endeavours to transform Kowloon East into the second core business district, scale comparable with the core business district in Central District (about 3.76 million square metres of commercial floor area).

With increasing construction volumes, rising construction costs and ageing skilled workforce in recent years, together with multiple incidents in individual large-scale project, the construction industry in Hong Kong has been facing enormous pressure and challenges. The Group has been endeavoring to support the "Construction 2.0" (i.e. Innovation, Professionalisation and Revitalisation) as launched by the Government in 2019 to capitalize on future development opportunities and scale new heights.

Based on the Lands Department records and the lacklustre market sentiment, the land sales have dropped almost 80% since 2017, which will result in a reduced supply of private commercial and residential properties in the coming few years. In addition, the filibustering in the Legislative Council has delayed the award of new public works contracts, which adds to the rising construction cost. The Group has thus strived to maintain a relatively stable workforce and retain loyal staff members so as to preserve its competitiveness.

Regarding the Extra Low Voltage ("ELV") business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, this presents good opportunities to generate business revenues and profit in the ELV business segment.

Since the establishment of the new ELV division in 2016, the Group has been awarded several ELV projects including three residential projects on Sai Yuen Lane, Sheung Heung Road and Waterloo Road, two public housing projects on Texaco Road in Tsuen Wan and Tung Chung Area 27, an office development project at King's Road in North Point, an Aviation Training Centre at Chek Lap Kok, Inland Revenue Tower at Kai Tak, Immigration Headquarter at Tseung Kwan O Area 67, SKYCITY commercial development in Chek Lap Kok and Kai Tak Sports Park.

Looking ahead, the Group will keep working with vendors to customise those systems according to the specific needs of customers, using advanced technologies such as Artificial Intelligence (AI) and Internet of Things (IOT), intelligent IP/IT-based and mobile Apps systems. The Group believes that with a highly qualified and experienced staff and sound project management skills, it can fulfill its commitment of delivering quality and professional services to all its valued customers.

In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the development of Galaxy Macau Phase 4 and Studio City Phase 2, and the renewal of casino licences in 2022 are expected to create emerging business opportunities for the Group in the coming few years.

The positioning of Macau as a world exemplary tourism and leisure centre addresses that region's need for adequate economic diversification and sustainable development. The Macau Special Administrative Region Government is expected to keep track of the pace of development of the gaming industry, and at the same time actively foster growth of integrated tourism in the city by reinforcing its non-gaming facilities.

For the Mainland China market, 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 three core bases in Guangzhou, Beijing and Shanghai, the Group has also established its presence in other first- and second-tier cities in Mainland China such as Tianjin, Dalian, Shenyang, Chengdu, Wuhan, Changsha and Nanjing.

The development of the Greater Bay Area will certainly enhance the economic and social growth in eleven cities of that Area. In addition, the three 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, two high-rise building complexes in Tianjin and Guangzhou, and two commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and armed with strong value-added E&M project management expertise in the areas of, among others, integrated services coordination, coordinated services drawing production, Building Information Modelling (BIM) techniques, project planning, quality assurance and system testing and commissioning, it will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in Mainland China.

2. Maintenance Services

As reflected in the statistics available, currently about 500 new buildings will be constructed each year and over 65% of the existing buildings (approximately 42,000) are aged over 20 years in Hong Kong including 1,700 commercial buildings, 1,600 industrial buildings and 24,000 residential buildings. The maintenance section of the Group's E&M engineering services thus envisages a growing demand for the term maintenance contracts from different prestigious commercial and residential buildings, hospitals, the public sector and educational institutions seeking the service of quality contractors to assist them in maintaining their properties in the best possible condition. Large-scale alteration and addition and system retrofit works are also set to provide favourable returns to the maintenance section.

3. **Environmental Services**

Increasing public awareness of the importance of sustainable environment has fuelled the demand for environmental engineering services and products. The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) enacted in 2012 continues to support the business development of the Group's environmental consultancy services. Its seawater and fresh water treatment and odour removal products such as electro-chlorination and biotech deodorisation systems respectively have brought steady growth to its environmental engineering segment.

Our laboratory has been accredited by the Hong Kong Accreditation Service under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) since 2015 which complement the work of the E&M engineering & environmental services segments. The Group has also been approved as an Accredited Indoor Air Quality ("IAQ") Certificate Issuing Body ("CIB"). The inspection works of IAQ further strengthen the Group's environmental consultancy services.

The Group is actively working with strategic partners and vendors to invest in strengthening its technological capabilities with a focus on air, water and waste treatment. As at present, the Group has collaborated with Nano and Advanced Materials Institute Limited to invest in and develop nano-bubble technology which converts ordinary air and water into strong oxidising fluid and solid waste technology.

Integrated Property & Facility Services Segment

1. **Cleaning Services**

There are tremendous demands of antiviral coating and sterilisation services during the period of COVID-19 outbreak in Hong Kong. Waihong also reaps benefit from providing numerous sterilisation service orders by its current clients and ad-hoc customers. Waihong's management believes that such kind of disinfectant services would keep in high demand in the market until COVID-19 is completely controlled. Further, job creation scheme from government will create around 30,000 time-limited jobs in both public and private sectors including stepping up cleansing of government buildings and schools in the coming two years. Relevant cleansing jobs may create about 3,000 additional workers from public or private market subsidised by government. Waihong will strive to engage these one-off contracts as it may generate higher profits and expand the market share in government sector for the Group.

Towards global trend of smart city development embracing innovation and technology, the Group will introduce more innovative technologies and robotic machines to reduce the manpower resource and increase the efficiency. Waihong will consider exploring or partnering some potential strategic business vendors to establish the competitive edges in the industry for further expanding specialist and sterilisation services to different market segments. Waihong has cooperated with biotech expertise for promotion of eliminating indoor air pollution and antiviral coating services in the market. Waihong will continue to seek for diversified services to satisfy market demands.

With thousands of tenders and quotations to be released to the market year to year, cleaning services providers benefit from contracts totaling billions of Hong Kong dollars from both the private and public sectors. Waihong, as one of major players in the cleaning services market, strives to retain a higher ratio of its existing service contracts and explore more new business from different market segments leveraging its competitive advantages. During FY2020, Waihong has consecutively succeeded in securing some new service contracts in high-end market, including prime office building and residential properties from well-known developers, prestige international college, superior bank facilities, academic hospital, science research buildings, exhibition center, airport terminal building, government properties and theme park. Waihong's management believes that these service contracts can support Waihong's business growth and optimise its brand name.

Foreseeing the downturn of worldwide economy by the pandemic outbreak of COVID-19, slowdown of Hong Kong economy is inevitable in the coming financial year. Waihong's teams have been requested to tighten control of expenditure in every aspect to tackle with the tough time. As unemployment rate is getting higher, Waihong will seize this opportunity to reallocate labour resources to ease the rising operations cost and seek for new business from relatively stable clients such as public institutions or government facilities. It is confident to overcome difficulties by various support measures by Waihong to enhance its communication with clients for tackling with unexpected challenges.

2. **Laundry Services**

As a consequence of the outbreak of COVID-19 and social unrests, the industry is experiencing cut-throat competition, wafer-thin margin and reduced patronage, the coming year is therefore anticipated to be full of challenges and uncertainties. In view of the current pandemic as reflected in the increasing number of worldwide confirmed COVID-19 cases and the unprecedented economic contraction, particularly its significant impact on tourism and hospitality industries, which resulted in an overwhelming drop in the volume of NCL's laundry service, the outlook of NCL remains bleak. Nevertheless, NCL will continue to maintain its service standard and operational efficiency. Its management will continue to closely monitor NCL's situation and apply appropriate remedial measures, including (i) review of its existing service contracts for opportunities of bargaining with clients for better terms, (ii) focusing more on key accounts and (iii) adoption of effective operational cost management, especially on manpower deployment.

3. **Property and Facility Management Services**

Based on the Group's property and facility management services group's over 50 years of substantial experience and professional capabilities in this business, it is able to provide quality management services to preserve and add value to the property and facilities for its clients to enhance their reputation and asset values. With the increasing expectation of the corporate clients and property investors, there is a growing demand of one-stop and full service professional property and facility management services. Extended services include property pre-management services, project planning and management, building renovation and rejuvenation services, leasing and tenancy management, facility re-commissioning, and other value added services. Under the foreseeable unstable economic situation, Urban and Kiu Lok believe that large corporations and multinational enterprises will continue the trend to outsource their non-core property and facility management activities to external professional agencies, which creates new business opportunities to them.

Apart from the strong synergies generated among business units within the Group, Urban and Kiu Lok have also established extensive partnerships with professional service suppliers and contractors in the territory. It obtains its competitive advantages by creating economies of scale and bargaining power for its clients to achieve cost-effectiveness and operational efficiency at all times. Most importantly, it is able to provide the most cost-effective services to them at the optimum price levels.

Discounting service companies owned by property developers, Urban is one of the largest independent Private Property and Facility Management Companies in Hong Kong. Under the current social situation and the demand for controlling rights of property owners, there is an increasing demand of independent property and facility management companies, which are not subsidiaries of property developers. Moreover, with the diminishing privilege of the property developers in directly assigning property management contracts to their subsidiaries, there is a huge market opening for management service contracts, capitalising on its good reputation, substantial experiences and extensive expertise.

Management Discussion and Analysis

Nowadays, both property owners and investors perceive brand recognition as one of the major selection criteria for their property and facility managers. With the brand equity of over 50 years' substantial experience obtained and accolades received from the Hong Kong society, Urban and Kiu Lok have created its unique selling proposition from the industry to obtain the trust from the clients.

Urban and Kiu Lok have been maintaining one of the strongest operation teams in the Hong Kong property and facility management services industry. They have over 5,000 professionally trained and qualified staff in the areas of property and facility management, technical and engineering, customer relations and security services. Following the enactment of the Property Management Services Ordinance (Cap. 626 of the Laws of Hong Kong), apart from the licensing of property management companies, there are also statutory requirements on the number of qualified and licensed property management professionals and practitioners being employed by property management companies as a proportion to their management portfolios. Urban and Kiu Lok have been well prepared for the statutory requirements with over 500 staff who are fully qualified for the Tier 1 and Tier 2 licences, which is believed to be one of the largest service teams in the industry. With such a strong team of professionals, it has maintained good competitive advantages over its rival companies in new tendering and business development activities in future. Moreover, it has a strong technical and engineering team to fulfill the market demands on the day-to-day repairs and maintenance services of its clients as well as the building renovation and rejuvenation projects to enhance the asset values of the properties and facilities.

Urban and Kiu Lok have long been recognised as a pioneer in introducing modern management models and standards to the Hong Kong property management industry. Urban is the first property management company to obtain the internationally recognised ISO 9001 quality management certification in 1997 and implement such system in all properties under its services. Currently, Urban has also successfully obtained the ISO 14001, ISO 50001, ISO 10002 and OHSAS 18001 certification, assuring its service standards at the highest level. In addition, Urban has been applying modern information technologies into its operations, which enable it to continuously improve the operational efficiency and cost-effectiveness in its service deliveries to its clients.

Apart from the statutory requirements, Urban and Kiu Lok have been implementing stringent governance initiatives covering environmental protection and care, corporate social responsibilities as well as risks and crisis control. With the implementation of the ISO 14001 environmental management system, the company is contributing to a greener living environment by applying green measures and control mechanisms into its daily operations. All along, Urban is a household name of "Hong Kong's Premier Community Manager" through organising and participating in over 100 CSR activities annually. More importantly, Urban's well-defined and comprehensive risks and crisis management system covers an extensive spectrum of crises, from the operational suspension of building services and systems breakdowns, to the territory-wide epidemic diseases and social movements in the society.

Management Discussion and Analysis

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

Since the outbreak of COVID-19 in January 2020, its resulting impact to the global economy is far-reaching and we have taken various proactive measures and contingency plans to contain the operational and financial risks which it brings to the Group. These include Team A and B arrangement, setting up of alternative offices, flexible business and lunch hours, IT enhancement to sustain the business operations, provision of personal protective equipment, including face masks, disposable gloves and protective gowns, to our frontline staff, body temperature checking for anyone entering into our work areas and putting sanitizing handrubs in easily accessible places in our work areas to promote their usage by our staff, workers and visitors.

Regarding our E&M engineering business, as a result of the government's measures to contain the spread of the virus, the works of our construction projects have already experienced disruptions in the aspects below:

- delays in our projects' statutory submissions and inspections, including those from Buildings Department, Water Supplies Department and Fire Services Department due to government officials working from home;
- disruptions to supply and distribution channels have caused delays in supply of construction materials and pre-fabricated parts particularly from Mainland China and imported materials from Europe and Asia;
- shortage of labour force as workers from Mainland China have to be quarantined for 14 days mandatorily. This labour shortage is especially severe in Macau as the majority of workers there comes from the Mainland;
- temporary work suspension at project sites and buildings; and
- disruptions to business operations due to infected case, and some affected staff may need to self-quarantine and work from home.

In view of the above disruptions, we have kick-started discussions with customers on potentially affected projects and taken the following remedial measures to manage their possible delays and financial consequences:

- analysed the contract provisions on extension of time and force majeure clauses and issued notifications promptly to engineers and architects for our projects on the likelihood of any delays;
- made detailed records of site activities together with their cost implications for those delayed portions;
- closely monitored the supplies of materials and considered re-scheduling works or sourcing other suppliers;
- maintained effective work health and safety systems on site for workers, suppliers and subcontractors; and
- checked insurance arrangements on deferred material delivery and kept updating of new regulatory policies.

In conclusion, although some of our projects have encountered certain delays in contract completion due to the pandemic, which in turn deferred the revenue that could be recognised to next financial year, COVID-19 has only minor financial consequences on our Group's E&M engineering business as a whole.

Management Discussion and Analysis

Our laundry services business has also been affected by the dismal visitor numbers and low hotel room occupancy rates as majority of its clientele covers hotels, service apartments, theme park and airlines. To cope with this, NCL focuses on streamlining and improving operations efficiency and adopting effective cost management measures. In addition, our laundry operation has developed a comprehensive plan for COVID-19 prevention covering all of its work areas, tasks performed by our workers and potential risks, which includes the below measures:

- communicated closely with our clients to have separately identifiable packing for potentially infected items and handled them with extra care; and

- installed sneeze screens and ensured reasonable distancing in our staff canteen.

Our cleaning and property and facility management services businesses have faced relatively less disruptions. The COVID-19 outbreak has created more ad-hoc demands for intensive disinfection cleaning services. Nevertheless, for the sake of containing the risks arising from the epidemic, our cleaning and property and facility management services operations have implemented various precautionary measures including the followings:

- set policies to arrange some staff to work in alternative offices or from home if there are any reported COVID-19 cases among them and designated different entrances and exits in office for different groups of staff to reduce their interactions at our cleaning services operation; and

- implemented a well-defined sanitation management process for owners and tenants of properties, users of public and private facilities and own staff at the property and facility management services operation, including prompt sanitation actions to be taken once suspected COVID-19 cases in the work areas are reported.

Our environmental services business remains as usual and stable under the current situation.

Lastly, in view of the recent tight supply of infection prevention consumables, including masks and sanitation materials which are required in our day-to-day operations, we will closely monitor the situation and exercise concerted efforts as a group to help ensure sufficient supply of them to our colleagues and frontline workers.

Conclusion

Despite the challenges and operational difficulties we face in this financial year, in particular those arising from the outbreak of COVID-19 and social unrests, the Group's operations remained stable and the Group was able to record a moderate growth in its profit in the Year. The successful acquisition of the property and facility management services business in December 2019 has enabled the Group to enlarge its customer base, diversify its revenue stream and risks and enhance its profit growth potential. In addition, the Group shall endeavour to maintain a strong financial position so as to stay poised for new investment opportunities as and when they arise. We are confident that the Group will continue to grow.

Report of the Directors

The Directors have pleasure to submit their report together with the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in Note 37 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 8 to 10 and "Management Discussion and Analysis" on pages 31 to 50. Description of the principal risks and uncertainties facing the Group are set out in the "Corporate Governance Report" under the paragraphs headed "Risk Management and Internal Control" on pages 25 to 28. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Management and Discussion and Analysis" on pages 41 and 42 of this annual report.

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 30 June 2020 are set out in the consolidated financial statements on pages 79 to 177.

The Directors have resolved to recommend a final dividend of HK14.4 cents (2019: HK11.9 cents) per share for the Year to the shareholders whose names appear on the register of ordinary shareholders of the Company on 27 November 2020. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 7 December 2020. Together with the interim dividend of HK12.8 cents (2019: HK10.1 cents) per share paid in March 2020, total distribution of dividends by the Company for the Year will thus be HK27.2 cents (2019: HK22.0 cents) per share, representing an increase of 23.6% compared with last year's and a dividend payout ratio of 45.7%[i] (2019: 40.0%[ii]).

Note (i) Based on the Group's adjusted profit for the year ended 30 June 2020 attributable to ordinary shareholders of HK$267.7M (i.e. after excluding the profit of HK$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of the property and facility management services business as described in Note 2.1(iv) to the consolidated financial statements, and preferred distribution to the holder of convertible preference shares of HK$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK$309.6M).

Note (ii) Based on the Group's profit for the year ended 30 June 2019 attributable to shareholders of the Company of HK$247.5M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2019 which does not include the profit of HK$59.9M made by the property and facility management services business during the year ended 30 June 2019 accounted for pursuant to its application of merger accounting for business combinations under common control as described in Note 2.1(iv) to the consolidated financial statements.

Report of the Directors

The dividend policy of the Company is to deliver regular returns to shareholders through distributing funds surplus to the operating needs of the Group as determined by the Directors with a target payout ratio of not less than 30 per cent of the profit attributable to shareholders of the year, after taking into account of the following factors:

- general business conditions and strategies;
- projected operating cash flows;
- projected capital expenditures and strategic investment opportunities; and
- statutory and regulatory restrictions and provisions in the Company's articles of association.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in Notes 29 and 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 30 June 2020, the Company's reserves available for distribution amounted to HK$292.9 million (30 June 2019: HK$421.7 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK$2.2 million (2019: HK$5.0 million (restated)).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE ISSUED

During the Year, the Company issued and allotted 43,676,379 non-voting redeemable convertible preference shares of HK$0.10 each ("CPS") to FSE Management Company Limited ("FMC"), a wholly-owned subsidiary FSE Holdings Limited ("FSE Holdings") which is a controlling shareholder of the Company, at an issue price of HK$3.2260 per share, credited as fully paid, as part of the consideration for an acquisition of a group of companies engaged in the provision of property and facility management services. Further details of the acquisition and the terms of the CPS are set out in the "Management Discussion and Analysis" under the paragraphs headed "Major transaction" on page 40 and Notes 2.1(iv) and 28 to the consolidated financial statements.

There was no conversion, redemption, purchase or cancellation by the Company of CPS during the Year.

EQUITY-LINKED AGREEMENTS

Save for the CPS issued as disclosed above, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 178 and 179.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 38.6% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 15.3%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 8.5% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.7%.

