# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

### General information

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of mechanical and electrical engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands ("FSE Holdings"). 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 22 September 2016.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become holding company of the other companies now comprising the Group. The Reorganisation was completed on 30 June 2015. Accordingly, the consolidated financial statements presented for the year ended 30 June 2015 was prepared under the principles of merger accounting as if the current group structure had been in existence throughout the year presented.

The basis and principal 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") are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties which are stated at fair value.

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 4.

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

### 2.1 Basis of preparation *(Continued)*

**(i) Improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2015**

The following amendments to existing standards, that are relevant to the Group's operation, are mandatory for the financial year of the Group beginning on 1 July 2015:

| | |
|---|---|
| Annual Improvements Project | Annual improvements 2010–2012 Cycle |
| Annual Improvements Project | Annual improvements 2011–2013 Cycle |

The adoption of the above improvements to existing standards does not have significant impact on the Group's consolidated results and financial position nor any substantial changes in the Group's accounting policies and the presentation of the consolidated financial statements.

**(ii) New Hong Kong Companies Ordinance (Cap.622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

**(iii) New standards and 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 standards and 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 2015 and have not been early adopted:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| HKAS 1 Amendment | Disclosure initiative | 1 January 2016 |
| HKAS 16 and HKAS 38 Amendment | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKAS 27 Amendment | Equity method in separate financial statements | 1 January 2016 |
| HKFRS 10 and HKAS 28 Amendment | Sale or contribution of assets between on investor and its associate or joint venture | 1 January 2016 |
| HKFRS 11 Amendment | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Annual Improvements Project | Annual improvements 2012–2014 Cycle | 1 January 2016 |
| HKAS 7 Amendment | Statement of cash flows | 1 January 2017 |
| HKAS 12 Amendment | Income taxes | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether there will be any substantial changes to the Group's significant accounting policies and presentation of consolidated financial statements.

## 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 de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions 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.

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 HKFRSs.

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.

#### (ii) 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.

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

### 2.2 Consolidation *(Continued)*

#### (iii) 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 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 Joint arrangements

Under HKFRS 11 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.

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 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.

### 2.5 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.

**(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:

(1) 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;

(2) 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

(3) 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.

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

### 2.5 Foreign currencies *(Continued)*

**(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, 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.

### 2.6 Intangible assets

**(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.

**(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.

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

### 2.7 Property, plant and equipment

Property is stated at the revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation is performed to determine the fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of property is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in consolidated income statement, in which case the increase is credited to consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in consolidated income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits. When the asset is used, the amount of surplus representing the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve to retained profits.

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 | 5 years |
| Furniture, fixtures and equipment | 3 to 5 years |
| Motor vehicles | 3 to 5 years |

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 (Note 2.12).

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

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

### 2.8 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.

### 2.9 Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 2.17, less provision for anticipated losses and progress payments received and receivable. Cost comprises materials, direct labour and overheads attributable to bringing the work in progress to its present condition.

Gross amount due from customers for contract work for all contracts in progress represents costs incurred plus recognised profits (less recognised losses) which exceed progress billings. Progress billings not yet paid by customers and retention are included under current assets.

Gross amount due to customers for contract work for all contracts in progress represents progress billings which exceed costs incurred plus recognised profits (less recognised losses).

### 2.10 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.

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.

### 2.11 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.

### 2.12 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.

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

### 2.12 Impairment of non-financial assets *(Continued)*

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.

### 2.13 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.

### 2.14 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.

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

### 2.16 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.

**(ii) Deferred income tax**

*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.

*Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint arrangements, 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is stated net of returns, rebates and discounts, allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(i) Engineering contracts**

Revenue from engineering service contracts is recognised using the percentage of completion method when the outcome of contracts can be estimated reliably and it is probable that the contract will be profitable. Revenue from engineering service contracts is measured by reference to the proportion of costs incurred for work performed to the date of the statement of financial position as compared to the estimated total costs to completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

**(ii) Service fee income**

Maintenance service fee and consultancy fee are recognised when services are rendered.

**(iii) Sales of goods**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

**(iv) Interest income**

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

**(v) Dividend income**

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

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

### 2.18 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.

### 2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement or capitalised 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 twelve months after the end of the reporting period.

### 2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially 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.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

### 2.21 Operating leases

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

### 2.22 Land use rights

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.

### 2.23 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.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

The credit risk of the Group mainly arises from trade and other receivables and deposits with banks and financial institutions.

Management regularly assess credit risk for amounts receivable from related companies by reviewing financial statements of related companies on a regular basis to minimise credit risk.

Deposits are mainly placed with high-credit-quality financial institutions. In respect of credit exposures to customers, the Group has policies in place to assess credit history of customers and carries out follow-up actions on overdue amounts to minimise the credit risk exposure. The Group and the Company have no significant concentrations of credit risk as they have a large number of customers.

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.

**(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.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

**(ii) Liquidity risk** *(Continued)*

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. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

| | Less than 1 year HK$'000 | Between 1 and 2 years HK$'000 |
|---|---|---|
| **At 30 June 2016** | | |
| Trade and other payables | **577,608** | **–** |
| **At 30 June 2015** | | |
| Trade and other payables | 540,299 | 445 |

**(iii) Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank balances. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include cash deposits.

The Group's interest rate risk concentrates on fluctuations of HIBOR as the Group's interest-bearing assets are mainly Hong Kong dollar denominated.

Interest bearing financial assets are mainly subject to an interest re-pricing risk of 6 months or below.

As at 30 June 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year before income tax would have been HK$2.2 million higher/lower respectively.

As at 30 June 2015, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year before income tax would have been HK$6.0 million higher/lower respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual end of the reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit for the period sensitivities.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### (iv) Foreign exchange risk

The Group operates primarily in Hong Kong, Macau and Mainland China. 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 arise.

As at 30 June 2016 and 2015, 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.

### 3.2 Fair value estimation

The carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. See Note 14 for disclosure of the land and buildings that are measured at fair value.

### 3.3 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 paid to shareholder, return capital to equity holder, or issue new shares.

## 4 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.

### 4.1 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 16.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### 4.2 Estimate of revenue and costs of contracting work

The Group recognises its contract revenue according to the percentage of completion of the individual contract of contracting work. The management estimates the percentage of completion of contracting work based on total costs incurred over total budgeted cost. 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.

### 4.3 Foreseeable losses in respect of contracting work

The management estimates the amount of foreseeable losses of contracting work based on the management budgets prepared for the work. 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.

### 4.4 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.

### 4.5 Depreciation 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.

### 4.6 Estimate of fair value of properties

The fair value of properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 14.