During the Year, the NWD Group (as defined in the paragraph headed "Connected Transactions" below) was the Group's largest customer while the NWS Group (as defined in the paragraphs headed "Connected Transactions" below) was one of the five largest customers of the Group. Both the NWD Group and the NWS Group are the family businesses of Dr. Cheng Kar Shun, Henry, the Chairman and Non-executive Director of the Company. Save as disclosed above, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued shares) has an interest in the share capital of any of those customers or suppliers disclosed in the above paragraph.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

Non-executive Directors

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Wong Kwok Kin, Andrew

Executive Directors

Mr. Lam Wai Hon, Patrick *(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

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

Alternate Director

Dr. Cheng Chun Fai (alternate to Mr. Wong Shu Hung)

In accordance with article 105 of the Company's articles of association, Dr. Cheng Kar Shun, Henry, Mr. Poon Lock Kee, Rocky, Mr. Wong Shu Hung and Mr. Lee Kwan Hung, Eddie shall retire as Directors by rotation at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election as Directors.

Report of the Directors

The Company has received an annual confirmation from each of the Independent Non-executive Directors of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 11 to 14.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and material related party transactions are set out on pages 59 to 72 and Notes 2.1 (iv) and 35 to the consolidated financial statements respectively.

Save for the above and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and up to the date of this report, according to the Listing Rules, the following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interests of the Director in the entity
Dr. Cheng Kar Shun, Henry	New World Development Company Limited group of companies	property and carpark management	director
Mr. Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	carpark management	director
Mr. Doo William Junior Guilherme	NWS Holdings Limited group of companies	carpark management	director

As the Board is independent of the boards of the abovementioned entities and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of associations and subject to the applicable laws, the Directors shall be indemnified out of the Company's assets from and against all actions, costs, charges, losses, damages and expenses which they may incur in the execution of their duties, except for those incurred through their own fraud or dishonesty. The above indemnity provision was in force during the course of the Year and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

Long position in ordinary shares of associated corporation — FSE Holdings Limited

Name	Capacity/nature of interests	Number of shares	Percentage of Shareholding(6)
Dr. Cheng Kar Shun, Henry	Beneficial interests	90,000,000(1)	18%
Mr. Lam Wai Hon, Patrick	Interests of controlled corporation	10,000,000(2)	2%
Mr. Doo William Junior Guilherme	Interests of controlled corporations	45,000,000(3)	9%
Mr. Lee Kwok Bong	Interests of controlled corporation	5,000,000(4)	1%
Mr. Wong Kwok Kin, Andrew	Interests of controlled corporation	35,000,000(5)	7%

Notes:

1. The shares are held by Chow Tai Fook Nominee Limited ("CTF Nominee") for Dr. Cheng Kar Shun, Henry.

2. The shares are held by Equal Merit Holdings Limited ("Equal Merit"), the entire issued share capital of which is solely and beneficially owned by Mr. Lam Wai Hon, Patrick.

3. The shares are held by Master Empire Group Limited ("Master Empire") as to 25,000,000 shares and Supreme Win Enterprises Limited ("Supreme Win Enterprises") as to 20,000,000 shares, the entire issued share capital of each of which is solely and beneficially owned by Mr. Doo William Junior Guilherme.

4. The shares are held by Lagoon Treasure Limited ("Lagoon Treasure"), the entire issued share capital of which is solely and beneficially owned by Mr. Lee Kwok Bong.

5. The shares are held by Frontier Star Limited ("Frontier Star"), the entire issued share capital of which is solely and beneficially owned by Mr. Wong Kwok Kin, Andrew.

6. The percentage of shareholding is calculated on the basis of 500,000,000 shares FSE Holdings in issue as at 30 June 2020.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in ordinary shares and underlying shares of the Company

Name	Capacity/nature of interests	Number of ordinary shares in issue	Number of underlying shares[6]	Total number of ordinary shares interested in	Percentage of shareholding[7]
FSE Holdings[1&4]	Beneficial interests and interests of controlled corporation[5]	337,500,000	43,676,379	381,176,379	84.71%
Sino Spring Global Limited ("Sino Spring")[1&2]	Interests of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Mr. Doo Wai Hoi, William ("Mr. Doo")[1&2]	Interests of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo")[3]	Interests of spouse	337,500,000	43,676,379	381,176,379	84.71%
FMC[4&6]	Beneficial interests	–	43,676,379	43,676,379	9.71%

Notes:

1. FSE Holdings is beneficially owned as to 63% by Sino Spring, 18% by Dr. Cheng Kar Shun, Henry (through CTF Nominee), 7% by Frontier Star, 5% by Master Empire, 4% by Supreme Win Enterprises, 2% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all the shares in which FSE Holdings is interested.

2. Sino Spring is an investment holding company wholly owned by Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is deemed to be interested in all the shares in which Sino Spring is interested.

3. Mrs. Doo is the spouse of Mr. Doo and is therefore taken to be interested in all the shares in which Mr. Doo is interested by virtue of Part XV of the SFO.

4. FMC is wholly owned by FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all the shares in which FMC is interested.

5. The 381,176,379 ordinary shares in which FSE Holdings is interested include 337,500,000 ordinary shares in issue, of which FSE Holdings is the beneficiary owner, and 43,676,379 ordinary shares to be issued pursuant to the CPS as referred to in Note 6 below and beneficially owned by FMC, in which FSE Holdings is deemed to be interested as referred to Note 4 above.

6. A total of 43,676,379 non-voting redeemable convertible preference shares (the "CPS") were issued by the Company to FMC on 16 December 2019. Upon the exercise of the conversion rights attaching to each of the CPS, each CPS is convertible into one ordinary share of the Company (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 holder(s) of CPS) within a period of 10 years from its date of issue.

7. The approximate percentage of shareholding is calculated on the basis of 450,000,000 issued voting shares of the Company as at 30 June 2020. Upon full conversion of the CPS and assuming no further issue of voting shares of the Company, the total number of issued voting shares of the Company will be 493,676,379 and the diluted approximate percentage of shareholding held by (i) FSE Holdings, Sino Spring, Mr. Doo and Mrs. Doo and (ii) FMC will be 77.21% and 8.85% respectively. Please note that these percentages are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum requirements of the Listing Rules.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 June 2020.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 20 November 2015. Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

(i) Purposes of the Scheme

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for ordinary shares of the Company ("Shares"):

(a) any employee (whether full-time or part-time including any executive director but excluding any non- executive director) of the Company or any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

SHARE OPTION SCHEME *(Continued)*

(iii) Maximum number of Shares available for issue

The total number of Shares available for issue under the Scheme is 45,000,000 Shares, representing 10.00% of the Company's issued share capital at the date of this report.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

(v) Time of acceptance

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

(vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

(vii) Consideration for the option

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(viii) Subscription price for the Shares

The subscription price for the Shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

(ix) Period of the Scheme

The Scheme will remain in force for a period of 10 years commencing from 20 November 2015 being the date of its adoption.

No options had been granted under the Scheme since its adoption.

CONNECTED TRANSACTIONS

Connected persons of the Company

Dr. Cheng Kar Shun, Henry, the Chairman and Non-executive Director of the Company, is our connected person. The NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group (as respectively defined below), our long standing customers, are the family businesses of Dr. Cheng Kar Shun, Henry. To echo the policy of the Stock Exchange to enhance minority shareholders' protection, we have treated members of each of these groups of companies as our connected persons under Chapter 14A of the Listing Rules.

In the above paragraph and as appeared in this section:

"NWD Group"	means New World Development Company Limited ("NWD"), the issued shares of which are listed on the Stock Exchange (stock code: 17), together with its subsidiaries from time to time but excluding the NWDS Group and the NWS Group;
"NWS Group"	means NWS Holdings Limited ("NWS"), the issued shares of which are listed on the Stock Exchange (stock code: 659), together with its subsidiaries from time to time but excluding the NWD Group and the NWDS Group;
"NWDS Group"	means New World Department Store China Limited ("NWDS"), the issued shares of which are listed on the Stock Exchange (stock code: 825), together with its subsidiaries from time to time but excluding the NWD Group and the NWS Group;
"CTFE Group"	means Chow Tai Fook Enterprises Limited ("CTFE") and its subsidiaries from time to time;
"CTFJ Group"	means Chow Tai Fook Jewellery Group Limited ("CTFJ"), the issued shares of which are listed on the Stock Exchange (stock code: 1929), together with its subsidiaries from time to time. For the purpose of paragraph (1)(d) below, the CTFJ Group means CTFJ, together with its subsidiaries and associates from time to time but excluding the NWD Group, the NWDS Group and the NWS Group.

Mr. Doo is one of the controlling shareholders of the Company holding 63% of the total issued share capital of FSE Holdings, also a controlling shareholder of the Company, which in turn holds 75% of the total issued share capital of the Company. Both Mr. Doo and FSE Holdings are therefore connected persons of the Company.

The Doo's Associates Group are companies, other than members of the Group, in which Mr. Doo, his "immediate family members" and "family members" (as defined in the Listing Rules), individually or together, are entitled to exercise or control the exercise of 30% or more of the voting power at their respective general meetings or to control the composition of a majority of their respective boards of directors and the subsidiaries of such companies. Members of the Doo's Associates Group including FMC are therefore our connected persons under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions

The Company has entered into the following transactions during the Year and up to the date of this report with one or more the above connected persons which constituted connected transaction (paragraph 3 below) or continuing connected transactions ("CCTs") (paragraphs (1), (2), (4) and (5) below) of the Company.

(1) The 2017 master services agreements

On 10 April 2017, five master services agreements were entered into by the Company with details as follows:

(a) a master services agreement entered into between NWD and the Company (the "2017 NWD Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWD Group and the Group (the "NWD CCT") is to be entered into and subject.

The NWD CCTs under the 2017 NWD Master Services Agreement include various transactions between the NWD Group and the Group in relation to:

- the provision of, by the Group to the NWD Group, E&M engineering and environmental services, and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWD Group to the Group, rental services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master services agreement entered into between NWS and the Company (the "2017 NWS Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWS Group and the Group (the "NWS CCT") is to be entered into and subject.

The NWS CCTs under the 2017 NWS Master Services Agreement include various transactions between the NWS Group and the Group in relation to:

- the provision of, by the Group to the NWS Group, E&M engineering and environmental services, and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWS Group to the Group, contracting services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(1) The 2017 master services agreements *(Continued)*

(c) a master services agreement entered into between NWDS and the Company (the "2017 NWDS Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWDS Group and the Group (the "NWDS CCT") is to be entered into and subject.

The NWDS CCTs under the 2017 NWDS Master Services Agreement include various transactions between the NWDS Group and the Group in relation to:

- the provision of, by the Group to the NWDS Group, E&M engineering and environmental services, and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWDS Group to the Group, rental services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

(d) a master services agreement entered into between CTFJ and the Company (the "2017 CTFJ Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the CTFJ Group and the Group (the "CTFJ CCT") is to be entered into and subject.

The CTFJ CCTs under the 2017 CTFJ Master Services Agreement include various transactions between the CTFJ Group and the Group in relation to:

- the provision of, by the Group to the CTFJ Group, E&M engineering and environmental services, and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

(e) a master services agreement entered into between FMC, a direct wholly-owned subsidiary of FSE Holdings, and the Company (the "2017 Doo's Associates Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the Doo's Associates Group and the Group (the "Doo's Associates CCT") is to be entered into and subject.

The Doo's Associates CCTs under the 2017 Doo's Associates Master Services Agreement include various transactions between the Doo's Associates Group and the Group in relation to:

- the provision of, by the Group to the Doo's Associates Group, E&M engineering and environmental services, and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and

- the provision of, by the Doo's Associates Group to the Group, rental services and sundry services, and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the 2017 NWD Master Services Agreement, the 2017 NWS Master Services Agreement, the 2017 NWDS Master Services Agreement, the 2017 CTFJ Master Services Agreement and the 2017 Doo's Associates Master Services Agreement, collectively, the "2017 Master Services Agreements").

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(1) The 2017 master services agreements *(Continued)*

The 2017 Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 25 May 2017. Each of the 2017 Master Services Agreements has an initial term of three years commenced from 1 July 2017 and ended on 30 June 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

During the Year, the transaction amounts under the 2017 Master Services Agreements are summarised as follows:

The 2017 NWD Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	584,042	847,079
Paid/payable by the Group	–	1,925

The 2017 NWS Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	521,764	2,619,833
Paid/payable by the Group	–	20,000

The 2017 NWDS Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	6	90,071
Paid/payable by the Group	154	405

The 2017 CTFJ Master Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	65,104	299,995

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(1) The 2017 master services agreements *(Continued)*

The 2017 Doo's Associates Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	1,430	289,108
Paid/payable by the Group	6,534	8,371

(2) The 2018 master facility services agreements

On 11 April 2018, six master facility services agreements were entered into by the Company in relation to the provision and/or receipt of services as defined here below:

"Rental and Related Services" mean leasing of properties, including without limitation, spare spaces, office spaces and car parking spaces, licences for the use of wall signages, lighting boxes and the use of common areas, management services and related services;

"IT Support Services" mean the maintenance and support of computer software-related matters, such as solving software and hardware conflicts and usability problems and supplying updates and patches for bugs, security holes in the programme and other services as required by in-house IT staff as and when necessary; and

"Cleaning and Laundry Services" mean (A) cleaning services including general cleaning, waste management and disposal, external wall and window cleaning, pest control and clinical waste management rendered at commercial buildings, residential buildings, public transportations and other public institutions and facilities; and (B) laundry services including laundry, dry cleaning and linen management services to corporate customers and the operation of dry cleaning and laundry retail valet outlets.

Details of the six master facility services agreements are as follows:

(a) a master facility services agreement entered into between NWD and the Company (the "2018 NWD Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWD Group, the Cleaning and Laundry Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master facility services agreement entered into between NWS and the Company (the "2018 NWS Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWS Group, the Cleaning and Laundry Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWS Group to the Group, the IT Support Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(2) The 2018 master facility services agreements *(Continued)*

(c) a master facility services agreement entered into between NWDS and the Company (the "2018 NWDS Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWDS CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWDS Group, the Cleaning and Laundry Services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

(d) a master facility services agreement entered into between CTFE and the Company (the "2018 CTFE Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFE CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the CTFE Group, the Cleaning and Laundry Services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.

(e) a master facility services agreement entered into between CTFJ and the Company (the "2018 CTFJ Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the CTFJ Group, the Cleaning and Laundry Services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

(f) a master facility services agreement entered into between FMC and the Company (the "2018 Doo's Associates Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each Doo's Associates CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the Doo's Associates Group, the Cleaning and Laundry Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and

- the provision of, by the Doo's Associates Group to the Group, the Rental and Related Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the 2018 NWD Master Facility Services Agreement, the 2018 NWS Master Facility Services Agreement, the 2018 NWDS Master Facility Services Agreement, the 2018 CTFE Master Facility Services Agreement, the 2018 CTFJ Master Facility Services Agreement and the 2018 Doo's Associates Master Facility Services Agreement, collectively, the "2018 Master Facility Services Agreements").

The 2018 Master Facility Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 10 April 2018. Each of the 2018 Master Facility Services Agreements has an initial term commenced on 11 April 2018 and ended on 30 June 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of such initial term or any subsequently renewed term.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(2) The 2018 master facility services agreements *(Continued)*

In view of the expected increase in the amount of the Cleaning and Laundry Services provided by the Group to the NWD Group and the CTFJ Group for the year ended 30 June 2020, the Board envisaged that the original annual caps for the CCTs with these two groups for the same period approved by the independent shareholders on 10 April 2018 would not be sufficient. The revised annual caps in respect of the said CCTs for the year ended 30 June 2020 was approved by the independent shareholders on 6 December 2019.

During the Year, the transaction amounts under the 2018 Master Facility Services Agreements are summarised as follows:

The 2018 NWD Master Facility Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	126,249	150,484

The 2018 NWS Master Facility Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	9,412	31,152
Paid/payable by the Group	90	128

The 2018 NWDS Master Facility Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	24	4,572

The 2018 CTFE Master Facility Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	480	20,015

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(2) The 2018 master facility services agreements *(Continued)*

The 2018 CTFJ Master Facility Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	2,234	3,711

The 2018 Doo's Associates Master Facility Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	1,396	209,705
Paid/payable by the Group	12,087	18,421

(3) Acquisition of entities engaged in the provision of property management services

On 18 October 2019, a conditional deed (the "S&P Agreement") was entered into between the Company, FSE Property Management Group Limited ("FPMGL", a direct wholly-owned subsidiary of the Company) and FMC (the "Vendor", a direct wholly-owned subsidiary of FSE Holdings) whereby the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) and the Vendor agreed to sell the entire issued share capital (the "Sale Share") of Legend Success Investments Limited (together with its subsidiaries as at the completion of the S&P Agreement, the "Target Group") at an initial consideration of HK$704.9 million subject to adjustment. Pursuant thereto, the Company has nominated FPMGL to buy the Sale Share. The Target Group is principally engaged in the provision of property and facility management services. For details of the transaction, please refer to "Major transaction" in the Management Discussion and Analysis section set out on page 40.

(4) The 2019 master property services agreements

Members of the Target Group, in their ordinary course of business, regularly entered into continuing transactions in relation to:

(1) the provision and receipt of the Property Management Services, Rental and Other Services, Car Parking Rental Services and/or Sundry Services (as defined here below) to and from members of each of the NWD Group, the NWS Group and the Doo's Associates Group; and

(2) the provision of the Property Management Services (as defined here below) to members of each of the CTFE Group and the CTFJ Group.

"Property Management Services" mean property management services, letting agency services, consultancy services, property sales, the provision of car parking, management and other related services.

"Rental and Other Services" mean rental, security and guarding, landscaping, project management and other related services.

"Car Parking Rental Services" mean car parking rental services and other related services.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(4) The 2019 master property services agreements *(Continued)*

"Sundry Services" mean appointment, coordination, consultancy and other related services.

On 16 December 2019, being the completion date of the S&P Agreement (the "Completion Date") upon which each member of the Target Group became a subsidiary of the Company, five master property services agreements were entered into by the Company with details as follows:

(a) a master property services agreement entered into between NWD and the Company (the "2019 NWD Master Property Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWD Group, the Property Management Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

- the provision of, by the NWD Group to the Group, the Sundry Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master property services agreement entered into between NWS and the Company (the "2019 NWS Master Property Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWS Group, the Property Management Service (excluding provision of car parking) and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWS Group to the Group, the Car Parking Rental Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

(c) a master property services agreement entered into between CTFE and the Company (the "2019 CTFE Master Property Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFE CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the CTFE Group, the Property Management Services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.

(d) a master property services agreement entered into between CTFJ and the Company (the "2019 CTFJ Master Property Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the CTFJ Group, the Property Management Services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(4) The 2019 master property services agreements *(Continued)*

(e) a master property services agreement entered into between FMC and the Company (the "2019 Doo's Associates Master Property Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each Doo's Associates CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the Doo's Associates Group, the Property Management Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and

- the provision of, by the Doo's Associates Group to the Group, the Rental and Other Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the 2019 NWD Master Property Services Agreement, the 2019 NWS Master Property Services Agreement, the 2019 CTFE Master Property Services Agreement, the 2019 CTFJ Master Property Services Agreement and the 2019 Doo's Associates Master Property Services Agreement, collectively, the "2019 Master Property Services Agreements").

Each of the 2019 Master Property Services Agreements has an initial term commenced on 16 December 2019 and ended on 30 June 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

During the period from the Completion Date to 30 June 2020, the transactions amounts under the 2019 Master Property Services Agreement are summarised as follows:

The 2019 NWD Master Property Services Agreement

Category	**Approximate total transaction amounts** HK$'000	**Annual cap** HK$'000
Paid/payable to the Group	8,113	14,586
Paid/payable by the Group	1,362	1,713

The 2019 NWS Master Property Services Agreement

Categories	**Approximate total transaction amounts** HK$'000	**Annual cap** HK$'000
Paid/payable to the Group	855	1,245
Paid/payable by the Group	32	95

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(4) The 2019 master property services agreements *(Continued)*

The 2019 CTFE Master Property Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	486	741

The 2019 CTFJ Master Property Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	441	1,126

The 2019 Doo's Associates Master Property Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	705	2,033
Paid/payable by the Group	4,877	6,459

(5) The 2020 master services agreements

On 24 April 2020, in view of the expiry of the 2017 Master Services Agreements, the 2018 Master Facility Services Agreements and the 2019 Master Property Services Agreements on 30 June 2020, six new master services agreements were entered into by the Company in relation to the provision and/or receipt of services as defined here below:

"E&M engineering and Environmental Services" mean provision of services as contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, electrical systems, system design and consultancy, computer aided drafting services and related services.