The fair value of each property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. The valuers have relied on the direct comparison method. The fair value of each property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

## 5 REVENUE AND SEGMENT INFORMATION

The executive directors are the group's chief operating decision-maker ("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 service income, environmental management services income and income from trading of building materials. An analysis of the Group's revenue is as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Contracting | **3,256,173** | 2,625,541 |
| Maintenance services | **98,796** | 90,035 |
| Sales of goods | **116,938** | 109,531 |
| | **3,471,907** | 2,825,107 |

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

(i) E&M engineering — Provision of engineering services and trading of building materials;

(ii) Environmental management services — Trading of environmental products and provision of related engineering and consultancy 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 and non-recurring events. In addition, finance income and costs 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 costs.

Sales between segments are carried out at arm's length.

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 land use rights, property, plant and equipment, intangible assets, deferred income tax assets, inventories, amounts due from customers for contract works, trade and other receivables and cash and bank balances.

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

As at 30 June 2016, unallocated assets represented trade and other receivables and cash and bank balances of the Company. Unallocated liabilities represented trade and other payables of the Company.

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Capital expenditure comprises mainly additions to property, plant and equipment (Note 14).

### (a) As at and for the year ended 30 June 2016

The segment results for the 30 June 2016 and other segment items included in the consolidated income statement are as follows:

| | E&M engineering HK$'000 | Environmental management services HK$'000 | Inter-segment elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Revenue — external | 3,418,320 | 53,587 | – | 3,471,907 |
| Revenue — internal | – | 4,106 | (4,106) | – |
| **Total revenue** | | | | 3,471,907 |
| Operating profit before unallocated corporate expenses | 185,079 | 3,963 | – | 189,042 |
| Unallocated corporate expenses | | | | (20,756) |
| Operating profit | | | | 168,286 |
| Finance income, net (Note 10) | | | | 10,841 |
| **Profit before income tax** | | | | 179,127 |
| Income tax expenses | | | | (18,056) |
| **Profit for the year** | | | | 161,071 |
| **Other items** | | | | |
| Depreciation (Note 14) | 12,151 | 2,106 | – | 14,257 |
| Amortisation of intangible assets (Note 16) | 370 | – | – | 370 |
| Amortisation of land use rights (Note 15) | 615 | – | – | 615 |

The segment assets and liabilities as at 30 June 2016 and capital expenditure for the year then ended are as follows:

| | E&M engineering HK$'000 | Environmental management services HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment assets | 2,551,017 | 39,626 | 2,590,643 |
| Unallocated assets | | | 162,772 |
| **Total assets** | | | 2,753,415 |
| Segment liabilities | 1,837,595 | 13,109 | 1,850,704 |
| Unallocated liabilities | | | 1,543 |
| **Total liabilities** | | | 1,852,247 |
| Capital expenditure | 19,548 | 5,799 | 25,347 |
| Unallocated capital expenditure | | | – |
| **Total capital expenditure** | | | 25,347 |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

### (b) As at and for the year ended 30 June 2015

The segment results for the 30 June 2015 and other segment items included in the consolidated income statement are as follows:

| | E&M engineering HK$'000 | Environmental management services HK$'000 | Inter-segment elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Revenue — external | 2,780,553 | 44,554 | – | 2,825,107 |
| Revenue — internal | – | 9,648 | (9,648) | – |
| **Total revenue** | | | | 2,825,107 |
| Operating profit before unallocated corporate expenses | 153,419 | 5,004 | – | 158,423 |
| Unallocated corporate expenses | | | | (5,535) |
| Operating profit | | | | 152,888 |
| Finance income, net (Note 10) | | | | 16,209 |
| **Profit before income tax** | | | | 169,097 |
| Income tax expenses | | | | (19,946) |
| **Profit for the year** | | | | 149,151 |
| Other items | | | | |
| Depreciation (Note 14) | 6,954 | 942 | – | 7,896 |
| Amortisation of intangible assets (Note 16) | 370 | – | – | 370 |
| Amortisation of land use rights (Note 15) | 587 | – | – | 587 |

The segment assets and liabilities as at 30 June 2015 and capital expenditure for the year then ended are as follows:

| | E&M engineering HK$'000 | Environmental management services HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment assets | 1,620,867 | 29,723 | 1,650,590 |
| Unallocated assets | | | 1,002 |
| **Total assets** | | | 1,651,592 |
| Segment liabilities | 1,141,233 | 11,542 | 1,152,775 |
| Unallocated liabilities | | | 2,655 |
| **Total liabilities** | | | 1,155,430 |
| Capital expenditure | 5,510 | 564 | 6,074 |
| Unallocated capital expenditure | | | – |
| **Total capital expenditure** | | | 6,074 |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Hong Kong | **2,367,739** | 1,561,927 |
| Mainland China | **405,029** | 382,695 |
| Macau | **699,139** | 880,485 |
| | **3,471,907** | 2,825,107 |

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:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Customer A | **1,365,411** | 599,915 |
| Customer B | **N/A** | 411,179 |
| Customer C | **N/A** | 357,465 |

The revenues contributed by the above major customers are mainly attributable to the E&M engineering segment in Hong Kong, Macau and Mainland China.

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

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| **Non-current assets, other than deferred tax assets** | | |
| Hong Kong | **169,679** | 153,007 |
| Mainland China | **30,187** | 32,854 |
| Macau | **45,951** | 46,487 |
| | **245,817** | 232,348 |

## 6 OTHER INCOME/GAINS, NET

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Exchange gain, net | **144** | 3,937 |
| Gain on disposal of property, plant and equipment, net | **122** | 201 |
| Sundries | **228** | 1,026 |
| | **494** | 5,164 |
| Other income | **–** | 439 |
| | **494** | 5,603 |

## 7 OPERATING PROFIT

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Operating profit is stated after charging/(crediting): | | |
| Changes in inventories of finished goods and work in progress | **70,072** | 64,159 |
| Raw materials and consumables used | **1,002,588** | 928,391 |
| Subcontracting fees | **1,479,746** | 1,122,909 |
| Provision for inventories | **570** | 1,427 |
| Write back of provision for inventories | **(1,302)** | (343) |
| Amortisation of land use rights | **615** | 587 |
| Amortisation of intangible assets | **370** | 370 |
| Depreciation of property, plant and equipment | **14,257** | 7,896 |
| Staff costs (including Directors' emoluments) (Notes 8 and 9) | | |
| Salaries and allowances | **524,959** | 476,579 |
| Pension cost on defined contribution schemes | **22,861** | 20,395 |
| Less: Staff costs capitalised under contracts in progress | **(16,702)** | (75,115) |
| Operating lease rental for land and buildings | **31,924** | 34,157 |
| Less: Operating lease rental capitalised under contracts in progress | **(5,346)** | (8,273) |
| Impairment loss on trade and other receivables | **6** | – |
| Impairment loss on property, plant and equipment | **–** | 17 |
| Reversal of impairment loss on trade receivables | **(84)** | (377) |
| Provision for employee termination benefits | **–** | 488 |
| Listing expenses | **16,765** | 5,235 |
| Auditor's remuneration | | |
| Provision for the year | **4,944** | 3,574 |
| Under-provision for prior years | **106** | 163 |