"Facility and Property Management Services" mean facility and property management services, letting agency services, consultancy services, property sales, the provision of carparking, management and other related services.

"FSE Services" mean E&M engineering and Environmental Services, Cleaning and Laundry Services (as defined in paragraph (2) above), Facility and Property Management Services and other related services.

"Rental Services" mean leasing of properties, including without limitation, spare spaces, office spaces and carparking spaces, and related services.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(5) The 2020 master services agreements *(Continued)*

"NWD Services" mean Rental Services, Sundry Services (as defined in paragraph (4) above), IT Support Services (as defined in paragraph (2) above) and supply of construction and building equipment and materials.

"NWS" Services" mean: (i) provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, building and property fitting out and decoration work, construction management, supply of construction and building equipment and materials, system design and consultancy, computer aided drafting services and related services; (ii) provision of convention and exhibition facilities and related functions and services and food and beverage catering services; and (iii) rental of properties, spare spaces, carparking spaces, vehicle and vessels and related services.

"NWDS Services" mean Rental Services.

"Doo's Associates Service" mean leasing of properties, including without limitation spare spaces, office spaces and carparking spaces, licences for the use of wall signages, lighting boxes and the use of common areas and related services, security and guarding, landscaping and other related services.

Details of the six master services agreements are as follows:

(a) a master services agreement entered into between NWD and the Company (the "2020 NWD Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWD Group, the FSE Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWD Group to the Group, the NWD Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master services agreement entered into between NWS and the Company (the "2020 NWS Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWS Group, the FSE Services (excluding provision of carparking and facility management services) and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWS Group to the Group, the NWS Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(5) The 2020 master services agreements *(Continued)*

(c) a master services agreement entered into between NWDS and the Company (the "2020 NWDS Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWDS CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the NWDS Group, E&M engineering and Environmental Services, Cleaning and Laundry Services (as defined in paragraph (2) above) and other related services (excluding laundry services) and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWDS Group to the Group, the NWDS Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

(d) a master services agreement entered into between CTFE and the Company (the "2020 CTFE Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFE CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the CTFE Group, the FSE Services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.

(e) a master services agreement entered into between CTFJ and the Company (the "2020 CTFJ Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the CTFJ Group, the FSE Services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

(f) a master services agreement entered into between FMC and the Company (the "2020 Doo's Associates Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each Doo's Associates CCT in relation to the following services is to be entered into and subject.

- the provision of, by the Group to the Doo's Associates Group, the FSE Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and

- the provision of, by the Doo's Associates Group to the Group, the Doo's Associates Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the 2020 NWD Master Services Agreement, the 2020 NWS Master Services Agreement, the 2020 NWDS Master Services Agreement, the 2020 CTFE Master Services Agreement, the 2020 CTFJ Master Services Agreement and the 2020 Doo's Associates Master Services Agreement, collectively, the "2020 Master Services Agreements").

The 2020 Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 22 June 2020. Each of the 2020 Master Services Agreements has an initial term of three years commenced on 1 July 2020 and ending on 30 June 2023. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules).

CONNECTED TRANSACTIONS *(Continued)*

Annual review of CCTs

All the CCTs during the Year mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) according to the relevant agreement governing the respective transactions on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the relevant circulars.

The Company's auditor was engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the CCTs disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions made during the Year, which included the abovesaid connected transactions of the Company, is disclosed in Note 35 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

FSE Holdings, Sino Spring and Mr. Doo, each a controlling shareholder of the Company (collectively, the "Controlling Shareholders"), have entered into a deed of non-compete undertaking (the "Deed"), under which they have given non-compete undertakings (the "Non-compete Undertakings") in favour of the Company (for itself and as trustee for and on behalf of each of our subsidiaries), pursuant to which they have, among other matters, irrevocably undertaken not to engage in any business (other than those of the Group) which, directly or indirectly, compete or may compete with the businesses of the Group.

The Controlling Shareholders have provided to the Company a written confirmation confirming that, since the date of listing of the Company's shares on the Stock Exchange (that is, 10 December 2015), they have complied with the undertakings contained in the Deed and there is no matter in relation to their compliance with or enforcement of the Deed that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company. Our Independent Non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with the Controlling Shareholders and reviewed the written confirmation from the Controlling Shareholders and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed had not been complied with by the Controlling Shareholders during the Year.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

On 18 October 2019, FSE Property Management Group Limited ("FPMGL") (as borrower), and FSE Engineering Group Limited ("FSEE") and FSE Facility Services Group Limited ("FFSGL") (as guarantors), all being wholly-owned subsidiaries of the Company, entered into a 2-year term loan facility agreement (the "Facility Agreement") with a bank. The Facility Agreement provides for up to the lesser of HK$600 million or 80% of the total consideration of an acquisition, details of which are set out in the "Management Discussion and Analysis" under the paragraphs headed "Major transaction" on page 40, for the financing for the acquisition. The loan under the Facility Agreement bears an interest of 0.7% per annum over Hong Kong Interbank Offered Rate and is repayable on the date that is two years from the drawdown date.

Under the Facility Agreement, each of FPMGL, FSEE and FFSGL (collectively, the "Obligors") undertakes to procure that Mr. Doo Wai Hoi, William, a controlling shareholder of the Company, and Mr. Doo William Junior Guilherme, a director of the Company, shall maintain not less than 51% direct or indirect shareholding of each of the Obligors, the breach of which will constitute an event of default under the Facility Agreement. Upon occurrence of an event of default, all amounts advanced under the Facility Agreement including all interest accrued thereon will become immediately due and repayable, and the bank shall not be required to make any further advances under the Facility Agreement.

Announcement regarding the entering into of the Facility Agreement was made on 18 October 2019 pursuant to Rule 13.18 of the Listing Rules. As at 30 June 2020, the principal amount of the bank loan in respect of the Facility Agreement of HK$463.9 million remained outstanding.

Save as disclosed above, as at 30 June 2020, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 25 September 2020

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of FSE Services Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of FSE Services Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 177, which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of the contracting work Refer to Note 5.1 in the critical accounting estimates and judgements in the consolidated financial statements. The Group recognises its contracting revenue according to the percentage of completion of individual contracting work. The Group has recognised HK$2,876 million contracting revenue in relation to contracting work for the year ended 30 June 2020. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. Management is required to exercise significant judgement in their review and revision of the estimates of the completeness and accuracy of the total contract revenue, total contract costs and actual costs incurred for each contract as the contract progresses, based on past experience and market circumstances, especially in relation to change in estimates of revenue and costs arising from variation orders, litigation and claims with the customers and sub-contractors. The eventual realisation of these estimates are inherently uncertain, subject to the outcome of negotiations with the customers and sub-contractors. Any revision of the total contract revenue, total contract costs and actual costs incurred, which determined the percentage of completion, would affect the contracting revenue recognition and may result in material adjustments to margin, which can be positive or negative.	Our audit procedures in relation to revenue recognition of the contracting work included the following: — Tested the operating effectiveness of key controls operated by the Group about the estimation of the total contract revenue, total contract costs and actual costs incurred; — Checked, on a sample basis, the contractual terms of the work and variation orders in order to understand their work nature and contractual relationships with the customers; checked correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract revenue, especially the estimates of revenue arising from variation orders and claims; — Checked, on a sample basis, to correspondences, such as agreed documents or communication evidence, with the sub-contractors, and legal advice obtained from internal or external legal counsel to evaluate the reasonableness of management's assessment of budgeted total contract costs and actual costs incurred, especially the estimates of costs relating to variation orders, litigation and claims; and — Selected contracts, on a sample basis, to perform interview with the project directors and assessed whether or not these estimates showed any evidence of management bias. We found the management's estimations and judgements on the revenue recognition in respect of contracting work to be supportable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hung Nam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 September 2020

Consolidated Income Statement

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 (restated)* HK$'000
Revenue	6	**4,882,119**	5,422,713
Cost of services and sales		**(4,121,743)**	(4,653,248)
Gross profit		**760,376**	769,465
General and administrative expenses		**(384,012)**	(411,664)
Other (expenses)/income, net	7	**(9,345)**	5,280
Operating profit	8	**367,019**	363,081
Finance income	11	**5,535**	5,196
Finance costs	11	**(10,093)**	(416)
Share of results of an associate and joint ventures		**1,013**	730
Profit before income tax		**363,474**	368,591
Income tax expenses	12	**(53,885)**	(61,143)
Profit for the year		**309,589**	307,448
Attributable to:			
Shareholders of the Company		**309,563**	307,374
Non-controlling interests		**26**	74
		309,589	307,448
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)			
Basic and diluted	13	**0.68**	0.68

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

The notes on pages 85 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 HK$'000	2019 (restated)* HK$'000
Profit for the year	**309,589**	307,448
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to consolidated income statement:		
Currency translation differences	**(5,885)**	(7,402)
Release of exchange reserve upon dissolution of subsidiaries	**–**	(1,905)
Items that will not be subsequently reclassified to consolidated income statement:		
Remeasurement gains/(losses) on defined benefit retirement scheme, net of tax	**608**	(2,587)
Remeasurement (losses)/gains on long service payment liabilities, net of tax	**(302)**	1,847
Other comprehensive loss for the year, net of tax	**(5,579)**	(10,047)
Total comprehensive income for the year	**304,010**	297,401
Attributable to:		
Shareholders of the Company	**303,984**	297,327
Non-controlling interests	**26**	74
	304,010	297,401

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

The notes on pages 85 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 HK$'000	2019 (restated)* HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**371,873**	406,957
Investment property	16	**10,850**	11,235
Right-of-use assets	17	**72,177**	–
Land use rights	18	**–**	20,432
Other intangible assets	19	**76,503**	78,137
Interests in an associate	20	**45**	79
Interests in joint ventures	21	**1,049**	934
Deferred income tax assets	22	**11,083**	9,337
Pension assets	23	**3,146**	2,849
		546,726	529,960
Current assets			
Trade and other receivables	24	**1,502,962**	1,529,692
Contract assets	25	**388,390**	290,822
Inventories	26	**52,225**	40,206
Cash and bank balances	27	**700,946**	562,205
		2,644,523	2,422,925
Total assets		**3,191,249**	2,952,885
EQUITY			
Ordinary shares	28	**45,000**	45,000
Convertible preference shares	28	**140,900**	–
Reserves	29	**258,723**	809,267
Shareholders' funds		**444,623**	854,267
Non-controlling interests		**93**	67
Total equity		**444,716**	854,334

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

The notes on pages 85 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 HK$'000	2019 (restated)* HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	30	**463,243**	–
Lease liabilities	17	**20,331**	–
Long service payment liabilities	31	**32,277**	31,849
Deferred income tax liabilities	22	**24,446**	29,415
		540,297	61,264
Current liabilities			
Trade and other payables	32	**1,639,326**	1,718,602
Contract liabilities	25	**454,801**	224,119
Borrowings	30	**–**	30,000
Current portion of lease liabilities	17	**41,060**	–
Taxation payable		**71,049**	64,566
		2,206,236	2,037,287
Total liabilities		**2,746,533**	2,098,551
Total equity and liabilities		**3,191,249**	2,952,885
Net current assets		**438,287**	385,638
Total assets less current liabilities		**985,013**	915,598

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

The notes on pages 85 to 177 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 79 to 177 were approved by the Board of Directors on 25 September 2020 and were signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Ordinary shares (Note 28) HK$'000	Convertible preference shares (Note 28) HK$'000	Reserves (Note 29) HK$'000	Equity attributable to shareholders of the Company HK$'000	Non-controlling interests HK$'000	Total (restated)* HK$'000
At 1 July 2018						
As previously reported	45,000	–	592,350	637,350	–	637,350
Acquisition of the Acquired Group	–	–	139,526	139,526	57	139,583
As restated	45,000	–	731,876	776,876	57	776,933
Profit for the year, as restated	–	–	307,374	307,374	74	307,448
Other comprehensive (loss)/income:						
Currency translation differences	–	–	(7,402)	(7,402)	–	(7,402)
Release of exchange reserve upon dissolution of subsidiaries	–	–	(1,905)	(1,905)	–	(1,905)
Remeasurement losses on defined benefit retirement scheme, net of tax, as restated	–	–	(2,587)	(2,587)	–	(2,587)
Remeasurement gains on long service payment liabilities, net of tax, as restated	–	–	1,847	1,847	–	1,847
Total comprehensive income for the year, as restated	–	–	297,327	297,327	74	297,401
Transactions with shareholders						
Dividends to shareholders	–	–	(105,300)	(105,300)	–	(105,300)
Dividends to the original shareholders of the Acquired Group, as restated	–	–	(114,636)	(114,636)	–	(114,636)
Dividends to non-controlling shareholders, as restated	–	–	–	–	(64)	(64)
At 30 June 2019, as restated	45,000	–	809,267	854,267	67	854,334
At 1 July 2019						
As previously reported	**45,000**	**–**	**727,020**	**772,020**	**–**	**772,020**
Acquisition of the Acquired Group	**–**	**–**	**82,247**	**82,247**	**67**	**82,314**
As restated	**45,000**	**–**	**809,267**	**854,267**	**67**	**854,334**
Profit for the year	**–**	**–**	**309,563**	**309,563**	**26**	**309,589**
Other comprehensive (loss)/income:						
Currency translation differences	**–**	**–**	**(5,885)**	**(5,885)**	**–**	**(5,885)**
Remeasurement gains on defined benefit retirement scheme, net of tax	**–**	**–**	**608**	**608**	**–**	**608**
Remeasurement losses on long service payment liabilities, net of tax	**–**	**–**	**(302)**	**(302)**	**–**	**(302)**
Total comprehensive income for the year	**–**	**–**	**303,984**	**303,984**	**26**	**304,010**
Transactions with shareholders:						
Issuance of convertible preference shares (Note 28)	**–**	**140,900**	**–**	**140,900**	**–**	**140,900**
Acquisition of the Acquired Group (Note 2.1(iv))	**–**	**–**	**(743,378)**	**(743,378)**	**–**	**(743,378)**
Dividends to shareholders	**–**	**–**	**(111,150)**	**(111,150)**	**–**	**(111,150)**
At 30 June 2020	**45,000**	**140,900**	**258,723**	**444,623**	**93**	**444,716**

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

The notes on pages 85 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 (restated)* HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	533,071	272,375
Hong Kong profits tax paid		(47,928)	(42,482)
Mainland China and Macau income tax paid		(6,119)	(21,902)
Interest paid		(9,574)	(416)
Net cash generated from operating activities		469,450	207,575
Cash flows from investing activities			
Cash consideration for acquisition of a business	33(b)	(602,478)	–
Purchase of property, plant and equipment		(19,341)	(32,086)
Additions to intangible assets		(300)	–
Interest received		5,535	5,196
Proceeds from disposal of property, plant and equipment		1,032	1,868
Dividend received from an associate		932	930
Proceeds from development costs refund		420	–
Net cash used in investing activities		(614,200)	(24,092)
Cash flows from financing activities			
Proceeds from bank borrowings, net		562,792	30,000
Repayment of bank borrowings		(130,000)	–
Dividends paid to shareholders		(111,150)	(105,300)
Dividends paid to the original shareholders of the Acquired Group		–	(54,936)
Dividend paid to non-controlling shareholders		–	(64)
Payments for principal portion of lease liabilities		(34,578)	–
Net cash from/(used in) financing activities	33(c)	287,064	(130,300)
Net increase in cash and cash equivalents during the year		142,314	53,183
Cash and cash equivalents at the beginning of the year		562,205	514,126
Exchange differences	33(d)	(3,573)	(5,104)
Cash and cash equivalents at the end of the year		700,946	562,205
Analysis of balances of cash and cash equivalents			
Representing:			
Cash and bank balances as stated in the consolidated statement of financial position		700,946	562,205

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iv) to the consolidated financial statements.

The notes on pages 85 to 177 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of mechanical and electrical engineering services, trading of building materials, trading of environmental products and provision of related engineering consultancy services in Hong Kong, Mainland China and Macau, cleaning and management of waste disposal services, recycling and environmental disposal services, provision of laundry services and provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services in Hong Kong. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. The directors consider Mr. Doo Wai Hoi, William to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder").

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "Board") on 25 September 2020.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and significant accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 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. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

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

2.1 Basis of preparation *(Continued)*

(i) New standard, amendments, interpretation and improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2019

The following new standard, amendments, interpretation and improvements to existing standards, that are relevant to the Group's operation, are mandatorily effective for the financial year of the Group beginning on 1 July 2019:

HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
HKFRS 9 Amendments	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Annual Improvements	2015 – 2017 Cycle

(ii) Adoption of new standard, amendments, interpretation and improvements to existing standards by the Group

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, except for HKFRS 16 as described below.

HKFRS 16 "Leases"

HKFRS 16 addresses the definition of a lease and recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases are accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are previously classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee. Almost all leases should be recognised in the form of assets (for the right-of-use) and financial liabilities (for the payment obligations). Short-term leases of twelve months or less and leases of low-value assets are exempted from the recognition. The new standard therefore results in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated income statements, straight-line depreciation expense on the right-of-use assets and the interest expenses on the lease liabilities are recognised and no rental expenses are recognised. The combination of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the lease liabilities will result in a higher total charge to the consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group has adopted HKFRS 16 from 1 July 2019, but has not restated its comparative amounts for the year ended 30 June 2019 as permitted under the specific transition provisions in the standard. The effects of the adoption of HKFRS 16 are set out in Note 3 below.

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

2.1 Basis of preparation *(Continued)*

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

The following new standard, amendments and improvements to existing standards that are relevant to the Group's operation, have been issued but not yet effective for the financial year of the Group beginning on 1 July 2019 and have not been early adopted:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 Amendments	Definition of Material	1 January 2020
HKFRS 3 Amendments	Definition of a Business	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 Amendments	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 Amendments	Covid-19-related Rent Concession	1 June 2020
HKAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 Amendments	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 Amendments	Reference to Conceptual Framework	1 January 2022
Annual Improvements	2018 – 2022 Cycle	1 January 2022
HKAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and its Amendments	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 Amendments	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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) Application of merger accounting for business combinations under common control

On 18 October 2019, the Company and FSE Property Management Group Limited ("FPMGL"), a wholly owned subsidiary of the Company, as the purchaser and FSE Management Company Limited ("FMC"), a fellow subsidiary of the Company, as a vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) the entire issued share capital (the "Sale Share") of Legend Success Investments Limited and its subsidiaries (the "Target Group") at an initial sum of consideration of HK$704.9 million, subject to subsequent adjustment by reference to the change in the net tangible asset value ("NTAV") of the Target Group from 30 June 2019 to the date of completion of the acquisition. Pursuant thereto, the Company has nominated FPMGL to buy the Sale Share. The initial sum of consideration 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 to FMC, credited as fully paid. The Group's payment for the initial cash consideration for this transaction was mainly financed by a bank loan with a principal amount of HK$563.9 million drawn in December 2019, which bears interest at 0.7% per annum over Hong Kong Interbank Offered Rate. After the Group's repayment of HK$100.0 million of this bank loan during the year, its carrying amount at 30 June 2020, net of unamortised transaction costs, was HK$463.2 million. The convertible preference shares are convertible into 43,676,379 ordinary shares of the Company at an initial price of HK$3.2260 per share, subject to adjustments, at any time within 10 years following its issuance date of 16 December 2019. The acquisition was completed on 16 December 2019 (the "Completion Date") and a positive NTAV adjustment of HK$38.5 million was made to the consideration for this transaction, which thus in aggregate amounts to HK$743.4 million. The total amount of such consideration has been charged directly to the Group's reserves. A final cash payment of the consideration of HK$38.5 million was made on 13 February 2020 with reference to the unaudited net tangible asset value of the Target Group as at the Completion Date of the acquisition. The Target Group (or the "Acquired Group") is principally engaged in the provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services in Hong Kong.

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

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

2.1 Basis of preparation *(Continued)*

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

(a) Effect on the consolidated income statement for the year ended 30 June 2020:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	4,364,315	567,568	(49,764)	4,882,119
Cost of services and sales	(3,786,251)	(385,256)	49,764	(4,121,743)
Gross profit	578,064	182,312	–	760,376
General and administrative expenses	(295,440)	(88,572)	–	(384,012)
Other (expenses)/income, net	(10,019)	674	–	(9,345)
Operating profit	272,605	94,414	–	367,019
Finance income	5,253	282	–	5,535
Finance costs	(9,300)	(793)	–	(10,093)
Share of result of an associate and joint ventures	–	1,013	–	1,013
Profit before income tax	268,558	94,916	–	363,474
Income tax expenses	(40,032)	(13,853)	–	(53,885)
Profit for the year	228,526	81,063	–	309,589
Attributable to:				
Shareholders of the Company	228,526	81,037	–	309,563
Non-controlling interests	–	26	–	26
	228,526	81,063	–	309,589
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)				
Basic and diluted	0.50	0.18	–	0.68

Note: The adjustments represent the elimination of revenue charged between the Group and the Acquired Group.

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

2.1 Basis of preparation *(Continued)*

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

(b) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2020:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Consolidated HK$'000
Profit for the year	228,526	81,063	309,589
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	(5,885)	–	(5,885)
Items that will not be subsequently reclassified to consolidated income statement:			
Remeasurement gains on defined retirement scheme, net of tax	–	608	608
Remeasurement (losses)/gains on long service payment liabilities, net of tax	(891)	589	(302)
Other comprehensive(loss)/income for the year, net of tax	(6,776)	1,197	(5,579)
Total comprehensive income for the year	221,750	82,260	304,010
Attributable to:			
Shareholders of the Company	221,750	82,234	303,984
Non-controlling interests	–	26	26
	221,750	82,260	304,010

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

2.1 Basis of preparation *(Continued)*

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

(c) Effect on the consolidated statement of financial position as at 30 June 2020:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	359,232	12,641	–	371,873
Investment property	10,850	–	–	10,850
Right-of-use assets	62,591	9,586	–	72,177
Other intangible assets	50,976	25,527	–	76,503
Interests in an associate	–	45	–	45
Interests in joint ventures	–	1,049	–	1,049
Deferred income tax assets	11,083	–	–	11,083
Pension assets	–	3,146	–	3,146
	494,732	51,994	–	546,726
Current assets				
Trade and other receivables	1,419,194	157,569	(73,801)	1,502,962
Contract assets	388,390	–	–	388,390
Inventories	52,225	–	–	52,225
Cash and bank balances	561,982	138,964	–	700,946
	2,421,791	296,533	(73,801)	2,644,523
Total assets	2,916,523	348,527	(73,801)	3,191,249
EQUITY				
Ordinary shares	45,000	–	–	45,000
Convertible preference shares	140,900	–	–	140,900
Reserves	94,242	164,481	–	258,723
Shareholders' funds	280,142	164,481	–	444,623
Non-controlling interests	–	93	–	93
Total equity	280,142	164,574	–	444,716

Note: The adjustments represent the elimination of trade and other receivables/payables of the Group and the Acquired Group.

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

2.1 Basis of preparation *(Continued)*

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

(c) Effect on the consolidated statement of financial position as at 30 June 2020: (Continued)

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
LIABILITIES				
Non-current liabilities				
Borrowings	463,243	–	–	463,243
Lease liabilities	18,097	2,234	–	20,331
Long service payment liabilities	22,639	9,638	–	32,277
Deferred income tax liabilities	21,777	2,669	–	24,446
	525,756	14,541	–	540,297
Current liabilities				
Trade and other payables	1,565,320	147,807	(73,801)	1,639,326
Contract liabilities	454,801	–	–	454,801
Current portion of lease liabilities	33,543	7,517	–	41,060
Taxation payables	56,961	14,088	–	71,049
	2,110,625	169,412	(73,801)	2,206,236
Total liabilities	2,636,381	183,953	(73,801)	2,746,533
Total equity and liabilities	2,916,523	348,527	(73,801)	3,191,249
Net current assets	311,166	127,121	–	438,287
Total assets less current liabilities	805,898	179,115	–	985,013

Note: The adjustments represent the elimination of trade and other receivables/payables of the Group and the Acquired Group.

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

2.1 Basis of preparation *(Continued)*

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

(d) Effect on the consolidated income statement for the year ended 30 June 2019:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	4,930,517	527,323	(35,127)	5,422,713
Cost of services and sales	(4,330,713)	(357,662)	35,127	(4,653,248)
Gross profit	599,804	169,661	–	769,465
General and administrative expenses	(311,361)	(100,303)	–	(411,664)
Other income, net	3,886	1,394	–	5,280
Operating profit	292,329	70,752	–	363,081
Finance income	5,163	33	–	5,196
Finance costs	–	(416)	–	(416)
Share of result of an associate and joint ventures	–	730	–	730
Profit before income tax	297,492	71,099	–	368,591
Income tax expenses	(49,980)	(11,163)	–	(61,143)
Profit for the year	247,512	59,936	–	307,448
Attributable to:				
Shareholders of the Company	247,512	59,862	–	307,374
Non-controlling interests	–	74	–	74
	247,512	59,936	–	307,448
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)				
Basic and diluted	0.55	0.13	–	0.68

Note: The adjustments represent the elimination of revenue charged between the Group and the Acquired Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation *(Continued)*

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

(e) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2019:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Consolidated HK$'000
Profit for the year	247,512	59,936	307,448
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	(7,402)	–	(7,402)
Release of exchange reserve upon dissolution of subsidiaries	(1,905)	–	(1,905)
Items that will not be subsequently reclassified to consolidated income statement:			
Remeasurement losses on defined retirement scheme, net of tax	–	(2,587)	(2,587)
Remeasurement gains on long service payment liabilities, net of tax	1,765	82	1,847
Other comprehensive loss for the year, net of tax	(7,542)	(2,505)	(10,047)
Total comprehensive income for the year	239,970	57,431	297,401
Attributable to:			
Shareholders of the Company	239,970	57,357	297,327
Non-controlling interests	–	74	74
	239,970	57,431	297,401

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

2.1 Basis of preparation *(Continued)*

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

(f) Effect on the consolidated statement of financial position as at 30 June 2019:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	393,945	13,012	–	406,957
Investment property	11,235	–	–	11,235
Land use rights	20,432	–	–	20,432
Other intangible assets	51,946	26,191	–	78,137
Interests in an associate	–	79	–	79
Interests in joint ventures	–	934	–	934
Deferred income tax assets	9,337	–	–	9,337
Pension assets	–	2,849	–	2,849
	486,895	43,065	–	529,960
Current assets				
Trade and other receivables	1,422,927	115,166	(8,401)	1,529,692
Contract assets	290,822	–	–	290,822
Inventories	40,206	–	–	40,206
Cash and bank balances	447,043	115,162	–	562,205
	2,200,998	230,328	(8,401)	2,422,925
Total assets	2,687,893	273,393	(8,401)	2,952,885
EQUITY				
Ordinary shares	45,000	–	–	45,000
Reserves	727,020	82,247	–	809,267
Shareholders' funds	772,020	82,247	–	854,267
Non-controlling interests	–	67	–	67
Total equity	772,020	82,314	–	854,334

Note: The adjustments represent the elimination of trade and other receivables/payables of the Group and the Acquired Group.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

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

(f) Effect on the consolidated statement of financial position as at 30 June 2019: *(Continued)*

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
LIABILITIES				
Non-current liabilities				
Long service payment liabilities	21,055	10,794	–	31,849
Deferred income tax liabilities	26,787	2,628	–	29,415
	47,842	13,422	–	61,264
Current liabilities				
Trade and other payables	1,590,093	136,910	(8,401)	1,718,602
Contract liabilities	224,119	–	–	224,119
Borrowings	–	30,000	–	30,000
Taxation payable	53,819	10,747	–	64,566
	1,868,031	177,657	(8,401)	2,037,287
Total liabilities	1,915,873	191,079	(8,401)	2,098,551
Total equity and liabilities	2,687,893	273,393	(8,401)	2,952,885
Net current assets	332,967	52,671	–	385,638
Total assets less current liabilities	819,862	95,736	–	915,598

Note: The adjustments represent the elimination of trade and other receivables/payables of the Group and the Acquired Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(ii) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction costs attributable to the business combination are expensed as incurred. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds, respectively.

The Company applies merger accounting to account for the business combinations under common control in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

(iii) Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the consolidated income statement.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.2 Consolidation *(Continued)*

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

All other repairs and maintenance costs are charged to the consolidated income statement during the financial year in which they are incurred.

Freehold land is not depreciated.

Depreciation of property, plant and equipment, except for freehold land, is calculated to allocate their costs to their residual values over their estimated useful lives using the straight-line method. Estimated useful lives are summarised as follows:

Leasehold land under finance leases and buildings	Shorter of 20 to 40 years, or the remaining lease terms
Leasehold improvement	Shorter of 5 years or the remaining lease terms
Plant and machinery	2 to 7 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

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

2.3 Property, plant and equipment *(Continued)*

The residual values and estimated useful lives of the assets are reviewed, and adjusted if appropriate, at each date of statement of financial position.

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as described in Note 2.10 to the consolidated financial statements.

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "Other (expenses)/income, net" in the consolidated income statement.

2.4 Investment property

Investment property is initially measured at cost, including related transaction costs and where applicable borrowings costs. After initial recognition, investment property is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Buildings are depreciated over their estimated useful lives of 40 years or the relevant lease periods of the leasehold land, whichever is shorter, using the straight-line method. Leasehold land is depreciated over the lease periods using the straight-line method.

The residual values and estimated useful lives of the assets are reviewed, and adjusted if appropriate, at each date of statement of financial position.

Gains or losses on disposals of investment property are determined by comparing the proceeds with the carrying amount and are recognised within "Other (expenses)/income, net" in the consolidated income statement.

Buildings and leasehold land is depreciated over the lease periods using the straight-line method.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.5 Leases

Accounting policies applied from 1 July 2019

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in substance fixed payments less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an assets of similar value to the right-of-use asset in a similar economic environment with similar terms and security conditions.

To determine the incremental borrowing rate, the Group:

- where possible uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance costs. The finance costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

2.5 Leases *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

Accounting policies applied before 1 July 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.6 Land use rights

Accounting policies applied before 1 July 2019

The up-front payments made for the land use rights are expensed in consolidated income statement on a straight-line basis over the period of the rights or where there is impairment, the impairment is recognised in consolidated income statement.

2.7 Intangible assets (other than right-of-use assets and land use rights)

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

2.7 Intangible assets (other than right-of-use assets and land use rights) *(Continued)*

(ii) Trademarks and brand names

Separately acquired trademarks and brand names are shown at historical cost. Trademarks and brand names acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 10 years.

(iii) Internally generated environmental technology

(a) Environmental technology

Costs associated with research phase of the internally generated environmental technology are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of the technology controlled by the Group are recognised as intangible assets when the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Amortisation method and period

The Group amortises intangible assets with a limited useful life using the straight-line method over the following period:

Internally generated environmental technology	10 years

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

2.7 Intangible assets (other than right-of-use assets and land use rights) *(Continued)*

(iv) Customer contracts

Separately acquired customer contracts are shown at historical cost. Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 5 years.

2.8 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profits or losses of associate is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.9 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in-first-out or weighted average basis for different type and nature of inventories. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.12 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as a contract asset if its cumulative revenue recognised in the profit or loss exceeds cumulative progress billing to customers. Conversely, the contract is a liability and recognised as contract liability if its cumulative progress billing to customers exceeds the revenue recognised in the profit or loss. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligations.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

2.13 Financial assets

(i) Classifications

The Group classifies its financial assets in the following measurement categories:

(a) those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss) after initial recognition; and

(b) those to be measured subsequently at amortised cost after initial recognition.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses are either to be recorded in the profit or loss or OCI. For investments in equity instruments that are not held for trading, the accounting treatment for them depends on whether the Group has made an irrevocable election at the time of their initial recognition to account for them as the equity investments at fair value through other comprehensive income (FVOCI) or not.

Financial assets are classified as current assets if they are expected to be settled within 12 months or in the normal operating cycle of the business. Otherwise, they are classified as non-current.

The Group reclassifies debt investments when and only when its business model for managing these assets changes.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.13 Financial assets *(Continued)*

(ii) Recognition and Measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

(a) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "Other (expenses)/income, net", together with foreign exchange gains and losses. Impairment losses are presented within "General and administrative expenses" in another line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised directly in the profit or loss. When a financial asset is derecognised, its cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit or loss and recognised in "Other (expenses)/income, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (expenses)/income, net" and impairment expenses are presented within "General and administrative expenses" in another as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the profit or loss and presented net within "Other (expenses)/income, net" in the period in which it arises.

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

2.13 Financial assets *(Continued)*

(ii) Recognition and Measurement *(Continued)*

(b) Equity instruments

The Group subsequently measures all equity instruments at fair value. When the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "Other (expenses)/income, net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement. See Notes 2.16 and 24 to the consolidated financial statements for descriptions of the Group's impairment policies and methodology for trade and other receivables involving estimation of their expected credit losses.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.16 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and trade receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

- actual or expected significant changes in the operating results of the borrower;

- significant increases in credit risk on other financial instruments of the same borrower;

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

2.17 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.21 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of consolidated statement of financial position in the countries where the Group and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.21 Current and deferred income tax *(Continued)*

(ii) Deferred income tax

(a) Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(b) Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services and sales of goods in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer;

or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

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

2.23 Revenue recognition *(Continued)*

(i) Engineering contracts

Revenue from engineering contracts is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

(ii) Service fee income

Maintenance service fees, consultancy fees, income from the provision and management of cleaning and waste disposal services, provision of recycling and environmental services, pest control services, laundry services and linen management services are recognised over time and in accordance with the terms of the service agreements when the services are rendered.

(iii) Sales of goods

Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. A delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

(iv) Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered. The Group bills the customers for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group only recognises the commission, which is calculated by fixed percentage of the costs involved in the management of the property units, as its revenue.

(v) Value-added services

Value-added services income is recognised over time when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

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

2.23 Revenue recognition *(Continued)*

(vi) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(viii) Rental income of investment property

Rental income net of any incentives given to the lessee is recognised over the periods of the respective leases on a straight-line basis.

2.24 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plan

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution schemes

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme and employee pension schemes established by municipal government in Mainland China, are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

(iv) Defined benefit schemes

Defined benefit costs under defined benefit schemes which are assessed using the projected unit credit method, are charged to the profit or loss. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the period end date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

2.24 Employee benefits *(Continued)*

(v) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the consolidated statement of comprehensive income so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's MPF and Occupational Retirement Schemes Ordinance ("ORSO") scheme that is attributable to contributions made by the Group.

Changes in the present value of the long service payment liabilities resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.25 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

2.25 Foreign currencies *(Continued)*

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.26 Government grants

Grants from governments are recognised at their fair values when there are reasonable assurance that the grants will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate and offset with the related expenses. Grants related to income are recognised within "Other (expenses)/income, net" in the consolidated income statement.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in the consolidated income statement of the period in which the grants become receivable.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.27 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive directors that make strategic decisions have been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

3 CHANGES IN ACCOUNTING POLICIES

As explained in Note 2.1(ii) above, the Group has adopted HKFRS 16 starting from 1 July 2019, which resulted in changes in its accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, comparative amounts have not been restated.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.7%.

Upon initial recognition, right-of-use assets for leases were measured at the amounts equal to the lease liabilities in the consolidated statement of financial position. After the initial recognition of right-of-use assets and lease liabilities at 1 July 2019, the Group as a lessee has recognised interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous accounting policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of twelve months or less as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Set out below is a reconciliation of the Group's operating lease commitments at 30 June 2019 disclosed to lease liabilities recognised on 1 July 2019:

	HK$'000
Operating lease commitments at 30 June 2019 disclosed	70,942
Acquisition of the Acquired Group	18,505
Operating lease commitments at 30 June 2019 restated	89,447
Discounted using the Group's weighted average incremental borrowing rate of 3.7%	84,814
Less: short-term leases not recognised as liabilities	(5,901)
Lease liabilities recognised at 1 July 2019	**78,913**
Of which are:	
Non-current	44,049
Current	34,864
Total	**78,913**

Set out below is a composition of right-of-use assets as at 1 July 2019:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	78,913
Reclassified from land use rights	20,432
Total	**99,345**

The following table summarises the opening effect on the Group's adoption of HKFRS 16 as at 1 July 2019 and the amount of right-of-use assets and lease liabilities recognised as at 1 July 2019:

	As at 1 July 2019		
	As previously reported HK$'000	Effects of the adoption of HKFRS 16 HK$'000	As restated HK$'000
Consolidated statement of financial position (extract)			
Non-current assets			
Right-of-use assets	–	99,345	99,345
Land use rights	20,432	(20,432)	–
Non-current liabilities			
Lease liabilities	–	44,049	44,049
Current liabilities			
Current portion of lease liabilities	–	34,864	34,864

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The adoption of HKFRS 16 has no significant impact to the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and net cash flows from operating, investing and financing activities on the consolidated statement of cash flows for the year ended 30 June 2020.

The Group does not need to make any adjustments to the accounting for its assets held as lessors under operating leases as a result of the adoption of HKFRS 16.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Group's treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

(i) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise deposits with banks and financial institutions and trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(a) Credit risk of deposits with banks and financial institutions

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(b) Credit risk of trade receivables

The Group applies the HKFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The maximum exposure to credit risk is represented by the carrying amount of each receivable in the statement of financial position after deducting any impairment allowance.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date.

As at 30 June 2020	Less than 1 year HK$'000	After 1 year but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Difference from carrying amounts HK$'000	Carrying amounts HK$'000
Borrowings	5,298	466,348	–	471,646	8,403	463,243
Leases liabilities	42,391	20,590	768	63,749	2,358	61,391
Trade and other payables, excluding accrued employee benefits	1,427,035	–	–	–	–	1,427,035

As at 30 June 2019, as restated	Less than 1 year HK$'000	After 1 year but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Difference from carrying amounts HK$'000	Carrying amounts HK$'000
Borrowings	30,308	–	–	30,308	308	30,000
Trade and other payables, excluding accrued employee benefits	1,517,534	–	–	1,517,534	–	1,517,534

(iii) Foreign exchange risk

The Group operates primarily in Hong Kong, Mainland China and Macau. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Entities in Macau and Mainland China are not exposed to significant exchange risk.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

As at 30 June 2020 and 2019, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, there would have insignificant impact on the Group's profit for the year before income tax.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(iii) Foreign exchange risk*(Continued)*

At 30 June 2020, the Group had net monetary assets denominated in United States dollar of HK$2.0 million (2019: HK$2.8 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

(iv) Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to the bank borrowings, the terms of which are disclosed in Note 30.