## 8 STAFF COSTS

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Salaries, wages and bonuses | **524,959** | 476,579 |
| Contributions to defined contribution schemes | **22,861** | 20,395 |
| Less: Staff costs capitalised under contracts in progress | **(16,702)** | (75,115) |
| | **531,118** | 421,859 |

## 9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Fees | **633** | 260 |
| Salaries and other emoluments | **13,481** | 6,404 |
| Contributions to defined contribution schemes | **738** | 481 |
| | **14,852** | 7,145 |

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 2016 is set out below:

| | Fees HK$'000 | Salary & Bonuses HK$'000 | Other benefits HK$'000 | Employer's contribution to pension scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Wong Kwok Kin, Andrew | – | 1,690 | – | – | 1,690 |
| Poon Lock Kee, Rocky | – | 4,211 | – | 308 | 4,519 |
| Lam Wai Hon, Patrick | – | 750 | – | 38 | 788 |
| Doo William Junior Guilherme | – | 1,429 | – | 71 | 1,500 |
| Lee Kwok Bong | – | 1,500 | – | 83 | 1,583 |
| Soon Kweong Wah | – | 3,901 | – | 238 | 4,139 |
| Cheng Kar Shun, Henry | 184 | – | – | – | 184 |
| Kwong Che Keung, Gordon | 153 | – | – | – | 153 |
| Hui Chiu Chung, Stephen | 123 | – | – | – | 123 |
| Lee Kwan Hung | 123 | – | – | – | 123 |
| Tong Yuk Lun, Paul | 50 | – | – | – | 50 |
| | 633 | 13,481 | – | 738 | 14,852 |

## 9 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 2015 is set out below:

| | Salary & bonuses HK$'000 | Other benefits HK$'000 | Employer's contribution to pension scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Wong Kwok Kin, Andrew | – | 80 | – | 80 |
| Poon Lock Kee, Rocky | 3,616 | 80 | 273 | 3,969 |
| Doo William Junior Guilherme | – | – | – | – |
| Lee Kwok Bong | – | 80 | – | 80 |
| Soon Kweong Wah | 2,788 | 20 | 208 | 3,016 |
| | 6,404 | 260 | 481 | 7,145 |

Notes:

(a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.

(b) The above individuals were appointed as directors on the following dates:

| Directors | Date of appointment |
|---|---|
| Lee Kwok Bong | 1 July 2015 |
| Poon Lock Kee, Rocky | 18 August 2015 |
| Soon Kweong Wah | 18 August 2015 |
| Cheng Kar Shun, Henry | 28 August 2015 |
| Hui Chiu Chung, Stephen | 18 November 2015 |
| Kwong Che Keung, Gordon | 18 November 2015 |
| Lee Kwan Hung | 18 November 2015 |
| Lam Wai Hon, Patrick | 1 April 2016 |
| Tong Yuk Lun, Paul | 1 April 2016 |

(c) During the year ended 30 June 2016, 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 (2015: Nil).

### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 9 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 2016 include two directors (2015: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Basic salaries, housing allowances, other allowances and benefits in kind & bonuses | **8,374** | 7,078 |
| Contributions to pension scheme | **416** | 544 |
| | **8,790** | 7,622 |

The emoluments fell within the following bands:

| | **2016** | 2015 |
|---|---|---|
| | **Number of individuals** | |
| Emolument bands | | |
| HK$2,000,001–HK$2,500,000 | **–** | 1 |
| HK$2,500,001–HK$3,000,000 | **2** | 2 |
| HK$3,000,001–HK$3,500,000 | **1** | – |

During the year ended 30 June 2016, 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 (2015: Nil).

## 10 FINANCE INCOME AND FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Finance income | | |
| Interest on bank deposits | **10,841** | 16,435 |
| Finance costs | | |
| Interest on bank borrowings | **–** | (226) |
| Net finance income | **10,841** | 16,209 |

## 11 INCOME TAX EXPENSES

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Current income tax | | |
| Hong Kong profits tax | **8,387** | 9,254 |
| Mainland China taxation | **9,942** | 7,157 |
| Macau taxation | **1,113** | 2,686 |
| Over-provision in prior years | **(3,992)** | (4,742) |
| Deferred income tax expense (Note 17) | **2,606** | 5,591 |
| | **18,056** | 19,946 |

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 2016 (2015: 12% to 25%). According to applicable 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 subsidiary companies 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:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Profit before income tax | **179,127** | 169,097 |
| Calculated at a tax rate of 16.5% (2015: 16.5%) | **29,556** | 27,901 |
| Effect of different taxation rates in other regions | **64** | (1,732) |
| Income not subject to taxation | **(3,974)** | (5,766) |
| Expenses not deductible for taxation purposes | **4,246** | 840 |
| Temporary difference not recognised, net | **(284)** | 27 |
| Utilisation of previously unrecognised tax losses | **(9,246)** | (475) |
| Tax losses not recognised | **1,686** | 3,893 |
| Over-provision in prior years | **(3,992)** | (4,742) |
| Income tax expenses | **18,056** | 19,946 |

## 12 EARNINGS PER SHARE

### (a) Basic

For the purpose of computing earnings per share for the year ended 30 June 2015, 300,000,000 ordinary shares of the Company issued and fully paid as at 30 June 2015 were treated as if they had been in issue throughout the year.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 30 June 2016 and 2015.

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| **Profit attributable to owners of the Company** | **161,071** | 149,151 |
| Weighted average number of ordinary shares in issue (shares in thousands) | **384,016** | 300,000 |
| Basic earnings per share (HK$) | **0.42** | 0.50 |

### (b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2016 and 2015, the diluted earnings per share equals the basic earnings per share.

## 13 DIVIDENDS

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Dividends declared by subsidiaries (Note) | **–** | 200,000 |
| Interim dividend paid of HK5.0 cents (2015: Nil) per share | **22,500** | – |
| Final dividend proposed of HK9.4 cents (2015: Nil) per share | **42,300** | – |
| | **64,800** | 200,000 |

Note:

Dividend for the year ended 30 June 2015 represented the dividends declared by the subsidiary companies now comprising the Group to then equity holder of the companies FSE Holdings Limited after elimination of intra-group dividends.

At a meeting held on 22 September 2016, the Board recommended a final dividend of HK9.4 cents per share. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2017.

## 14 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 2016** | | | | | | | |
| Opening net book amount | **36,240** | **124,612** | **4,598** | **320** | **4,509** | **2,303** | **172,582** |
| Additions | **–** | **–** | **16,762** | **1,651** | **6,934** | **–** | **25,347** |
| Disposals | **–** | **–** | **(4)** | **–** | **(38)** | **(106)** | **(148)** |
| Exchange differences | **–** | **(157)** | **(17)** | **–** | **(92)** | **(61)** | **(327)** |
| Depreciation charge | **–** | **(4,955)** | **(4,745)** | **(434)** | **(3,321)** | **(802)** | **(14,257)** |
| Adjustment on revaluation | **–** | **4,212** | **–** | **–** | **–** | **–** | **4,212** |
| **Closing net book amount** | **36,240** | **123,712** | **16,594** | **1,537** | **7,992** | **1,334** | **187,409** |
| **At 30 June 2016** | | | | | | | |
| Cost or valuation | **36,240** | **123,712** | **31,121** | **3,020** | **33,808** | **6,862** | **234,763** |
| Accumulated depreciation | **–** | **–** | **(14,527)** | **(1,483)** | **(25,816)** | **(5,528)** | **(47,354)** |
| **Net book amount** | **36,240** | **123,712** | **16,594** | **1,537** | **7,992** | **1,334** | **187,409** |
| **Year ended 30 June 2015** | | | | | | | |
| Opening net book amount | 36,320 | 118,825 | 4,306 | 231 | 4,433 | 936 | 165,051 |
| Additions | – | – | 1,798 | 192 | 1,980 | 2,104 | 6,074 |
| Disposals | – | – | (22) | – | (39) | (22) | (83) |
| Impairment | – | (17) | – | – | – | – | (17) |
| Exchange differences | – | 6 | 1 | – | 3 | 1 | 11 |
| Depreciation charge | – | (3,724) | (1,485) | (103) | (1,868) | (716) | (7,896) |
| Adjustment on revaluation | (80) | 9,522 | – | – | – | – | 9,442 |
| **Closing net book amount** | 36,240 | 124,612 | 4,598 | 320 | 4,509 | 2,303 | 172,582 |
| **At 30 June 2015** | | | | | | | |
| Cost or valuation | 36,240 | 124,698 | 16,517 | 1,369 | 28,462 | 8,545 | 215,831 |
| Accumulated depreciation | – | (86) | (11,919) | (1,049) | (23,953) | (6,242) | (43,249) |
| **Net book amount** | 36,240 | 124,612 | 4,598 | 320 | 4,509 | 2,303 | 172,582 |

## 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) None of the above property, plant and equipment was pledged as security as at 30 June 2016 (2015: None).

(b) As at 30 June 2016, the carrying amount of the Group's freehold land and leasehold land and buildings would have been HK$24,935,000 (2015: HK$24,935,000) and HK$42,147,000 (2015: HK$44,932,000) respectively had they been stated at cost less accumulated depreciation and impairment losses.

(c) Valuation processes of the Group

The Group measures its properties held for own use in Hong Kong, Mainland China and Macau under the revaluation model. The properties were revalued annually by an independent firm of qualified valuers having appropriate qualifications and experience in the valuation of properties in the relevant locations. As at 30 June 2016, the properties were revalued by DTZ Debenham Tie Leung Limited.

The valuations of the properties held by the Group are made on the basis of market value, which conforms to the requirements set out in "The HKIS Valuation Standards on Properties (2012)" published by Hong Kong Institute of Surveyors.

The Group's finance department includes a team that coordinates the valuations of land and buildings required for financial reporting purposes with the independent firm of qualified valuers, including level 3 fair values. This team reports directly to the chief financial officer ("CFO"). Discussion of valuation processes and results are held between the CFO, the team and the independent firm of qualified valuers annually.

At the end of each reporting period, the Group:

(i) verifies all major inputs to the independent valuation report;

(ii) assesses property valuation movements when compared to the prior year valuation reports; and

(iii) holds discussions with the independent valuers.

The different levels of fair value measurement have been defined as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table presents the Group's land and buildings that are measured at fair value using significant unobservable inputs (Level 3) at 30 June 2016 as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| **Recurring fair value measurements** | | |
| Freehold land — Macau | **36,240** | 36,240 |
| Leasehold land and buildings | | |
| — Industrial — HK | **111,000** | 110,300 |
| — Commercial — Mainland China | **2,952** | 3,198 |
| — Residential — Mainland China | **4,610** | 5,964 |
| — Commercial — Macau | **4,720** | 4,720 |
| — Residential — Macau | **430** | 430 |
| | **159,952** | 160,852 |

There were no transfers between levels 1, 2 and 3 during the year.

## 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: (Continued)

(d) Valuation techniques and inputs

Fair values of properties in Hong Kong, Mainland China and Macau were generally derived using direct comparison approach and net replacement cost approach. There were no changes to the valuation technique during the year. Direct comparison method is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration. Net replacement cost approach is based on the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date, adjusted by depreciation at straight line rate.

The valuation takes into account the characteristics of the properties held for own use, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input of direct comparison approach was the market price, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the properties held for own use.

The key input of net replacement cost approach was the net replacement cost of the properties, which a significant increase/decrease in the net replacement cost would result in a significant increase/decrease in the fair value of the properties held for own use.

(e) Information about fair value measurements using significant unobservable inputs (Level 3)

| **Description** | **Fair value at 30 June 2016** HK$'000 | **Valuation technique(s)** | **Unobservable inputs** | **Range of unobservable inputs** | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|---|
| Properties in Hong Kong | 111,000 | Direct comparison approach | Prevailing market price per square foot | Industrial: HK$2,277 — HK$3,972 per square foot | The higher the price per square foot, the higher the fair value |
| Properties in Mainland China | 7,562 | Net replacement cost approach | Net replacement cost per square metre | Commercial: RMB2,764 — RMB4,146 per square metre Residential: RMB1,565 — RMB4,045 per square metre | The higher the price per square metre, the higher the fair value |
| Properties in Macau — freehold land and buildings | 38,700 | Direct comparison approach | Prevailing market price per square foot | Commercial: HK$12,311 per square foot Residential: HK$6,036 per square foot | The higher the price per square foot, the higher the fair value |
| Properties in Macau — others | 2,690 | Net replacement cost approach | Net replacement cost per square foot | Commercial: HK$1,371 per square foot | The higher the price per square foot, the higher the fair value |

| Description | Fair value at 30 June 2015 HK$'000 | Valuation technique(s) | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Properties in Hong Kong | 110,300 | Direct comparison approach | Prevailing market price per square foot | Industrial: HK$2,159 — HK$3,972 per square foot | The higher the price per square foot, the higher the fair value |
| Properties in Mainland China | 9,162 | Net replacement cost approach | Net replacement cost per square metre | Commercial: RMB2,811 — RMB4,146 per square metre Residential: RMB1,206 — RMB4,066 per square metre | The higher the price per square metre, the higher the fair value |
| Properties in Macau — freehold land and buildings | 38,700 | Direct comparison approach | Prevailing market price per square foot | Commercial: HK$12,311 per square foot Residential: HK$6,036 per square foot | The higher the price per square foot, the higher the fair value |
| Properties in Macau — others | 2,690 | Net replacement cost approach | Net replacement cost per square foot | Commercial: HK$1,371 per square foot | The higher the price per square foot, the higher the fair value |