At 30 June 2020 and 2019, if interest rates on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the years would have been HK$4.6 million and HK$0.3 million lower/higher respectively. Other components of equity would not be affected by the changes in interest rates.

4.2 Fair value estimation

At 30 June 2020, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to short-term maturities of these assets and liabilities.

4.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy is to maintain sufficient capital with the funds generated from operations.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholder, return capital to equity holder, or issue new shares.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.1 Estimation of revenue, costs and foreseeable losses of contracting works

The Group recognises its contract revenue according to the percentage of total estimated costs for each contract of contracting work. The management estimates the completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. When it is probable that total budgeted contracting costs will exceed total budgeted contracting income, the expected loss is recognised as an expense immediately.

5.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 19 to the consolidated financial statements.

5.3 Long service payment liabilities

The present value of the long service payment liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for long service payment liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of long service payment liabilities.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service payment liabilities. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the liabilities will be paid, and that have terms to maturity approximating the terms of the related long service payment liabilities.

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 31 to the consolidated financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.4 Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The expected return on plan assets assumption is determined based on historical return trends, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group refers to market yields based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. Other key assumptions used are based on current market conditions.

5.5 Income taxes

The Group is subject to income tax in Hong Kong, Macau and Mainland China. Judgement is required in determining the provision for taxation in these jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

5.6 Depreciation and impairment of property, plant and equipment

The expected useful lives and residual values of property, plant and equipment are determined by the management based on the internal accounting guidelines and industrial practices of similar property, plant and equipment. Management will revise the depreciation charges where useful lives and residual values are different to previously estimated.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of a CGU is higher than its recoverable amount. The recoverable amount of a CGU is determined based on value in use calculations. In determining the CGU's value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the assets and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimate the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business. Details of such assumptions are set out in Note 15.

6 REVENUE AND SEGMENT INFORMATION

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

The Group's revenue represents the electrical and mechanical ("E&M") engineering services income, environmental services income, income from trading of building materials and integrated property & facility services income. An analysis of the Group's revenue is as follows:

For the year ended 30 June	2020 HK$'000	2019 (restated) HK$'000
Revenue		
Contracting services	**2,876,010**	3,506,894
Maintenance services	**145,948**	137,879
Sales of goods	**63,543**	92,099
Integrated property & facility services	**1,796,618**	1,685,841
Total	**4,882,119**	5,422,713

Following the acquisition of the property and facility management services business as described in Note 2.1(iv), the Group's CODM has reorganised the Group's businesses into two major business segments as described below to align more closely with the market dynamics and the Group's strategic direction. As a result of such changes occurred during the year ended 30 June 2020, the Group's prior year corresponding segment information that is presented for comparative purpose has been restated accordingly.

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

(i) E&M engineering & environmental services — Provision of engineering and consultancy services and trading of building materials and environmental products; and

(ii) Integrated property & facility services — Provision of cleaning and waste disposal services, recycling and environmental disposal services, laundry services, property and facility management services, property agency and related services for buildings, carparks management services and guarding services.

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 an associate 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, investment property, right-of-use assets, land use rights, other intangible assets, deferred income tax assets, pension assets, trade and other receivables, contract assets, interests in an associate, interests in joint ventures, inventories and cash and bank balances.

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

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 2020, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Prior year's corresponding segment information that is presented for comparative purposes has been restated to conform with AG 5 issued by the HKICPA as a result of the acquisition of the Acquired Group which is detailed in Note 2.1(iv).

Capital expenditure comprises mainly additions to property, plant and equipment (Note 15), right-of-use assets (Note 17) and other intangible assets (Note 19).

(a) As at and for the year ended 30 June 2020

The segment results for the year ended 30 June 2020 and other segment items included in the consolidated income statement are as follows:

	E&M engineering & environmental services HK$'000	Integrated property & facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External	3,085,501	1,796,618	–	4,882,119
Revenue — Internal	4,801	4,849	(9,650)	–
Total revenue	3,090,302	1,801,467	(9,650)	4,882,119
Timing of revenue recognition				
Over time	3,026,759	1,801,467	(9,650)	4,818,576
At a point in time	63,543	–	–	63,543
Total revenue	3,090,302	1,801,467	(9,650)	4,882,119
Operating profit before unallocated corporate expenses	242,708	142,060	–	384,768
Unallocated corporate expenses				(17,749)
Operating profit				367,019
Finance income (Note 11)				5,535
Finance costs (Note 11)				(10,093)
Share of results of an associate and joint ventures				1,013
Profit before income tax				363,474
Income tax expenses (Note 12)				(53,885)
Profit for the year				309,589
Other items				
Depreciation and amortisation	45,157	40,626	–	85,783
Impairment losses				
— Property, plant and equipment (Note 15)	–	11,394	–	11,394
— Right-of-use assets (Note 17)	–	2,502	–	2,502
— Trade and other receivables (Note 24)	–	2,168	–	2,168

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 30 June 2020 *(Continued)*

The segment assets and liabilities as at 30 June 2020 and capital expenditure for the year then ended are as follows:

	E&M engineering & environmental services HK$'000	Integrated property & facility services HK$'000	Total HK$'000
Segment assets	2,119,499	818,217	2,937,716
Unallocated assets			253,533
Total assets			3,191,249
Segment liabilities	1,858,711	354,347	2,213,058
Unallocated liabilities			533,475
Total liabilities			2,746,533
Total capital expenditure	21,676	16,387	38,063

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 30 June 2019 (restated)

The segment results for the year ended 30 June 2019 and other segment items included in the consolidated income statement are as follows:

	E&M engineering & environmental services HK$'000	Integrated property & facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External, as restated	3,736,872	1,685,841	–	5,422,713
Revenue — Internal. as restated	1,625	10,009	(11,634)	–
Total revenue, as restated	3,738,497	1,695,850	(11,634)	5,422,713
Timing of revenue recognition				
Over time, as restated	3,646,384	1,695,850	(11,620)	5,330,614
At a point in time, as restated	92,113	–	(14)	92,099
Total revenue, as restated	3,738,497	1,695,850	(11,634)	5,422,713
Operating profit before unallocated corporate expenses, as restated	243,090	124,276	–	367,366
Unallocated corporate expenses				(4,285)
Operating profit, as restated				363,081
Finance income, as restated (Note 11)				5,196
Finance costs, as restated (Note 11)				(416)
Share of results of an associate and joint ventures, as restated				730
Profit before income tax, as restated				368,591
Income tax expenses, as restated (Note 12)				(61,143)
Profit for the year, as restated				307,448
Other items				
Depreciation and amortisation, as restated	28,525	19,363	–	47,888
Impairment loss				
— Trade and other receivables (Note 24)	3,215	59	–	3,274

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 30 June 2019 (restated) *(Continued)*

The segment assets and liabilities as at 30 June 2019 and capital expenditure for the year then ended are as follows:

	E&M engineering & environmental services HK$'000	Integrated property & facility services HK$'000	Total HK$'000
Segment assets, as restated	1,934,020	759,750	2,693,770
Unallocated assets			259,115
Total assets, as restated			2,952,885
Segment liabilities, as restated	1,699,535	364,964	2,064,499
Unallocated liabilities, as restated			34,052
Total liabilities, as restated			2,098,551
Total capital expenditure, as restated	5,582	26,504	32,086

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	2020 HK$'000	2019 (restated) HK$'000
Revenue		
Hong Kong	**4,171,064**	4,430,380
Mainland China	**382,256**	792,671
Macau	**328,799**	199,662
Total	**4,882,119**	5,422,713

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	2020 HK$'000	2019 (restated) HK$'000
Customer A	**745,031**	756,633
Customer B	**532,765**	1,104,439

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

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

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	2020 HK$'000	2019 (restated) HK$'000
Non-current assets, other than deferred tax assets and pension assets		
Hong Kong	**475,101**	463,305
Mainland China	**27,904**	29,789
Macau	**29,492**	24,680
Total	**532,497**	517,774

7 OTHER (EXPENSES)/INCOME, NET

For the year ended 30 June	Notes	2020 HK$'000	2019 (restated) HK$'000
Impairment loss on property, plant and equipment	15	**(11,394)**	–
Impairment loss on right-of-use assets	17	**(2,502)**	–
Exchange loss, net		**(1,334)**	(763)
Rental income	17(e)	**2,346**	2,328
Government grants (Note i)		**1,186**	–
Gain/(loss) on disposal of property, plant and equipment, net		**529**	(388)
Ex-gratia payments from the government for retirement of motor vehicles		**449**	489
Release of exchange reserve upon dissolution of subsidiaries		**–**	1,905
Sundries		**1,375**	1,709
Total		**(9,345)**	5,280

Note:

(i) During the year ended 30 June 2020, the Group has received government grants from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") under a One-off Subsidy Scheme as financial support for its businesses and licensed goods vehicles. Under this scheme, one-off subsidies are provided to eligible businesses depending on their industries, which have business commenced before 1 January 2020 and is still in operation at the time of application. There are no unfilled conditions or other contingencies attaching to these grants.

8 OPERATING PROFIT

For the year ended 30 June	Notes	2020 HK$'000	2019 (restated) HK$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments)	9	**1,744,811**	1,657,068
Subcontracting fees		**1,599,882**	1,952,382
Raw materials and consumables used		**775,029**	1,058,327
Cost of inventories sold		**49,075**	49,937
Depreciation of property, plant and equipment	15	**42,353**	45,408
Depreciation of right-of-use assets	17	**41,531**	–
Operating lease rental for land and buildings	17	**8,491**	50,398
Auditors' remuneration			
Audit services		**5,337**	5,412
Non-audit services		**2,473**	594
Impairment loss on trade and other receivables	24	**2,168**	3,274
Amortisation of intangible assets[i]	19	**1,514**	1,514
Depreciation of investment property	16	**385**	385
(Reversal of provision)/provision for inventories		**(50)**	456
Reversal of impairment loss on trade receivables	24	**(47)**	(626)
Amortisation of land use rights	18	**–**	581

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, utility expenses, motor vehicles expenses, etc.

9 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June	2020 HK$'000	2019 (restated) HK$'000
Salaries, wages and bonuses (Note (i))	**1,688,861**	1,610,228
Contributions to defined contribution schemes	**72,016**	67,812
Contributions to defined benefits scheme	**367**	408
Less: Staff costs capitalised under contract assets and contract liabilities	**(16,433)**	(21,380)
Total	**1,744,811**	1,657,068

Note:

(i) Government grants have been received or are receivable by the Group from (a) the Anti-epidemic Fund set up by the HKSAR Government under the Employment Support Scheme (the "ESS Scheme") and (b) the Government of the Macau Special Administrative Region (the "Macau SAR Government") under its subsidy scheme (the "Macau Scheme") as financial support. The ESS Scheme is eligible for all employers who have been making Mandatory Provident Fund ("MPF") contribution. Eligible employers are required to provide an undertaking not to make redundancies during the subsidy period from June 2020 to November 2020. Otherwise, depending on the headcount reduction percentage, the employers will have to pay penalties to the HKSAR Government. The grants are disbursable to employers in two tranches during 2020. Under the Macau Scheme, one-off subsidies are provided to each eligible business depending on the number of employees they hired. During the year ended 30 June 2020, the Group has recognised HK$42.4 million (2019: Nil) in relation to these grants as deductions in its staff costs in the consolidated income statement. In addition, for the purpose of easing the burden of enterprises in PRC during the period of prevention and containment of the spread of COVID-19, the Social Security Bureaus of the Government of China has reduced the obligations on social security contributions for the employers of enterprises in PRC during 2020. During the year ended 30 June 2020, the Group was granted reduction in such obligations totalling HK$5.2 million (2019: Nil) which would otherwise be recorded as part of the Group's staff costs if no such reduction was granted.

10 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

For the year ended 30 June	2020 HK$'000	2019 HK$'000
Fees	1,554	1,498
Salaries and other emoluments	17,784	18,493
Contributions to defined contribution schemes	1,088	1,009
Total	20,426	21,000

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) The remuneration of each Director for the year ended 30 June 2020 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	–	1,982	325	–	198	2,505
Poon Lock Kee, Rocky	–	3,727	1,251	–	373	5,351
Doo William Junior Guilherme	–	1,651	270	–	124	2,045
Lee Kwok Bong	–	1,374	225	–	103	1,702
Soon Kweong Wah	–	2,900	1,336	–	290	4,526
Wong Shu Hung	–	1,883	860	–	–	2,743
Cheng Kar Shun, Henry	346	–	–	–	–	346
Wong Kwok Kin, Andrew	230	–	–	–	–	230
Kwong Che Keung, Gordon	288	–	–	–	–	288
Hui Chiu Chung, Stephen	230	–	–	–	–	230
Lee Kwan Hung, Eddie	230	–	–	–	–	230
Tong Yuk Lun, Paul	230	–	–	–	–	230
Total	1,554	13,517	4,267	–	1,088	20,426

10 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) The remuneration of each Director for the year ended 30 June 2019 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	–	1,910	–	–	191	2,101
Poon Lock Kee, Rocky	–	3,593	3,269	–	359	7,221
Doo William Junior Guilherme	–	1,591	–	–	80	1,671
Lee Kwok Bong	–	1,324	–	–	99	1,423
Soon Kweong Wah	–	2,795	1,721	–	280	4,796
Wong Shu Hung	–	1,775	515	–	–	2,290
Cheng Kar Shun, Henry	333	–	–	–	–	333
Wong Kwok Kin, Andrew	222	–	–	–	–	222
Kwong Che Keung, Gordon	277	–	–	–	–	277
Hui Chiu Chung, Stephen	222	–	–	–	–	222
Lee Kwan Hung, Eddie	222	–	–	–	–	222
Tong Yuk Lun, Paul	222	–	–	–	–	222
Total	1,498	12,988	5,505	–	1,009	21,000

Notes:

(a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.

(b) During the year ended 30 June 2020, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

Details of the Group's material related party transactions are set out in Notes 2.1(iv) and 35 to the consolidated financial statements.

Save for the above and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2020 or at any time during the year ended 30 June 2020.

10 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the years ended 30 June 2020 include three directors (2019: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2019: two) individuals during the years are as follows:

For the year ended 30 June	2020 HK$'000	2019 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,489	4,080
Contributions to defined contribution schemes	221	196
Performance-based bonuses	1,661	1,396
Total	7,371	5,672

The emoluments fell within the following bands:

	2020 Number of individuals	2019 Number of individuals
Emolument bands		
HK$2,500,001 – HK$3,000,000	1	2
HK$4,000,001 – HK$4,500,000	1	–

During the year ended 30 June 2020, no emoluments were paid by the Group to any of the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

11 FINANCE INCOME AND COSTS

For the year ended 30 June	2020 HK$'000	2019 (restated) HK$'000
Finance income		
Interest from bank deposits	5,535	5,196
Finance costs		
Interest on lease liabilities	2,398	–
Interest on bank borrowings	7,695	416
	10,093	416

12 INCOME TAX EXPENSES

For the year ended 30 June	2020 HK$'000	2019 (restated) HK$'000
Current income tax		
Hong Kong profits tax	60,266	52,503
Mainland China taxation		
Income tax	245	5,175
Macau taxation	–	(2,777)
Under/(over)-provision in prior years	54	(140)
Deferred income tax expense (Note 22)		
Income tax	(6,571)	5,667
Withholding tax	(109)	715
Total	53,885	61,143

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 2020 (2019: 12% to 25%). According to applicable the 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	2020 HK$'000	2019 (restated) HK$'000
Profit before income tax	363,474	368,591
Less: Share of results of		
An associate (Note 20)	(898)	(937)
Joint ventures (Note 21)	(115)	207
	362,461	367,861
Calculated at a tax rate of 16.5% (2019: 16.5%)	59,806	60,697
Tax losses not recognised	973	881
Expenses not deductible for taxation purposes	4,956	1,764
Withholding tax on undistributed earnings from subsidiaries in Mainland China	(109)	715
Income not subject to taxation	(8,165)	(1,375)
Utilisation of previously unrecognised tax losses	(1,973)	(1,997)
Temporary differences not recognised	35	566
Tax concessions	(868)	(217)
Effect of different taxation rates in other regions	(824)	249
Under/(over)-provision in prior years	54	(140)
Income tax expenses	53,885	61,143

13 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	2020 HK$'000	2019 (restated) HK$'000
Profit for the year attributable to shareholders of the Company	**309,563**	307,374
Less: Preferred distribution to the holder of convertible preference shares	**(4,573)**	–
Earnings used in the basic earnings per share calculation	**304,990**	307,374
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**0.68**	0.68

(b) Diluted

During the year ended 30 June 2020, the Company issued convertible preference shares, with details set out in Notes 2.1(iv) and 28, 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 2020, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for year ended 30 June 2020. As a result, the diluted earnings per share equals to the basic earnings per share for the year ended 30 June 2020.

During the year ended 30 June 2019, the Company did not have any dilutive potential ordinary shares and therefore the diluted earnings per share equals basic earnings per share for the year ended 30 June 2019.

14 DIVIDENDS

For the year ended 30 June	2020 HK$'000	2019 HK$'000
Interim dividend paid of HK12.8 cents (2019: HK10.1 cents) per share	**57,600**	45,450
Final dividend proposed of HK14.4 cents (2019: HK11.9 cents) per share	**64,800**	53,550
Total	**122,400**	99,000

Note:

At a meeting held on 25 September 2020, the Board recommended a final dividend of HK14.4 cents (2019: HK11.9 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 2021.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2019							
Opening net book value, as previously reported	24,935	291,710	34,640	37,248	13,871	9,838	412,242
Acquisition of the Acquired Group	–	1,095	1,184	–	6,523	1,692	10,494
As restated	24,935	292,805	35,824	37,248	20,394	11,530	422,736
Currency translation differences	–	(68)	(16)	–	(80)	(37)	(201)
Additions, as restated	–	–	6,010	12,526	10,047	3,503	32,086
Disposals, as restated	–	(1,057)	(98)	(949)	(65)	(87)	(2,256)
Depreciation charge, as restated	–	(10,164)	(11,793)	(7,780)	(9,396)	(6,275)	(45,408)
Closing net book value, as restated	24,935	281,516	29,927	41,045	20,900	8,634	406,957
At 30 June 2019							
Cost, as restated	24,935	317,993	84,886	142,184	101,971	51,205	723,174
Accumulated depreciation, as restated	–	(36,477)	(54,959)	(101,139)	(81,071)	(42,571)	(316,217)
Net book value, as restated	24,935	281,516	29,927	41,045	20,900	8,634	406,957
Year ended 30 June 2020							
Opening net book value, as restated	24,935	281,516	29,927	41,045	20,900	8,634	406,957
Currency translation differences	–	(67)	(13)	–	(63)	(32)	(175)
Additions	–	–	527	8,033	5,155	5,626	19,341
Disposals	–	–	(134)	(338)	(18)	(13)	(503)
Depreciation charge	–	(10,125)	(11,035)	(7,900)	(8,792)	(4,501)	(42,353)
Impairment loss	–	–	(1,116)	(9,465)	(433)	(380)	(11,394)
Closing net book value	24,935	271,324	18,156	31,375	16,749	9,334	371,873
At 30 June 2020							
Cost	24,935	316,755	84,776	148,491	105,884	53,567	734,408
Accumulated depreciation	–	(45,431)	(65,504)	(107,651)	(88,702)	(43,853)	(351,141)
Accumulated impairment	–	–	(1,116)	(9,465)	(433)	(380)	(11,394)
Net book value	24,935	271,324	18,156	31,375	16,749	9,334	371,873

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) Property, plant and equipment is allocated to the Group's CGUs identified according to Group's reportable segments. In assessing the impairment of property, plant and equipment, the Group compares the carrying amounts of the CGUs to which property, plant and equipment has been allocated against their recoverable amounts (i.e. the higher of the CGUs' fair value less costs of disposal and their value in use). The Group's laundry business, NCL, is a CGU under the Group's integrated property & facility management segment which offers laundry, dry cleaning and linen management services in Hong Kong. Its recoverable amount has been determined based on value in use calculations using pre-tax cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using a 3% growth rate. The pre-tax discount rate applied to the value in use calculation of NCL's cash flow projection at 30 June 2020 is 14.0%. The key assumptions on NCL's annual revenue growth rates, gross margin ratios and discount rate used in the value in use calculations as at 30 June 2020 are based on management's best estimates and specific risks relating to its business. Changes to the assumptions used by management to determine the recoverable amounts, in particular the discount and growth rates, can have a significant impact on the results of the assessment.