## 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: (Continued)

(e) Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The movements for the years ended 30 June 2016 in the balance of recurring Level 3 fair value measurements, with one or more of the significant inputs based on unobservable inputs, are as follows:

| | Commercial properties | | Residential properties | | Industrial properties | |
|---|---|---|---|---|---|---|
| | Mainland China | Macau | Mainland China | Macau | Hong Kong | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 1 July 2015** | **3,198** | **37,690** | **5,964** | **3,700** | **110,300** | **160,852** |
| Exchange differences | **(80)** | **–** | **(77)** | **–** | **–** | **(157)** |
| Depreciation charge | **(104)** | **(181)** | **(1,135)** | **(21)** | **(3,514)** | **(4,955)** |
| (Decrease)/increase in fair value recognised in other comprehensive income | **(62)** | **181** | **(142)** | **21** | **4,214** | **4,212** |
| **At 30 June 2016** | **2,952** | **37,690** | **4,610** | **3,700** | **111,000** | **159,952** |
| **At 1 July 2014** | 3,267 | 37,620 | 6,058 | 3,700 | 104,500 | 155,145 |
| Exchange differences | 6 | – | – | – | – | 6 |
| Depreciation charge | (99) | (166) | (118) | (19) | (3,322) | (3,724) |
| Impairment | – | – | (17) | – | – | (17) |
| Increase in fair value recognised in other comprehensive income | 24 | 236 | 41 | 19 | 9,122 | 9,442 |
| **At 30 June 2015** | 3,198 | 37,690 | 5,964 | 3,700 | 110,300 | 160,852 |

Fair value gains, deferred income tax on fair value gain and currency translation differences of the properties held for own use of the Group are recognised in other comprehensive income in "property, plant and equipment revaluation reserve" and "exchange reserve" respectively.

## 15 LAND USE RIGHTS

| | HK$'000 |
|---|---|
| **Year ended 30 June 2016** | |
| Opening net book amount | 24,075 |
| Exchange differences | (373) |
| Amortisation | (615) |
| **Closing net book amount** | 23,087 |
| **At 30 June 2016** | |
| Cost | 24,507 |
| Accumulated amortisation | (1,420) |
| **Net book amount** | 23,087 |
| **Year ended 30 June 2015** | |
| Opening net book amount | 24,654 |
| Exchange differences | 8 |
| Amortisation | (587) |
| **Closing net book amount** | 24,075 |
| **At 30 June 2015** | |
| Cost | 26,310 |
| Accumulated amortisation | (2,235) |
| **Net book amount** | 24,075 |

## 16 INTANGIBLE ASSETS

| | Goodwill HK$'000 | Trademarks and brand names HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Year ended 30 June 2016** | | | |
| Opening net book amount | **33,841** | **1,850** | **35,691** |
| Amortisation | **–** | **(370)** | **(370)** |
| Closing net book amount | **33,841** | **1,480** | **35,321** |
| **At 30 June 2016** | | | |
| Cost | **38,512** | **12,100** | **50,612** |
| Accumulated amortisation | **–** | **(3,340)** | **(3,340)** |
| Accumulated impairment | **(4,671)** | **(7,280)** | **(11,951)** |
| Net book amount | **33,841** | **1,480** | **35,321** |
| **Year ended 30 June 2015** | | | |
| Opening net book amount | 33,841 | 2,220 | 36,061 |
| Amortisation | – | (370) | (370) |
| Closing net book amount | 33,841 | 1,850 | 35,691 |
| **At 30 June 2015** | | | |
| Cost | 38,512 | 12,100 | 50,612 |
| Accumulated amortisation | – | (2,970) | (2,970) |
| Accumulated impairment | (4,671) | (7,280) | (11,951) |
| Net book amount | 33,841 | 1,850 | 35,691 |

### (a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the group of CGUs of the segment. For the purpose of impairment test, the recoverable amount of the group of 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.

The goodwill is allocated to the group of CGUs in the E&M engineering segment.

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 rates. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

## 16 INTANGIBLE ASSETS *(Continued)*

### (a) Impairment tests for goodwill *(Continued)*

The key assumptions used for value-in-use calculations are as follows:

Group of CGUs in relation to the E&M engineering segment:

| | **2016** | 2015 |
|---|---|---|
| Gross margin | **9.4–9.8%** | 10.3–10.6% |
| Growth rate | **5%** | 3–4.5% |
| Discount rate | **14%** | 14% |

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 growth rates used are consistent with the forecasts included in industry reports. 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 2016 (2015: Nil).

If the discount rate used for the group of CGUs had been increased by 5% as at 30 June 2016, the Group will still have sufficient headroom and no provision for impairment loss is necessary.

## 17 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Deferred income tax assets | **4,581** | 268 |
| Deferred income tax liabilities | **(44,485)** | (36,879) |
| | **(39,904)** | (36,611) |

## 17 DEFERRED INCOME TAX ASSETS/(LIABILITIES) *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. Deferred income tax assets are expected to be recovered after more than twelve months while deferred income tax liabilities are expected to be settled after more than twelve 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 are as follows:

### Deferred income tax assets

| | Accelerated accounting depreciation HK$'000 | Tax losses HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **As at 1 July 2014 and 30 June 2015** | 153 | 115 | – | 268 |
| Credited to consolidated income statement | 122 | 3,946 | 245 | 4,313 |
| **As at 30 June 2016** | **275** | **4,061** | **245** | **4,581** |

### Deferred income tax liabilities

| | Fair value adjustment on trademarks and brand names HK$'000 | Revaluation surplus on property, plant and equipment HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **As at 1 July 2014** | (366) | (29,549) | (71) | (29,986) |
| Charged to other comprehensive income | – | (1,302) | – | (1,302) |
| Credited/(charged) to consolidated income statement | 61 | 417 | (6,069) | (5,591) |
| **As at 30 June 2015** | **(305)** | **(30,434)** | **(6,140)** | **(36,879)** |
| Charged to other comprehensive income | **–** | **(687)** | **–** | **(687)** |
| Credited/(charged) to consolidated income statement | **61** | **1,104** | **(8,084)** | **(6,919)** |
| **As at 30 June 2016** | **(244)** | **(30,017)** | **(14,224)** | **(44,485)** |

As at 30 June 2016, the Group did not recognise deferred income tax assets of HK$16 million (2015: HK$19 million), arising from unused tax losses of HK$94 million (2015: HK$116 million). Except for tax losses of HK$1 million as at 30 June 2016 (2015: HK$15 million) which will expire within three years and except for tax losses of HK$2 million as at 30 June 2016 (2015: HK$4 million) which will expire within five years, the remaining tax losses have no expiry date.