During the year ended 30 June 2020, the Group recognised an impairment loss totalling HK$13.9 million in respect of NCL's assets, including HK$11.4 million for its property, plant and equipment and HK$2.5 million for its right-of-use assets. Such impairment loss of HK$13.9 million, representing the difference between the net carrying amount of NCL's operating assets of HK$64.9 million and its estimated recoverable amount based on value in use calculations of HK$51.0 million, has been recognised as "Other expenses" in the consolidated income statement and arose mainly as a result of the impact of plummeting tourist arrivals and low hotel room occupancy rates on NCL's business following the social instability and outbreak of COVID-19 in Hong Kong during the year.

(b) None of the above property, plant and equipment was pledged as security as at 30 June 2020 (2019: None).

16 INVESTMENT PROPERTY

	HK$'000
Year ended 30 June 2019	
Opening net book value	11,620
Depreciation charge	(385)
Closing net book value	11,235
At 30 June 2019	
Cost	14,700
Accumulated depreciation	(3,465)
Net book value	11,235
Year ended 30 June 2020	
Opening net book value	**11,235**
Depreciation charge	**(385)**
Closing net book value	**10,850**
At 30 June 2020	
Cost	**14,700**
Accumulated depreciation	**(3,850)**
Net book value	**10,850**

Notes:

(a) The fair value of the Group's investment property is determined based on direct comparison method and it is within level 3 of the fair value hierarchy. Based on management's estimation, the fair value of the property is approximately HK$50.6 million as at 30 June 2020 (2019: HK$64.4 million).

(b) For the year ended 30 June 2020, the Group's investment property generated rental income of HK$2.3 million (2019: HK$2.3 million (restated)) and incurred direct operating expenses of HK$129 thousand (2019: HK$206 thousand).

17 RIGHT-OF-USE ASSETS AND LEASES LIABILITIES

(a) Group as lessees — Amount recognised in the consolidated statement of financial position

	30 June 2020 HK$'000	1 July 2019 HK$'000
Right-of-use assets		
Properties	49,878	75,574
Leasehold lands	19,666	20,432
Equipment	2,633	3,339
	72,177	99,345
Leases liabilities		
Within one year	41,060	34,864
Within a period of more than one year but not exceeding two years	9,938	30,221
Within a period of more than two years but not exceeding five years	9,631	10,832
Within a period of more than five years	762	2,996
	61,391	78,913
Less: Current portion	(41,060)	(34,864)
Non-current portion	20,331	44,049

On leases that commenced during the year, the Group has recognised HK$18.4 million of right-of-use assets and lease liabilities.

(b) Group as lessees — Amount recognised in the consolidated income statement

	2020 HK$'000
Depreciation of right-of-use assets	
Properties	40,250
Leasehold lands	575
Equipment	706
	41,531
Expense relating to short-term leases (Note 8)	8,491
Interest expenses (Note 11)	2,398
Impairment loss (Note 15(a))	2,502
Total charges recognised in profit or loss for leases	54,922

(c) Group as lessees — Amount recognised in the consolidated statement of cash flows

The total cash outflow for leases in 2020 was HK$45.5 million.

17 RIGHT-OF-USE ASSETS AND LEASES LIABILITIES *(Continued)*

(d) Group as lessees — Other disclosures

(i) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

(iii) Residual value guarantees

As at 30 June 2020, no residual value guarantee is expected to be payable.

(iv) Leases not yet commenced to which the lessee is committed

The Group does not commit at 30 June 2020 to any leases that are not yet commenced.

(v) Restriction or covenants imposed by leases

The lease agreements entered into by the Group do not impose any covenants other than the security interests in the leased assets under such lease agreements that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Group as a lessor

	2020 HK$'000	2019 HK$'000
Rental income (Note 7)	2,346	2,328

18 LAND USE RIGHTS

	HK$'000
Year ended 30 June 2019	
Opening net book value	21,230
Currency translation differences	(217)
Amortisation	(581)
Closing net book value	20,432
At 30 June 2019	
Cost	23,469
Accumulated amortisation	(3,037)
Net book value	20,432
Year ended 30 June 2020	
Opening net book value	**20,432**
Reclassification upon adoption of HKFRS 16	**(20,432)**
Closing net book value	**–**

As at 1 July 2019, leasehold lands have been reclassified to right-of-use assets as a result of adoption of HKFRS 16.

19 OTHER INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and brand names HK$'000	Development costs HK$'000	Customer contracts HK$'000	Total HK$'000
Year ended 30 June 2019					
Opening net book value, as previously reported	41,757	8,900	2,139	–	52,796
Acquisition of the Acquired Group	19,481	5,644	–	1,730	26,855
As restated	61,238	14,544	2,139	1,730	79,651
Amortisation, as restated	–	(1,107)	–	(407)	(1,514)
Closing net book value, as restated	61,238	13,437	2,139	1,323	78,137
At 30 June 2019					
Cost, as restated	65,909	35,060	2,139	74,936	178,044
Accumulated amortisation, as restated	–	(14,343)	–	(73,613)	(87,956)
Accumulated impairment	(4,671)	(7,280)	–	–	(11,951)
Net book value, as restated	61,238	13,437	2,139	1,323	78,137
Year ended 30 June 2020					
Opening net book value, as restated	**61,238**	**13,437**	**2,139**	**1,323**	**78,137**
Additions	**–**	**–**	**300**	**–**	**300**
Cost adjustment	**–**	**–**	**(420)**	**–**	**(420)**
Amortisation	**–**	**(1,107)**	**–**	**(407)**	**(1,514)**
Closing net book value	**61,238**	**12,330**	**2,019**	**916**	**76,503**
At 30 June 2020					
Cost	**65,909**	**35,060**	**2,019**	**74,936**	**177,924**
Accumulated amortisation	**–**	**(15,450)**	**–**	**(74,020)**	**(89,470)**
Accumulated impairment	**(4,671)**	**(7,280)**	**–**	**–**	**(11,951)**
Net book value	**61,238**	**12,330**	**2,019**	**916**	**76,503**

(a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the CGUs of the Group's segments. For the purpose of impairment test, the recoverable amount of the Group's CGUs is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation to business units is presented below:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
E&M engineering services	**33,841**	33,841
Integrated property & facility services		
— Cleaning services	**7,916**	7,916
— Property and facility management services	**19,481**	19,481
Total	**61,238**	61,238

19 OTHER INTANGIBLE ASSETS *(Continued)*

(a) Impairment tests for goodwill *(Continued)*

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using zero growth rate for the E&M engineering services business unit and 1% growth rate for the integrated property & facility services business unit. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

	2020		
	E&M engineering services	**Cleaning services**	**Property and facility management services**
Cash flows in the first five years			
Gross margin	**9.2% – 9.3%**	**8.9% – 9.5%**	**28.4% – 29.1%**
Growth rate	**2.6%**	**3.1%**	**2.5% – 5.4%**
Pre-tax discount rate	**14%**	**9.5%**	**15.8%**
Cash flows beyond five-year period			
Terminal growth rate	**0%**	**1%**	**1%**
Pre-tax discount rate	**14%**	**9.5%**	**15.8%**

	2019		
	E&M engineering services	Cleaning services	Property and facility management services
Cash flows in the first five years			
Gross margin	9.5% – 10.8%	8.8% – 9.5%	30.7% – 31.0%
Growth rate	5%	2% – 3%	1.6% – 3.9%
Pre-tax discount rate	14%	9.5%	12.9% – 15.8%
Cash flows beyond five-year period			
Terminal growth rate	0%	1%	1%
Pre-tax discount rate	14%	9.5%	12.9% – 15.8%

These assumptions have been used for the analysis of the group of CGUs within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2020 (2019: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

20 INTERESTS IN AN ASSOCIATE

	2020 HK$'000	2019 (restated) HK$'000
At beginning of year	79	72
Share of profit for the year	898	937
Dividend	(932)	(930)
At end of year	45	79

Particulars of an associate are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held 2020	2019
Harbour Place Management Services Limited	Hong Kong	Provision of property management services	1,000 ordinary shares paid up to HK$1,000	30%	30%

The following represent the Group's share of its individually immaterial associate that is accounted for using the equity method of accounting:

	2020 HK$'000	2019 (restated) HK$'000
Carrying amount of interest in an associate	45	79
Share of profit and total comprehensive income for the year	898	937

There are no commitments or contingent liabilities relating to the Group's interests in an associate, and no commitments or contingent liabilities of the equity itself.

21 INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 (restated) HK$'000
At beginning of year	**934**	1,141
Share of profit/(loss) for the year	**115**	(207)
At end of year	**1,049**	934

Particulars of joint ventures are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held 2020	2019
廣州市富城物業管理有限公司	PRC	Provision of property management services	RMB800,000	**50%**	50%
Urban-Wellborn Property Management Limited	Hong Kong	Provision of property management services	10,000 ordinary shares paid up to HK$100,000	**50%**	50%

Set out below is, in aggregate, the carrying amounts of the Group's share of all its individually immaterial joint ventures that are accounted for using the equity method of accounting:

	2020 HK$'000	2019 (restated) HK$'000
Carrying amount of interests in joint ventures	**1,049**	934
Share of profit/(loss) and total comprehensive income/(loss) for the year	**115**	(207)

There are no commitments or contingent liabilities relating to the Group's interest in joint ventures, and no commitments or contingent liabilities of the entities themselves.

22 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Deferred income tax assets	11,083	9,337
Deferred income tax liabilities	(24,446)	(29,415)
Net	(13,363)	(20,078)

Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after more than 12 months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year and net balances after offsetting at the end of the reporting periods are as follows:

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2018, as previously reported	1,293	3,938	–	10,151	15,382
Acquisition of the Acquired Group	14	–	84	–	98
As restated	1,307	3,938	84	10,151	15,480
Currency translation differences	–	–	–	1	1
Credited/(charged) to consolidated income statement, as restated (Note 12)	771	340	–	(5,977)	(4,866)
Charged to other comprehensive loss, as restated	–	–	(84)	–	(84)
At 30 June 2019, as restated	2,078	4,278	–	4,175	10,531
At 1 July 2019	2,078	4,278	–	4,175	10,531
Currency translation differences	–	(10)	–	–	(10)
Credited/(charged) to consolidated income statement (Note 12)	2,198	5,845	–	(364)	7,679
At 30 June 2020	4,276	10,113	–	3,811	18,200

	2020 HK$'000	2019 HK$'000
Total deferred income tax assets before offsetting	18,200	10,531
Less: Amount offset against deferred income tax liabilities	(7,117)	(1,194)
Net deferred income tax assets after offsetting	11,083	9,337

22 DEFERRED INCOME TAX ASSETS/(LIABILITIES) *(Continued)*

Deferred income tax liabilities

	Accelerated deprecation allowance HK$'000	Fair value adjustments on trademarks and brand names HK$'000	Fair value adjustments on property, plant and equipment arising from business combinations HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2018, as previously reported	(6,551)	(1,470)	(14,267)	(1,334)	(2,850)	(26,472)
Acquisition of the Acquired Group	(724)	(1,220)	(181)	(358)	–	(2,483)
As restated	(7,275)	(2,690)	(14,448)	(1,692)	(2,850)	(28,955)
Charged to other comprehensive loss, as restated	–	–	–	(138)	–	(138)
(Charged)/credited to consolidated income statement, as restated (Note 12)	(1,683)	249	668	–	(750)	(1,516)
At 30 June 2019, as restated	(8,958)	(2,441)	(13,780)	(1,830)	(3,600)	(30,609)
At 1 July 2019	**(8,958)**	**(2,441)**	**(13,780)**	**(1,830)**	**(3,600)**	**(30,609)**
Credited to other comprehensive loss	**–**	**–**	**–**	**45**	**–**	**45**
(Charged)/credited to consolidated income statement (Note 12)	**1,390**	**250**	**418**	**–**	**(3,057)**	**(999)**
At 30 June 2020	**(7,568)**	**(2,191)**	**(13,362)**	**(1,785)**	**(6,657)**	**(31,563)**

	2020 HK$'000	2019 (restated) HK$'000
Total deferred income tax liabilities before offsetting	**(31,563)**	(30,609)
Less: Amount offset against deferred income tax assets	**7,117**	1,194
Net deferred income tax liabilities after offsetting	**(24,446)**	(29,415)

As at 30 June 2020, the Group did not recognise deferred income tax assets of HK$12 million (2019: HK$13 million), arising from unused tax losses of HK$76 million (2019: HK$80 million). Except for tax losses of HK$1.3 million (2019: HK$0.4 million) as at 30 June 2020 which will expire within three years after the reporting date, the remaining tax losses have no expiry date.

23 PENSION ASSETS

The Group operates a defined benefit retirement scheme (the "Scheme") registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) that provides lump sum benefits based on a multiple of a member's final salary and years of service or employee contribution balance, whichever is higher, upon the member's retirement, death, disability or leaving service. The Scheme has been closed to new employees since 1 December 2000.

The Group has an unconditional right to the surplus of the Scheme.

The Scheme is administered by an independent trustee with its assets held separately from those of the Group. The key responsibilities of the trustee are to ensure that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The costs of benefits are jointly funded by the Group and the employees. Employees' contributions are based on 5% of basic salary and the Group's contributions are determined with reference to the funding valuation carried out by the Scheme's actuary. The valuations of the Scheme as at 30 June 2019 and 2020 were prepared by independent qualified actuaries using the projected unit credit method.

The Scheme exposes the Group to actuarial risks, such as investment risk, interest rate risk and salary risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Present value of defined benefit obligations	(14,371)	(15,137)
Fair value of plan assets	17,517	17,986
Net retirement benefit assets	3,146	2,849

Majority of the above liabilities are expected to be settled after more than one year.

However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

23 PENSION ASSETS *(Continued)*

(ii) Movements in net defined benefit assets and its components are as follows:

	Present value of defined benefit obligations HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 July 2018, as previously reported	–	–	–
Acquisition of the Acquired Group	(20,125)	25,908	5,783
As restated	(20,125)	25,908	5,783
Net (charge)/credit to the consolidated income statement			
Current service costs, as restated	(533)	–	(533)
Interest (expenses)/income, as restated	(182)	307	125
	(715)	307	(408)
Net charge to other comprehensive loss, as restated			
Remeasurement loss:			
Actuarial loss arising from change in financial assumptions	(884)	–	(884)
Actuarial loss arising from experience adjustments	(1,559)	–	(1,559)
Loss on plan assets excluding interest income	–	(144)	(144)
	(2,443)	(144)	(2,587)
Actual benefit paid, as restated	8,323	(8,323)	–
Contribution paid by the employees, as restated	(177)	177	–
Contribution paid by the employer, as restated	–	61	61
At 30 June 2019, as restated	(15,137)	17,986	2,849
At 1 July 2019	**(15,137)**	**17,986**	**2,849**
Net (charge)/credit to the consolidated income statement			
Current service costs	**(408)**	**–**	**(408)**
Interest (expenses)/income	**(212)**	**253**	**41**
	(620)	**253**	**(367)**
Net credit/(charge) to other comprehensive loss			
Remeasurement (loss)/gain:			
Actuarial loss arising from change in financial assumptions	**(120)**	**–**	**(120)**
Actuarial gain arising from experience adjustments	**1,659**	**–**	**1,659**
Loss on plan assets excluding interest income	**–**	**(931)**	**(931)**
	1,539	**(931)**	**608**
Contribution paid by the employees	**(153)**	**153**	**–**
Contribution paid by the employer	**–**	**56**	**56**
At 30 June 2020	**(14,371)**	**17,517**	**3,146**

The weighted average duration of the defined benefit obligation is 7.0 years (2019: 8.7 years).

23 PENSION ASSETS *(Continued)*

(iii) Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

	2020	2019
Discount rate	**0.3% p.a.**	1.4% p.a.
Salary growth rate	**3.0% p.a.**	4.0% p.a.

The below analysis shows how the defined benefit obligation as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

	2020		2019	
	Increase in 0.25% HK$'000	**Decrease in 0.25% HK$'000**	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Discount rate	**(240)**	**249**	(327)	327
Salary growth rate	**242**	**(235)**	309	(301)

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the defined benefit obligation recognised in the consolidated statement of financial position.

(iv) Fair value of the plan assets is analysed as follows:

	2020	2019
Equities	**70.5%**	66.8%
Bonds	**24.3%**	23.3%
Cash and others	**5.2%**	9.9%
	100%	100%

The Scheme has a benchmark asset allocation of 70% in equities and 30% in bonds and cash. The long term strategic asset allocations of the Scheme is set and reviewed from time to time by the Scheme's trustee taking into account the Scheme's membership, liability profile, liquidity requirements, and the risk appetite of the Group.

24 TRADE AND OTHER RECEIVABLES

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Trade receivables		
Third parties	**457,108**	504,701
Related companies (Note 35(c))	**98,144**	77,817
Less: Provision for impairment	**555,252**	582,518
Third parties	**(9,451)**	(7,389)
	545,801	575,129
Retention receivables		
Third parties	**154,622**	139,080
Related companies (Note 35(c))	**193,991**	205,697
	348,613	344,777
Other receivables and prepayments		
Third parties	**154,683**	106,415
Related companies (Note 35(c))	**8,468**	24,774
	163,151	131,189
Accrued contract revenue	**445,546**	478,746
Less: Provision for impairment	**(149)**	(149)
	445,397	478,597
Total	**1,502,962**	1,529,692

Generally, no credit period is granted by the Group to its retail customers for trading of building materials and customers for provision of property and facility management services. The credit period generally granted by the Group to its other customers is 30 to 60 days.

Expected credit losses

The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The expected credit loss is minimal as the majority of the trade and other receivables are due from a number of independent customers for whom there is no recent history of default, except for certain trade and other receivables with full impairment provision being provided for during the period because they have been undergoing financial difficulties.

24 TRADE AND OTHER RECEIVABLES *(Continued)*

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	2020 HK$'000	2019 (restated) HK$'000
Current to 90 days	500,949	529,771
91 – 180 days	35,902	34,264
Over 180 days	8,950	11,094
Total	545,801	575,129

At 30 June 2020, the Group's trade receivables and accrued revenue of HK$9.6 million (2019: HK$7.5 million) were impaired.