## 18 INVENTORIES

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Raw materials | **1,758** | 1,027 |
| Finished goods | **15,975** | 17,047 |
| | **17,733** | 18,074 |

## 19 CONTRACTS IN PROGRESS

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Contract costs incurred plus attributable profits less foreseeable losses | **7,565,338** | 4,985,534 |
| Progress payments received and receivable | **(8,386,624)** | (5,359,693) |
| | **(821,286)** | (374,159) |
| Representing | | |
| Amounts due from customers for contract works | **317,082** | 113,818 |
| Amounts due to customers for contract works | **(1,138,368)** | (487,977) |
| | **(821,286)** | (374,159) |

## 20 TRADE AND OTHER RECEIVABLES

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Trade receivables | | |
| Third parties | **137,801** | 151,050 |
| Related companies (Note 27(c)) | **172,026** | 41,803 |
| | **309,827** | 192,853 |
| Less: provision for impairment | | |
| Third parties | **(6,674)** | (6,752) |
| | **303,153** | 186,101 |
| Retention receivables | | |
| Third parties | **160,977** | 191,170 |
| Related companies (Note 27(c)) | **188,918** | 102,917 |
| | **349,895** | 294,087 |
| Accrued contract revenue | **160,270** | 156,288 |
| Other receivables and prepayments | **28,958** | 38,802 |
| | **842,276** | 674,558 |

## 20 TRADE AND OTHER RECEIVABLES *(Continued)*

Generally, no credit period was granted to retail customers for trading of building materials. The credit periods generally granted to other customers within different business segment are summarised as follows:

| | **Credit period** |
|---|---|
| E&M engineering | 30–60 days |
| Environmental management services | 30–60 days |

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, and net of provision for impairment, is as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Current to 90 days | **280,308** | 170,303 |
| 91–180 days | **9,115** | 7,756 |
| Over 180 days | **13,730** | 8,042 |
| | **303,153** | 186,101 |

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debtor is impaired.

Trade receivables can be further analysed as follows:

The ageing analysis of the Group's trade receivables that are past due but not impaired is set out in the table below. These relate to a number of independent customers for whom there is no recent history of default.

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| 1–90 days | **192,461** | 70,864 |
| 91–180 days | **9,115** | 7,756 |
| Over 180 days | **13,730** | 8,042 |
| | **215,306** | 86,662 |

At 30 June 2016, the Group's trade receivables of HK$6,674,000 (2015: HK$6,752,000) were impaired.

## 20 TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the trade and other receivables of the Group approximate their fair values and are denominated in the following currencies:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Hong Kong dollars | **745,203** | 485,125 |
| Renminbi | **58,964** | 86,720 |
| Macau patacas | **32,926** | 96,342 |
| United States dollars | **83** | 11 |
| Others | **5,100** | 6,360 |
| | **842,276** | 674,558 |

Movements in provision for impairment of the Group's trade receivables are as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| At beginning of year | **6,752** | 7,474 |
| Exchange differences | **–** | (10) |
| Receivables written off during the year | **–** | (335) |
| Reversal of provision during the year | **(84)** | (377) |
| Provision for the year | **6** | – |
| At end of year | **6,674** | 6,752 |

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.

## 21 CASH AND BANK BALANCES

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Time deposits — original maturities within three months | **1,040,908** | 2,497 |
| Time deposits — original maturities over three months | **52,000** | – |
| Other cash at bank and in hand | **233,018** | 610,029 |
| | **1,325,926** | 612,526 |

At 30 June 2016, the effective interest rates on bank deposits range from 0.96% per annum (2015: 1.49% per annum).

## 21 CASH AND BANK BALANCES *(Continued)*

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Renminbi | **375,879** | 425,553 |
| Hong Kong dollars | **899,433** | 176,907 |
| Macau patacas | **36,759** | 7,486 |
| United States dollars | **844** | 778 |
| Euros | **10,598** | 267 |
| Others | **2,413** | 1,535 |
| | **1,325,926** | 612,526 |

## 22 SHARE CAPITAL

On 9 December 2015, 37,500,000 shares were allotted and issued, credited as fully paid at par.

On 9 December 2015, 112,500,000 shares were allotted and issued as fully paid for cash at HK$2.75 per share.

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

| | **Number of shares** | HK$'000 |
|---|---|---|
| Ordinary shares, authorised: | | |
| As at 30 June 2015 and 30 June 2016 | 1,000,000,000 | 100,000 |
| Ordinary shares, issued and fully paid: | | |
| As at 30 June 2015 | 300,000,000 | 30,000 |
| Capitalisation issues | 37,500,000 | 3,750 |
| Issues of shares | 112,500,000 | 11,250 |
| As at 30 June 2016 | 450,000,000 | 45,000 |

## 23 RESERVES

| | Combined capital HK$'000 | Share premium HK$'000 | Merger reserve (Note b) HK$'000 | Exchange reserve HK$'000 | Property, plant and asset revaluation reserve HK$'000 | Statutory reserves (Note a) HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2015** | **–** | **471,697** | **(146,414)** | **6,630** | **76,111** | **17,994** | **40,144** | **466,162** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **161,071** | **161,071** |
| Issuance of shares | **–** | **271,507** | **–** | **–** | **–** | **–** | **–** | **271,507** |
| Dividend | **–** | **–** | **–** | **–** | **–** | **–** | **(22,500)** | **(22,500)** |
| Currency translation differences | **–** | **–** | **–** | **(23,597)** | **–** | **–** | **–** | **(23,597)** |
| Appropriation to statutory reserves | **–** | **–** | **–** | **–** | **–** | **3,050** | **(3,050)** | **–** |
| Revaluation gain on property, plant and equipment | **–** | **–** | **–** | **–** | **4,212** | **–** | **–** | **4,212** |
| Deferred income tax on revaluation gain on property, plant and equipment | **–** | **–** | **–** | **–** | **(687)** | **–** | **–** | **(687)** |
| Realisation of fair value gain through use of property, plant and equipment | **–** | **–** | **–** | **–** | **(2,674)** | **–** | **2,674** | **–** |
| **At 30 June 2016** | **–** | **743,204** | **(146,414)** | **(16,967)** | **76,962** | **21,044** | **178,339** | **856,168** |
| **At 1 July 2014** | 355,283 | – | – | 7,305 | 70,257 | 13,995 | 92,706 | 539,546 |
| Profit for the year | – | – | – | – | – | – | 149,151 | 149,151 |
| Issuance of shares | (355,283) | 471,697 | (146,414) | – | – | – | – | (30,000) |
| Dividend | – | – | – | – | – | – | (200,000) | (200,000) |
| Currency translation differences | – | – | – | (675) | – | – | – | (675) |
| Appropriation to statutory reserves | – | – | – | – | – | 3,999 | (3,999) | – |
| Revaluation gain on property, plant and equipment | – | – | – | – | 9,442 | – | – | 9,442 |
| Deferred income tax on revaluation gain on property, plant and equipment | – | – | – | – | (1,679) | – | – | (1,679) |
| Realisation of fair value gain through use of property, plant and equipment | – | – | – | – | (2,286) | – | 2,286 | – |
| Reversal of deferred income tax on fair value gain through use of property, plant and equipment | – | – | – | – | 377 | – | – | 377 |
| **At 30 June 2015** | – | 471,697 | (146,414) | 6,630 | 76,111 | 17,994 | 40,144 | 466,162 |

Notes:

(a) 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.

During the year ended 30 June 2016, the board of directors of the PRC companies resolved to appropriate HK$3,050,000 (2015: HK$3,999,000) from retained earnings to statutory reserves.

(b) Merger reserve arises from 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.

## 24 TRADE AND OTHER PAYABLES

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Trade payables | | |
| Third parties | **81,772** | 99,666 |
| Related companies (Note 27(c)) | **–** | 1 |
| | **81,772** | 99,667 |
| Bills payable | | |
| Third parties | **6,708** | 4,678 |
| Retention payables | | |
| Third parties | **209,125** | 151,850 |
| Related companies (Note 27(c)) | **14** | 201 |
| | **209,139** | 152,051 |
| Accrued expenses | **97,454** | 115,157 |
| Provision for contracting costs | **230,633** | 213,400 |
| Other creditors and accruals | **29,217** | 29,431 |
| | **654,923** | 614,384 |

The carrying amounts of the balances approximate their fair values.

The carrying amounts of the trade and other payables of the Group are denominated in the following currencies:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Hong Kong dollars | **429,882** | 413,881 |
| Renminbi | **171,143** | 148,972 |
| Macau patacas | **39,020** | 45,756 |
| United States dollars | **2,394** | 541 |
| Malaysian ringgits | **6,835** | 971 |
| Euros | **5,639** | 4,221 |
| Others | **10** | 42 |
| | **654,923** | 614,384 |

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:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| 1–90 days | **79,833** | 94,930 |
| 91–180 days | **419** | 2,264 |
| Over 180 days | **1,520** | 2,473 |
| | **81,772** | 99,667 |

## 25 COMMITMENTS

### (a) Capital commitments for property, plant and equipment

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Contracted but not provided for | **998** | – |

### (b) Operating lease commitments

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| No later than one year | **26,799** | 28,681 |
| Later than one year and no later than five years | **19,482** | 8,933 |
| | **46,281** | 37,614 |

## 26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **Profit before income tax** | **179,127** | 169,097 |
| Interest income | **(10,841)** | (16,435) |
| Interest expenses | **–** | 226 |
| Amortisation of land use rights | **615** | 587 |
| Amortisation of intangible assets | **370** | 370 |
| Depreciation of property, plant and equipment | **14,257** | 7,896 |
| Provision for inventories | **570** | 1,427 |
| Write back of provision for inventories | **(1,302)** | (343) |
| Reversal of impairment loss on trade receivables | **(84)** | (712) |
| Provision for employee termination benefits | **–** | 488 |
| Impairment loss on trade and other receivables | **6** | – |
| Impairment loss on property, plant and equipment | **–** | 17 |
| Gain on disposal of property, plant and equipment, net | **(122)** | (201) |
| Listing expenses | **16,765** | – |
| Unrealised exchange differences | **(1,642)** | (748) |
| Operating cash flows before changes in working capital | **197,719** | 161,669 |
| Changes in working capital: | | |
| — Inventories | **1,073** | 2,817 |
| — Net amounts due to customers for contract works | **448,964** | 32,501 |
| — Trade and other receivables | **(174,389)** | 14,304 |
| — Trade and other payables | **55,444** | (125,883) |
| — Balances with related companies | **–** | (13,130) |
| Cash generated from operations | **528,811** | 72,278 |

(b) 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.

## 27 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 2016.

### (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 |
|---|---|
| FSE Management Company Limited | Note i |
| International Property Management Limited | Note i |
| Kiu Lok Service Management Company Limited | Note i |
| Nova Insurance Consultants Limited | Note i |
| Urban Property Management Limited | Note i |
| Fung Seng Enterprises Limited | Note i |
| DMI Development Limited | Note i |
| Kenbase Engineering Limited | Note i |
| Onglory International Limited | Note i |
| Power Estate Investments Limited | Note i |
| 上海豐昌物業管理有限公司 | Note i |
| 上海上實南洋大酒店有限公司 | Note i |
| 上海豐順置業有限公司 | Note i |
| 上海豐濤置業有限公司 | Note i |
| Fung Seng Diamond Co. Ltd. | Note i |
| General Security (H.K.) Limited | Note i |
| New China Laundry Limited | Note i |
| Waihong Environmental Services Limited | Note i |
| Waihong Pest Control Services Limited | Note i |
| Hong Kong Island Landscape Company Limited | Note i |
| NWS Holdings Limited | Note ii |
| Hip Hing Builders Company Limited | Note ii |
| Hip Hing Construction Company Limited | Note ii |
| Hip Hing Engineering Company Limited | Note ii |
| Hip Seng Construction Company Limited (Formerly known as Waking Builders Limited) | Note ii |
| 北京僑樂房地產管理服務有限公司 | Note ii |
| 大連僑樂物業服務有限公司 | Note ii |
| Anway Limited | Note ii |
| New World Construction Company Limited | Note ii |
| Bright Link Engineering Limited | Note ii |
| Gammon — Hip Hing Joint Venture | Note ii |
| Hong Kong Island Development Limited | Note ii |
| Discovery Park Commercial Services Limited | Note ii |