The carrying amounts of the trade and other receivables of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Hong Kong dollars	1,112,810	1,134,651
Renminbi	287,166	347,497
Macau patacas	102,201	46,590
United States dollars	160	104
Euros	579	850
Others	46	–
Total	1,502,962	1,529,692

Movements in provision for impairment of the Group's trade receivables and accrued contract revenue are as follows:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
At the beginning of year	7,538	4,899
Provision for the year	2,168	3,274
Reversal of provision during the year	(47)	(626)
Receivables written off during the year	(59)	(9)
At the end of year	9,600	7,538

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts. Other classes within trade and other receivables do not contain material impaired assets.

25 CONTRACT ASSETS AND CONTRACT LIABILITIES

As at 30 June	2020 HK$'000	2019 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	2,640,836	2,440,665
Progress payments received and receivable	(2,707,247)	(2,373,962)
Net	(66,411)	66,703
Representing:		
Contract assets	388,390	290,822
Contract liabilities	(454,801)	(224,119)
Net	(66,411)	66,703

Notes:

(a) All of the Group's contract assets and contract liabilities at 30 June 2020 and 30 June 2019 relate to its engineering contracts with customers and no loss allowances have been included therein.

(b) During the year ended 30 June 2020, the Group recognised (i) HK$207.3 million (2019: HK$455.0 million) of revenue for its engineering contracts relating to its carried-forward contract liabilities from the previous financial year end and (ii) HK$154.7 million (2019: HK$102.6 million) of revenue from its performance obligations satisfied in previous reporting years.

(c) As at 30 June 2020, the aggregate amount of transaction price allocated to the Group's remaining performance obligations in respect of engineering, environmental management, cleaning and property and facility management services contracts is HK$11,074 million (2019: HK$6,846 million (restated)). The Group will recognise this revenue during the completion of the related works, which is expected to occur over the next 54 months (2019: 51 months) after the reporting date.

(d) The increase in the Group's contract assets and contract liabilities during the year ended 30 June 2020 principally reflects an increase in number of projects in progress.

26 INVENTORIES

As at 30 June	2020 HK$'000	2019 HK$'000
Raw materials	750	688
Finished goods	48,363	36,221
Spare parts and consumables	3,112	3,297
Total	52,225	40,206

27 CASH AND BANK BALANCES

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Time deposits — original maturities within three months	194,353	214,768
Other cash at banks and in hand	506,593	347,437
Total	700,946	562,205

At 30 June 2020, the effective interest rate on bank deposits is 0.94% per annum (2019: 2.56% per annum).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Hong Kong dollars	646,252	449,087
Renminbi	42,323	87,458
Macau patacas	7,315	14,057
United States dollars	1,911	2,501
Euros	2,775	3,757
Others	370	5,345
Total	700,946	562,205

28 SHARE CAPITAL

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

	2020 Number of shares	2020 HK$'000	2019 Number of shares	2019 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
As at 1 July	1,000,000,000	100,000	1,000,000,000	100,000
Re-designation	(100,000,000)	(10,000)	–	–
As at 30 June	900,000,000	90,000	1,000,000,000	100,000
Convertible preference shares of HK$0.10 each (Note a)				
As at 1 July	–	–	–	–
Re-designation	100,000,000	10,000	–	–
As at 30 June	100,000,000	10,000	–	–
	1,000,000,000	100,000	1,000,000,000	100,000

28 SHARE CAPITAL *(Continued)*

The numbers of the Company's authorised and issued shares are as follows: *(Continued)*

	2020 Number of shares	2020 HK$'000	2019 Number of shares	2019 HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
As at 1 July and 30 June	**450,000,000**	**45,000**	450,000,000	45,000
Convertible preference shares of HK$0.10 issued at HK$3.2260 each (Note a)				
As at 1 July	**–**	**–**	–	–
Issued for the acquisition of the Acquired Group (Note a)	**43,676,379**	**140,900**	–	–
As at 30 June	**43,676,379**	**140,900**	–	–
Total	**493,676,379**	**185,900**	450,000,000	45,000

As at 30 June 2020, the total nominal amount of the Company issued shares was HK$49,367,638 (30 June 2019: HK$45,000,000), comprising HK$45,000,000 for ordinary shares (30 June 2019: HK$45,000,000) and HK$4,367,638 for convertible preference shares (30 June 2019: Nil).

Note (a):

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

- Each convertible preference share shall entitle the holder to convert within a period of 10 years after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- Each convertible preference share is convertible into such number of ordinary share(s) being one multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of convertible preference shares by the conversion price.

- The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events.

- Each convertible preference share shall confer on the holder the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not (a) pay any dividends, distributions or make any other payment on any ordinary shares or (b) redeem, cancel, repurchase or acquire for any consideration any ordinary shares, unless at the same time it pays to the holder of the convertible preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.

- The holder of the convertible preference shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).

- The holder of the convertible preference shares will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company.

- At any time after 10 years following the Issue Date, the Company may at its sole discretion serve at least ten days' prior written notice to the holder of the convertible preference shares to redeem either in whole or in part of the convertible preference shares for the time being outstanding, at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption.

29 RESERVES

	Share premium HK$'000	Merger reserve (Note a) HK$'000	Exchange reserve HK$'000	Statutory reserves (Note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2018, as previously reported	743,204	(525,214)	(19,746)	22,198	371,908	592,350
Acquisition of the Acquired Group	–	179,712	–	–	(40,186)	139,526
As restated	743,204	(345,502)	(19,746)	22,198	331,722	731,876
Profit for the year, as restated	–	–	–	–	307,374	307,374
Dividends to shareholders	–	–	–	–	(105,300)	(105,300)
Dividends to the original shareholders of the Acquired Group, as restated	–	–	–	–	(114,636)	(114,636)
Remeasurement losses on defined benefit retirement scheme, as restated	–	–	–	–	(2,587)	(2,587)
Remeasurement gains on long service payment liabilities, as restated	–	–	–	–	2,069	2,069
Deferred tax on remeasurement gains on long service payment liabilities, as restated	–	–	–	–	(222)	(222)
Currency translation differences	–	–	(7,402)	–	–	(7,402)
Release of exchange reserve upon dissolution of subsidiaries	–	–	(1,905)	–	–	(1,905)
Release of statutory reserve upon dissolution of a subsidiary	–	–	–	(588)	588	–
At 30 June 2019, as restated	743,204	(345,502)	(29,053)	21,610	419,008	809,267
At 1 July 2019, as previously reported	**743,204**	**(525,214)**	**(29,053)**	**21,610**	**516,473**	**727,020**
Acquisition of the Acquired Group	**–**	**179,712**	**–**	**–**	**(97,465)**	**82,247**
As restated	**743,204**	**(345,502)**	**(29,053)**	**21,610**	**419,008**	**809,267**
Profit for the year	**–**	**–**	**–**	**–**	**309,563**	**309,563**
Dividends to shareholders	**–**	**–**	**–**	**–**	**(111,150)**	**(111,150)**
Remeasurement gains on defined benefit retirement scheme	**–**	**–**	**–**	**–**	**608**	**608**
Remeasurement losses on long service payment liabilities	**–**	**–**	**–**	**–**	**(347)**	**(347)**
Deferred tax on remeasurement losses on long service payment liabilities	**–**	**–**	**–**	**–**	**45**	**45**
Currency translation differences	**–**	**–**	**(5,885)**	**–**	**–**	**(5,885)**
Acquisition of the Acquired Group (Note 2.1(iv))	**–**	**(743,378)**	**–**	**–**	**–**	**(743,378)**
At 30 June 2020	**743,204**	**(1,088,880)**	**(34,938)**	**21,610**	**617,727**	**258,723**

29 RESERVES *(Continued)*

Notes:

(a) Merger reserve arises from (i) the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital upon the completion of the reorganisation on 30 June 2015; (ii) the difference between the consideration for the acquisition of Crystal Brilliant Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Facility Services Group Limited, and their net asset values at the date when they first came under common control of FSE Holdings Limited upon the completion of the acquisition on 11 April 2018 and (iii) the difference between the consideration for the acquisition of Legend Success Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Property Management Group Limited, and their net asset values at the date when they first came under common control of FSE Holdings Limited upon the completion of the acquisition on 16 December 2019.

(b) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

(c) During the year ended 30 June 2020, no (2019: no) appropriation from retained earnings to statutory reserves for PRC companies was made. The remaining statutory reserves of HK$588,000 for a PRC subsidiary dissolved during the year ended 30 June 2019 was transferred to retained earnings.

30 BORROWINGS

As at 30 June	**2020** **HK$'000**	2019 (restated) HK$'000
Non-current liabilities		
Bank borrowings — secured	**463,243**	–
Current liabilities		
Bank borrowings — secured	**–**	30,000

Borrowings are interest bearing at effective interest rates of 2.5% (2019: 2.4%) and repayable in the second year (2019: the first year) after the reporting date. The carrying amounts of the borrowings approximate its fair values and are denominated in Hong Kong dollar.

Borrowings are secured by corporate guarantees provided by FSE Engineering Group Limited and FSE Facility Services Group Limited (wholly-owned subsidiaries of the Company) as at 30 June 2020 and by FSE Holdings Limited (a related company of the Company) as at 30 June 2019.

31 LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's MPF and ORSO schemes that are attributable to contributions made by the Group. The Group has not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
At the beginning of the year	**31,849**	31,019
Expenses recognised in the consolidated income statement	**4,131**	4,037
Remeasurement losses/(gains) recognised in other comprehensive loss	**347**	(2,069)
Benefits paid	**(4,050)**	(1,138)
At the end of the year	**32,277**	31,849

Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	2020	2019 (restated)
Discount rate	**0.4%**	1.30%
Long term rate of salary increases	**3.54% – 4.5%**	3.55% – 4.5%
Long term rate of increase of maximum salary and amount of long service payment and MPF Relevant Income limit	**2.5%**	3.0 – 3.5%
Long term average expected return on MPF and ORSO balances	**3.5% – 4.25%**	3.00% – 4.25%

The below analysis shows how the long service payment liability as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	2020		2019 (restated)	
Assumptions	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Long term rate of salary increases	**1,796**	**(1,692)**	1,844	(1,896)
Long term average expected return on MPF and ORSO balances	**(1,800)**	**1,904**	(1,466)	1,484

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the long service payment liability to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the long service payment liability recognised within the consolidated statement of financial position.

32 TRADE AND OTHER PAYABLES

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Trade payables		
Third parties	**196,948**	223,997
Related companies (Note 35(c))	**492**	334
	197,440	224,331
Other creditors		
Third parties	**242,396**	121,796
Related companies (Note 35(c))	**6,924**	27,729
	249,320	149,525
Bills payable		
Third parties	**2,000**	12,025
Retention payables		
Third parties	**242,469**	231,157
Accrued expenses	**253,417**	240,186
Provision for contracting costs	**694,680**	861,378
Total	**1,639,326**	1,718,602

The carrying amounts of the above balances approximate their fair values.

The carrying amounts of the trade and other payables of the Group are denominated in the following currencies:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Hong Kong dollars	**1,230,629**	1,319,202
Renminbi	**303,669**	325,922
Macau patacas	**102,410**	69,034
Euros	**2,559**	1,645
United States dollars	**44**	2,785
Others	**15**	14
Total	**1,639,326**	1,718,602

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	2020 HK$'000	2019 (restated) HK$'000
1 – 90 days	**178,001**	217,574
91 – 180 days	**9,465**	4,835
Over 180 days	**9,974**	1,922
Total	**197,440**	224,331

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations:

For the year ended 30 June	Notes	2020 HK$'000	2019 (restated) HK$'000
Profit before income tax		**363,474**	368,591
Depreciation of property, plant and equipment	15	**42,353**	45,408
Depreciation of right-of-use assets	17	**41,531**	–
Impairment loss on property, plant and equipment	15	**11,394**	–
Finance costs	11	**10,093**	416
Long service payment liabilities			
Expenses recognised in the consolidated income statement	31	**4,131**	4,037
Benefit paid	31	**(4,050)**	(1,138)
Impairment loss on right-of-use assets	17	**2,502**	–
Impairment loss on trade and other receivables	8	**2,168**	3,274
Amortisation of other intangible assets	19	**1,514**	1,514
Unrealised exchange differences		**1,451**	513
Depreciation of investment property	16	**385**	385
Pension costs on defined benefits scheme	23	**367**	408
Finance income		**(5,535)**	(5,196)
Share of results of an associate and joint ventures		**(1,013)**	(730)
(Gain)/loss on disposal of property, plant and equipment, net	7	**(529)**	388
Write-off on other payables		**(90)**	(564)
(Reversal of provision)/provision for inventories	8	**(50)**	456
Reversal of impairment loss on trade receivables	8	**(47)**	(626)
Release of exchange reserve upon dissolution of subsidiaries	7	**–**	(1,905)
Amortisation of land use rights	18	**–**	581
Operating cash flows before changes in working capital		**470,049**	415,812
Changes in working capital:			
Net contract assets/liabilities		**130,340**	(205,075)
Trade and other receivables		**11,432**	(155,962)
Trade and other payables		**(66,725)**	232,317
Inventories		**(11,969)**	(14,656)
Pension assets		**(56)**	(61)
Cash generated from operations		**533,071**	272,375

(b) Cash consideration for acquisition of a business

On 16 December 2019, the Group acquired the Acquired Group 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 non-voting redeemable convertible preference shares. A final cash payment of the consideration of HK$38.5 million was made on 13 February 2020 and thus resulted in a total cash consideration for the acquisition amounting to HK$602.5 million. Details of the transaction are set out in Note 2.1(iv) to the consolidated financial statements.

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

The movements of the Group's liabilities arising from financing activities during the years ended 30 June 2020 and 2019 are as follows.

	Borrowings HK$'000	Dividends payable to shareholders HK$'000	Dividends payable to the original shareholder of the Acquired Group HK$'000	Dividends payable to non-controlling shareholders HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 July 2018	–	–	–	–	–	–
Dividends, as restated	–	105,300	114,636	64	–	220,000
Financing cash flows, as restated	30,000	(105,300)	(54,936)	(64)	–	(130,300)
Settlements through current accounts, as restated	–	–	(59,700)	–	–	(59,700)
At 30 June 2019, as restated	30,000	–	–	–	–	30,000
Effect of adoption of HKFRS 16 (Note 3)	–	–	–	–	78,913	78,913
At 1 July 2019, as restated	**30,000**	**–**	**–**	**–**	**78,913**	**108,913**
Dividends	**–**	**111,150**	**–**	**–**	**–**	**111,150**
New leases	**–**	**–**	**–**	**–**	**18,422**	**18,422**
Interest portion of lease liabilities	**–**	**–**	**–**	**–**	**2,398**	**2,398**
Financing cash flows	**432,792**	**(111,150)**	**–**	**–**	**(34,578)**	**287,064**
Payments for interest portion of lease liabilities	**–**	**–**	**–**	**–**	**(2,398)**	**(2,398)**
Currency translation differences	**–**	**–**	**–**	**–**	**(106)**	**(106)**
Other changes	**451**	**–**	**–**	**–**	**(1,260)**	**(809)**
At 30 June 2020	**463,243**	**–**	**–**	**–**	**61,391**	**524,634**

(d) Exchange differences

The exchange differences of cash and cash equivalents during the year are mainly arising from the remeasurement of the Group's foreign currency denominated cash and bank balances at the year end exchange rate.

(e) Major non-cash transactions

On 16 December 2019, the Company issued HK$140.9 million of convertible preference shares as part of its consideration for the acquisition of the Acquired Group. Details of the transaction are set out in Note 2.1(iv) to the consolidated financial statements.

During the year ended 30 June 2020, the Group acquired right-of-use assets and recognised lease liabilities totalling HK$18.4 million.

During the year ended 30 June 2019, the Group settled an interim dividend of the Acquired Group of HK$59.7 million to its previous shareholder, FMC, through current account with it.

(f) Funds held on behalf of third parties

As at 30 June 2020, the Group held cash and bank balances totalling HK$816.0 million (2019: HK$771.0 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the consolidated financial statements of the Group.

34 COMMITMENTS

(a) Capital commitments

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

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Property, plant and equipment	**501**	2,927

(b) Operating lease commitments

(i) The Group as lessees

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
No later than one year	**1,049**	44,612
Later than one year and no later than five years	**–**	41,763
Over five years	**–**	3,072
Total	**1,049**	89,447

(ii) The Group as a lessor

The Group's investment property is leased to a tenant under a long-term operating lease with rentals payable monthly. Minimum lease payments receivable on the lease of the Group's investment property are as follows:

As at 30 June	2020 HK$'000	2019 HK$'000
No later than one year	**2,034**	2,007
Between one and two year	**2,005**	2,034
Between two and three year	**2,005**	2,005
Between three and four year	**2,104**	2,005
Between four and five year	**2,406**	2,104
Later than five years	**4,210**	6,616
Total	**14,764**	16,771

35 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 30 June 2020.

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

Name	Relationship
Beamland Limited	Note i
Convention Plaza Apartments Limited	Note i
DMI Development Limited	Note i
Fast Solution Limited	Note i
FSE Charity Fund Limited	Note i
FSE Management Company Limited	Note i
General Security (H.K.) Limited	Note i
Great City Developments Limited	Note i
Hong Kong Island Landscape Company Limited	Note i
Kenbase Engineering Limited	Note i
Nova Insurance Consultants Limited	Note i
Nova Risk Services Holdings Limited	Note i
Onglory International Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Silver Asia Investments Limited	Note i
Success Ocean Limited	Note i
上海新尚賢坊房地產發展有限公司	Note i
上海華美達廣場有限公司	Note i
上海豐昌物業管理有限公司	Note i
ACE Island Limited	Note ii
Anway Ltd	Note ii
AOS Management Ltd	Note ii
ATL Logistics Centre Hong Kong Ltd	Note ii
Atrend Fashion Limited	Note ii
Belstar Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Construction Ltd	Note ii
Calpella Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii

35 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Chow Tai Fook Enterprises Ltd	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Ltd	Note ii
CiF Solution Limited	Note ii
Cititop Limited	Note ii
Citybus Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Donut Village Company Limited	Note ii
Earning Yield Limited	Note ii
East Concept Investments Ltd	Note ii
Ever Light Limited	Note ii
Ever Right Limited	Note ii
Gammon — Hip Hing Joint Venture	Note ii
Gentworld Development Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner Limited	Note ii
Gold Victory Investments Limited	Note ii
Grand Hyatt Hong Kong	Note ii
Great TST Limited	Note ii
Head Step Ltd T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Hing Joint Venture (VEC)	Note ii
Hip Hing-Chun Wo Joint Venture (GH)	Note ii
Hip Seng Builders Ltd	Note ii
Hip Seng Construction Company Limited	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Co., Ltd.	Note ii
Hong Kong Island Development Ltd	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii

35 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Joy Century Limited	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 Design Store Ltd	Note ii
K11 IP Licence & Creation Company Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
K11 Select Ltd	Note ii
Kai Tak Sports Park Ltd	Note ii
Keep Harvest Development Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Long Gain Development Limited	Note ii
Loyalton Limited	Note ii
Lucky Gold Development Limited	Note ii
Luxba Limited	Note ii
Main Choice Development Limited	Note ii
Markson Limited	Note ii
Maronne Limited	Note ii
Marriott Properties (International) Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Ltd	Note ii
New World China Construction Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World First Bus Services Limited	Note ii
New World Harbourview Hotel Co Ltd	Note ii
New World Hotel Management Ltd	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Ltd	Note ii
New World TMT Ltd	Note ii

35 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
New World Tower Company Ltd	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Ltd	Note ii
Paterson Plaza Properties Limited	Note ii
Pentahotel Hong Kong	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Ltd	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (HK) Limited	Note ii
Seaworthy Investment Limited	Note ii
Sky Connection Limited	Note ii
Space Enterprises Limited	Note ii
Sunfield Investments Ltd	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Automall Ltd	Note ii
The Dynasty Club Ltd	Note ii
Treasure Tower Holdings Limited	Note ii
Ultimate Vantage Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Ltd	Note ii
Vibro Construction Company Limited	Note ii
Victoria Educational Organisation Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Win Way Construction Co., Ltd	Note ii
Wise City Investment Limited	Note ii
上海三聯物業發展有限公司	Note ii
北京京廣中心有限公司	Note ii
北京新世界物業管理有限公司	Note ii
北京崇文 • 新世界房地產發展有限公司	Note ii
周大福創地置業(武漢)有限公司	Note ii
大連僑樂物業服務有限公司	Note ii
大連新世界大廈有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
天津新世界百貨有限公司	Note ii
寧波公泰置業有限公司	Note ii

35 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
寧波新立房地產開發有限公司	Note ii
廊坊新世界房地產開發有限公司	Note ii
廣州市新御運營管理有限公司	Note ii
廣州新世界地產策劃有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
新世界(中國)地產投資有限公司	Note ii
新世界(瀋陽)房地產開發有限公司	Note ii
新世界(瀋陽)房地產開發第五有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
新世界房地產發展有限公司	Note ii
新世界發展(武漢)有限公司	Note ii
深圳天得房地產開發有限公司	Note ii
深圳拓勁房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
鄭州新世界百貨有限公司	Note ii

Notes:

(i) These companies are commonly controlled by the Ultimate Controlling Shareholder.

(ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2020.

For the year ended 30 June	2020 HK$'000	2019 (restated) HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**1,430**	5,721
Other related companies (Note ii)	**1,191,697**	1,780,826
Total	**1,193,127**	1,786,547
Facility service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**171**	1,970
Other related companies (Note ii)	**139,624**	160,260
Total	**139,795**	162,230
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**898**	1,087
Other related companies (Note ii)	**17,855**	20,178
Total	**18,753**	21,265
Handling fee income from a related company commonly controlled by the Ultimate Controlling Shareholder (Note iv)	**40**	41
Project management fee from a related company commonly controlled by the Ultimate Controlling Shareholder (Note v)	**–**	862
Insurance broking service expenses to related companies commonly controlled by the Ultimate Controlling Shareholder (Note vi)	**20,451**	25,509
Rental expenses/addition of rights-of-use assets (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**119**	25,883
Other related companies (Note ii)	**3,063**	1,668
Total	**3,182**	27,551
Management fee expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note viii)	**–**	9,500
Appointment fees to related companies (Note ix)	**2,512**	2,396
Disposal of properties to a related company commonly controlled by the Ultimate Controlling Shareholder (Note x)	**–**	1,500
Donation to a related company commonly controlled by the Ultimate Controlling Shareholder (Note xi)	**–**	125
Security service expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note xii)	**2,943**	3,195
Miscellaneous service fees expenses (Note xiii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**139**	75
Other related companies (Note ii)	**128**	1,203
Total	**267**	1,278

35 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

(i) Revenue from provision of contracting work and facility service income is principally charged in accordance with respective contracts.

(ii) These related companies are companies of which the key management personnel are close members of the family of the ultimate controlling shareholder (Mr. Doo Wai Hoi, William).

(iii) Premises management service fee and building manager remuneration was charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.

(iv) Handling fee income was charged at a rate mutually agreed between the parties.

(v) Project management fee was charged at prices and terms as agreed by both parties.

(vi) Insurance broking service expenses were principally charged in accordance with respective insurance policies.

(vii) Rental expenses/additions of rights-of-use assets were principally calculated in accordance with the terms of the respective rental agreements.

(viii) Management fee expenses were charged at prices and terms as agreed by both parties involved.

(ix) Appointment fees were charged at prices and terms as agreed by both parties.

(x) Disposal of properties is at consideration mutually agreed between the parties.

(xi) Donation expenses were made on a voluntary basis.

(xii) Security service expenses were charged at prices and terms as agreed by both parties.

(xiii) Miscellaneous service fees were charged based on fixed amounts mutually agreed by the parties.

(xiv) The above transactions with related parties are based upon mutually agreed terms and conditions.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

As at 30 June	2020 HK$'000	2019 (restated) HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	20	451
Other related companies (Note i)	98,124	77,366
Total	98,144	77,817
Other receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	88	12,178
Other related companies (Note i)	8,380	12,596
Total	8,468	24,774
Contract assets due from related companies (Note i)	147,138	77,502
Contract liabilities due to related companies (Note i)	113,440	51,402
Retention receivables due from related companies (Note i)	193,991	205,697
Trade payables due to related companies commonly controlled by the Ultimate Controlling Shareholder	492	334
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	534	24,326
Other related companies (Note i)	6,390	3,403
Total	6,924	27,729
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	36,405	–
Other related companies (Note i)	1,482	–
Total	37,887	–

Note:

(i) These related companies are companies of which the key management personnel are close members of the family of the ultimate controlling shareholder (Mr. Doo Wai Hoi, William).

35 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

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

For the year ended 30 June	2020 HK$'000	2019 (restated) HK$'000
Fees	**1,554**	1,498
Salaries and other emoluments	**37,087**	46,241
Contributions to defined contribution schemes	**1,896**	2,333
Total	**40,537**	50,072

The emoluments to directors and members of the senior management of the Group fell within the following bands:

For the year ended 30 June	2020 Number of individuals	2019 (restated) Number of individuals
Emolument bands		
Nil – HK$1,000,000	**8**	8
HK$1,000,001 – HK$1,500,000	**–**	5
HK$1,500,001 – HK$2,000,000	**2**	5
HK$2,000,001 – HK$2,500,000	**4**	5
HK$2,500,001 – HK$3,000,000	**4**	2
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**–**	–
HK$6,000,001 – HK$6,500,000	**–**	–
HK$6,500,001 – HK$7,000,000	**–**	–
HK$7,000,001 – HK$7,500,000	**–**	1
Total	**21**	28

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current asset		
Subsidiaries	**501,697**	501,697
Current assets		
Trade and other receivables	**273**	268
Amounts due from subsidiaries	**1,218,148**	1,069,629
Cash and bank balances	**3,333**	950
	1,221,754	1,070,847
Total assets	**1,723,451**	1,572,544
EQUITY		
Ordinary shares	**45,000**	45,000
Convertible preference shares	**140,900**	–
Reserves (Note (a))	**292,859**	421,744
Total equity	**478,759**	466,744
LIABILITIES		
Current liabilities		
Trade and other payables	**6,606**	2,552
Amounts due to subsidiaries	**1,238,086**	1,103,248
Total liabilities	**1,244,692**	1,105,800
Total equity and liabilities	**1,723,451**	1,572,544
Net current liabilities	**(22,938)**	(34,953)
Total assets less current liabilities	**478,759**	466,744

The statement of financial position of the Company was approved by the Board of Directors on 25 September 2020 and was signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2018	743,204	(211,875)	531,329
Loss for the year	–	(4,285)	(4,285)
Dividends	–	(105,300)	(105,300)
At 30 June 2019	743,204	(321,460)	421,744
At 1 July 2019	**743,204**	**(321,460)**	**421,744**
Loss for the year	**–**	**(17,735)**	**(17,735)**
Dividends	**–**	**(111,150)**	**(111,150)**
At 30 June 2020	**743,204**	**(450,345)**	**292,859**

37 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2020:

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2020	2019	Principal activities
Directly-owned subsidiaries:					
Building Material Supplies Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK$1 each paid up to HK$50,000,000	100	100	Investment holding
FSE Environmental Technologies Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
FSE Facility Services Group Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
FSE Property Management Group Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	–	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 paid up to US$1	100	100	Investment in trading securities

37 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2020	2019	Principal activities
Indirectly owned subsidiaries:					
Bright Team Enterprises Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of transportation services to fellow subsidiaries
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 ordinary shares paid up to HK$100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
Espora Company Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Provision of property management services
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 ordinary shares paid up to HK$100,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares paid up to HK$10,100,000	100	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares paid up to HK$10,000,020	100	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Services (Macao) Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 ordinary shares paid up to HK$10,000	100	100	Provision of testing and calibration services

37 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2020	2019	Principal activities
FSE Facility Management Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Provision of referral services to a fellow subsidiary engaged in insurance brokerage business
i-Urban Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Inactive
International Property Management Limited	Hong Kong	450,000 ordinary shares and 95,500 non-voting deferred shares(1) paid up to HK$545,500	99	–	Investment holding and provision of property management services for buildings
Joneson Environmental Technologies Limited	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares paid up to HK$570,000	100	100	Trading, building maintenance, chemical engineering
Kleaners Limited	Hong Kong	5,000,000 ordinary shares paid up to HK$5,000,000	100	100	Laundry services
Kiu Lok International Realty Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Service Management Company Limited	Hong Kong	2 ordinary shares and 1,002 non-voting deferred shares(1) paid up to HK$1,004	100	–	Provision of property management, property agency and related services for buildings in Hong Kong
KL Property Management Limited	Hong Kong	1 ordinary share paid up to HK$1	100	–	Provision of property management and related services for buildings in Hong Kong
KLPS Group Limited	Hong Kong	20,000,000 ordinary shares paid up to HK$20,000,000	100	–	Investment holding
KOHO Facility Management Limited	Hong Kong	1 ordinary share paid up to HK$1	100	–	Provision of property management services for buildings

37 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2020	2019	Principal activities
Legend Success Investments Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	–	Investment holding
Majestic Engineering Company Limited	Hong Kong	30,000 ordinary shares paid up to HK$30,000,000	100	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 ordinary shares paid up to HK$2,000,000	100	100	Plumbing engineering services
New China Laundry Limited	Hong Kong	40,000,002 ordinary shares and 704,000 non-voting deferred shares paid up to HK$40,704,002	100	100	Laundry services
New China Steam Laundry Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
Ocean Front Investments Limited	Hong Kong	1 share paid up to HK$1	100	100	Property holding
Paramatta Estate Management Limited	Hong Kong	10,000 ordinary shares paid up to HK$10,000	100	–	Estate Manager of City One, Shatin
Park Vale (Management) Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Provision of property management services for buildings
Smart and Safe Fleet Management Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of fleet management services in Hong Kong
Sunningdale (Management) Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Provision of property management services for buildings
Turning Technical Services Limited	Hong Kong	200,000 ordinary shares paid up to HK$200,000	99	–	Provision of cleaning, repairs and maintenance services for properties
Urban Management Services Limited	Hong Kong	10,000 ordinary shares paid up to HK$10,000	100	–	Provision of property management services

37 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2020	2019	Principal activities
Urban Property Management Limited	Hong Kong	49,995,498 ordinary shares and 4,502 non-voting deferred shares[1] paid up to HK$50,000,000	100	–	Provision of property management services for buildings and investment holding
Urban Technical Services Limited	Hong Kong	2 ordinary shares paid up to HK$2	100	–	Provision of repairs and maintenance services
Trident Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares paid up to HK$50,000,000	100	100	Provision of mechanical and electrical engineering services
Waihong Cleaning Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
Waihong Environmental Services Limited	Hong Kong	400,000 ordinary shares paid up to HK$40,000,000	100	100	Provision and management of cleaning and waste disposal services and provision of recycling and environmental disposal services
Waihong Integrated Green Services Limited	Hong Kong	400,000 ordinary shares paid up to HK$400,000	100	100	Provision of pest control services
Waihong Medicare Services Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of cleaning services in hospitals
Yau Fai Building Supplies (Macao) Limited	Macau	MOP25,000	100	100	Trading and supply of building materials
Young's Engineering Company Limited	Hong Kong	4,000,000 ordinary shares paid up to HK$40,000,000	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering

37 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2020	2019	Principal activities
豐盛機電工程有限公司[2]	Mainland China	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司[2]	Mainland China	US$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程(上海)有限公司[2]	Mainland China	RMB15,000,000	100	100	Mechanical and electrical engineering

Notes:

(1) The non-voting deferred shares do not carry any voting rights and are not entitled to any profits distribution by the subsidiary. On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned shall be distributed firstly in paying HK$1 billion per share to the holders of the ordinary shares and secondly in repaying to the holders of non-voting deferred shares the nominal amount paid up or credited as paid upon such shares. The balance of the assets of the subsidiary shall be distributed among the holders of the ordinary shares.

(2) These subsidiaries are limited liability companies incorporated in Mainland China.

38 COMPARATIVE AMOUNTS

As explained in Notes 2.1(iv) and 6 to the consolidated financial statements, due to the Group's application of merger accounting for business combinations under common control and change in operating segments determined by the Group's CODM during the year ended 30 June 2020, certain comparative amounts have been restated to conform with the current year's accounting treatments and presentation.

Five-Year Financial Summary

FSE SERVICES GROUP — CONSOLIDATED[i]

RESULTS	For the year ended 30 June				
	2016 (restated) HK$'000	2017 (restated) HK$'000	2018 (restated) HK$'000	2019 (restated) HK$'000	**2020 HK$'000**
Revenue	4,904,824	5,294,225	5,400,547	5,422,713	**4,882,119**
Profit for the year attributable to shareholders of the Company	276,764	283,623	293,050	307,374	**309,563**

ASSETS, LIABILITIES AND EQUITY	As at 30 June				
	2016 (restated) HK$'000	2017 (restated) HK$'000	2018 (restated) HK$'000	2019 (restated) HK$'000	**2020 HK$'000**
Total assets	3,379,191	3,316,630	2,826,685	2,952,885	**3,191,249**
Total liabilities	2,272,017	2,112,257	2,049,752	2,098,551	**2,746,533**
Total equity	1,107,174	1,204,373	776,933	854,334	**444,716**

FINANCIAL INFORMATION PER SHARE	For the year ended 30 June/As at 30 June				
	2016 (restated)	2017 (restated)	2018 (restated)	2019 (restated)	**2020**
Earnings (HK$)	0.72	0.63	0.65	0.68	**0.68**
Net tangible assets (HK$)	2.24	2.46	1.50	1.68	**0.66**

KEY RATIOS	For the year ended 30 June/As at 30 June				
	2016 (restated)	2017 (restated)	2018 (restated)	2019 (restated)	**2020**
Return on assets	8.2%	8.6%	10.4%	10.4%	**9.7%**
Return on equity	25.0%	23.6%	37.7%	36.0%	**69.6%**
Current ratio (times)	1.4	1.3	1.1	1.2	**1.2**
Net gearing ratio	0%	0%	0%	0%	**0%**

Note (i): Consolidated figures after intra-group eliminations. For presentation purpose, the financial information for 2016 to 2019 have been restated for the Group's application of merger accounting for its acquisition of the Acquired Group completed on 16 December 2019 which have been accounted for as a business combination under common control. Details of the acquisition are set out in Note 2.1(iv) to the consolidated financial statements.

Five-Year Financial Summary

E&M ENGINEERING & ENVIRONMENTAL SERVICES SEGMENT

RESULTS	For the year ended 30 June				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	3,471,907	3,700,133	3,757,158	3,738,497	**3,090,302**
Profit for the year attributable to shareholders of the Company	163,211	173,796	179,549	202,809	**185,125**

ASSETS, LIABILITIES AND EQUITY	As at 30 June				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	2,660,420	2,524,381	2,261,390	2,304,059	**2,472,670**
Total liabilities	1,837,579	1,611,873	1,750,973	1,705,440	**2,408,553**
Total equity	822,841	912,508	510,417	598,619	**64,117**

KEY RATIOS	For the year ended 30 June/As at 30 June				
	2016	2017	2018	2019	**2020**
Return on assets	6.1%	6.9%	7.9%	8.8%	**7.5%**
Return on equity	19.8%	19.0%	35.2%	33.9%	**288.7%**
Current ratio (times)	1.4	1.3	1.0	1.1	**1.1**
Net gearing ratio	0%	0%	0%	0%	**0%**

INTEGRATED PROPERTY & FACILITY SERVICES SEGMENT

RESULTS	For the year ended 30 June				
	2016 (restated) HK$'000	2017 (restated) HK$'000	2018 (restated) HK$'000	2019 (restated) HK$'000	**2020** **HK$'000**
Revenue	1,433,816	1,595,050	1,645,014	1,695,850	**1,801,467**
Profit for the year attributable to shareholders of the Company	113,553	109,827	113,501	104,565	**124,438**

ASSETS, LIABILITIES AND EQUITY	As at 30 June				
	2016 (restated) HK$'000	2017 (restated) HK$'000	2018 (restated) HK$'000	2019 (restated) HK$'000	**2020** **HK$'000**
Total assets	718,864	792,496	680,443	759,750	**870,217**
Total liabilities	434,531	500,631	413,927	504,035	**489,618**
Total equity	284,333	291,865	266,516	255,715	**380,599**

KEY RATIOS	For the year ended 30 June/As at 30 June				
	2016 (restated)	2017 (restated)	2018 (restated)	2019 (restated)	**2020**
Return on assets	15.8%	13.9%	16.7%	13.8%	**14.3%**
Return on equity	40.0%	37.6%	42.6%	40.9%	**32.7%**
Current ratio (times)	1.4	1.4	1.5	1.4	**1.7**
Net gearing ratio	0%	0%	0%	0%	**0%**

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Kar Shun, Henry *GBM, GBS* *(Chairman)*
Mr. Wong Kwok Kin, Andrew

Executive Directors

Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*
Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*
Mr. Doo William Junior Guilherme *JP*
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah
Mr. Wong Shu Hung

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen *JP*
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

Alternate Director

Dr. Cheng Chun Fai (alternate to Mr. Wong Shu Hung)

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Mr. Hui Chiu Chung, Stephen *JP*
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

REMUNERATION COMMITTEE

Mr. Hui Chiu Chung, Stephen *JP (Chairman)*
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul
Mr. Lam Wai Hon, Patrick
Mr. Poon Lock Kee, Rocky

NOMINATION COMMITTEE

Mr. Lee Kwan Hung *(Chairman)*
Mr. Hui Chiu Chung, Stephen *JP*
Dr. Tong Yuk Lun, Paul
Mr. Poon Lock Kee, Rocky
Mr. Doo William Junior Guilherme *JP*

COMPANY SECRETARY

Mr. Chan Ju Wai

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22/F Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
Chong Hing Bank
Crédit Agricole Corporate and Investment Bank
Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
JPMorgan Chase Bank NA, Singapore
Nanyang Commercial Bank, Limited
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801 – 810
8th Floor, Chevalier Commercial Centre
8 Wang Hoi Road, Kowloon Bay
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

331

INVESTOR RELATIONS

Strategic Financial Relations Limited
2401 – 02, Admiralty Centre I
18 Harcourt Road
Hong Kong

WEBSITE

www.fseservices.com.hk

豐盛服務集團有限公司
FSE SERVICES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Units 801–810, 8th Floor
Chevalier Commercial Centre
No. 8 Wang Hoi Road, Kowloon Bay
Kowloon, Hong Kong

Tel: (852) 2733 4188
Fax: (852) 2722 5587
Email: info@fseservices.com.hk
Website: http://www.fseservices.com.hk