## 27 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 |
|---|---|
| 北京祥和物業管理有限公司 | Note ii |
| 北京京廣中心有限公司 | Note ii |
| K11 Concepts Limited | Note ii |
| New Town Project Management Limited | Note ii |
| 協興建築(中國)有限公司 | Note ii |
| 新世界嘉業(武漢)有限公司 | Note ii |
| 湖南梓山湖置業有限公司 | Note ii |
| 湖南成功新世紀投資有限公司 | Note ii |
| 湖南新城新世界物業服務有限公司 | Note ii |
| 新世界安信(天津)發展有限公司 | Note ii |
| 天津新世界百貨有限公司 | Note ii |
| Chow Tai Fook Jewellery Company Limited | Note ii |
| Chow Tai Fook Jewellery and Watch (Macau) Limited | Note ii |
| 廣州市新禦房地產開發有限公司 | Note ii |
| East Concept Investments Ltd | Note ii |
| 周大福鐘錶(香港)有限公司 | Note ii |
| GH Hotel Company Limited (Formerly known as Grand Hyatt Hong Kong Co Ltd) | Note ii |
| Head Step Ltd T/A Penhahotel HK Kowloon | Note ii |
| New World Strategic Investment Ltd | Note ii |
| New World Telecommunications Ltd | Note ii |
| New World TMT Ltd | Note ii |
| New World Tower Company Ltd | Note ii |
| Pridemax Ltd | Note ii |
| Renaissance Harbour View Hotel HK | Note ii |
| The Automall Ltd | Note ii |
| Techni Development Investment Ltd | Note ii |
| HH — CW Joint Venture | Note ii |
| ATL Logistics Centre Hong Kong Ltd | Note ii |
| Broadway-Nassau Investments Limited | Note ii |
| Hip Hing Joint Venture | Note ii |
| HK Convention & Exhibition Centre | Note ii |
| Vibro (HK) Ltd | Note ii |
| Vibro Construction Company Limited | Note ii |

## 27 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 |
|---|---|
| 深圳拓勁房地產開發有限公司 | Note ii |
| 新世界發展(武漢)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 |
| 廣州市新御房地產開發有限公司 | Note ii |
| Chow Tai Fook Charity Foundation | Note ii |
| Chow Tai Fook Enterprises Ltd | Note ii |
| New World Development Company Limited | Note ii |
| New World Facilities Management Company Limited | Note ii |
| New World Property Management Company Limited | Note ii |
| NW Project Management Limited | Note ii |
| 鹽城新世界百貨有限公司 | Note ii |
| 新世界百貨集團上海匯雅百貨有限公司 | Note ii |
| 成都心怡房地產開發有限公司 | 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 |

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.

### (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 2016.

Related party transactions:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Contract revenue (Note i) | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **40,552** | 37,973 |
| Other related companies | **1,688,068** | 712,027 |
| | **1,728,620** | 750,000 |
| Contract expenses (Note v) | | |
| Other related companies | **–** | 2,060 |

## 27 RELATED PARTY TRANSACTIONS *(Continued)*

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

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Insurance broking service expenses (Note ii) | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **15,118** | 11,586 |
| Rental expenses (Note iii) | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **6,325** | 4,438 |
| Other related companies | **176** | 185 |
| | **6,501** | 4,623 |
| Management fee (Note iv) | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **–** | 12,600 |

Notes:

(i) Revenue from provision of contracting work is principally charged in accordance with respective contracts.

(ii) Insurance broking service expenses were principally charged in accordance with respective insurance policies.

(iii) Rental expenses were principally charged in accordance with respective rental agreements.

(iv) Management fee was principally charged in accordance with the respective management services agreements.

(v) The above transactions with related parties are based upon mutually agreed terms and conditions.

## 27 RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Balances with related parties

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Trade receivables | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **15,770** | 6,975 |
| Other related companies | **156,256** | 34,828 |
| | **172,026** | 41,803 |
| Amounts due from customers for contract works | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **5,541** | 5,618 |
| Other related companies | **205,845** | 49,245 |
| | **211,386** | 54,863 |
| Amounts due to customers for contract works | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **4,990** | 5,393 |
| Other related companies | **652,567** | 120,177 |
| | **657,557** | 125,570 |
| Retention receivables | | |
| Related companies commonly controlled by the Ultimate Controlling Shareholder | **530** | – |
| Other related companies | **188,388** | 102,917 |
| | **188,918** | 102,917 |
| Retention payables | | |
| Other related companies | **14** | 201 |
| Advance received for contract works | | |
| Other related companies | **5,759** | 1,061 |

## 27 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:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fees | **633** | 380 |
| Salaries and other emoluments | **29,119** | 19,070 |
| Contributions to defined contribution schemes | **1,520** | 1,455 |
| | **31,272** | 20,905 |

The emoluments to directors and members of the senior management of the Group fell within the following bands:

| | **2016** | 2015 |
|---|---|---|
| | **Number of individuals** | |
| Emolument bands | | |
| Nil–HK$1,000,000 | **6** | 3 |
| HK$1,000,001–HK$1,500,000 | **–** | 2 |
| HK$1,500,001–HK$2,000,000 | **6** | 2 |
| HK$2,000,001–HK$2,500,000 | **1** | 1 |
| HK$2,500,001–HK$3,000,000 | **2** | 2 |
| HK$3,000,001–HK$3,500,000 | **1** | 1 |
| HK$3,500,001–HK$4,000,000 | **–** | 1 |
| HK$4,000,001–HK$4,500,000 | **1** | – |
| HK$4,500,001–HK$5,000,000 | **1** | – |

## 28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current asset** | | |
| Subsidiaries | **501,697** | 501,697 |
| **Current assets** | | |
| Trade and other receivables | **223** | 1,002 |
| Amounts due from subsidiaries | **76,487** | 10,776 |
| Cash and bank balances | **162,549** | – |
| | **239,259** | 11,778 |
| **Total assets** | **740,956** | 513,475 |
| **EQUITY** | | |
| Share capital | **45,000** | 30,000 |
| Reserves (note (a)) | **694,413** | 466,162 |
| **Total equity** | **739,413** | 496,162 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | **1,543** | 2,655 |
| Amounts due to subsidiaries | **–** | 14,658 |
| **Total liabilities** | **1,543** | 17,313 |
| **Total equity and liabilities** | **740,956** | 513,475 |
| **Net current assets/(liabilities)** | **237,716** | (5,535) |
| **Total assets less current liabilities** | **739,413** | 496,162 |

The statement of financial position of the Company was approved by the Board of Directors on 22 September 2016 and were signed on its behalf.

**Wong Kwok Kin, Andrew**
*Director*

**Poon Lock Kee, Rocky**
*Director*

## 28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

| | Share premium HK$'000 | Accumulated loss HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 1 July 2014** | – | – | – |
| Loss for the year | – | (5,535) | (5,535) |
| Issuance of shares | 471,697 | – | 471,697 |
| **At 30 June 2015** | 471,697 | (5,535) | 466,162 |
| **At 1 July 2015** | 471,697 | (5,535) | 466,162 |
| Loss for the year | – | (20,756) | (20,756) |
| Dividend | – | (22,500) | (22,500) |
| Issuance of shares | 271,507 | – | 271,507 |
| **At 30 June 2016** | **743,204** | **(48,791)** | **694,413** |

## 29 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS

The following is a list of the principal subsidiaries and joint operations as at 30 June 2016:

| Company name | Place of incorporation or establishment/ principal place of operation | Registered/ issued and paid-up capital | Attributable equity interest of the Group As at 30 June 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|
| Directly owned subsidiaries: | | | | | |
| 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/Hong Kong | 50,000 shares of US$1 each paid up to US$1 | **100** | 100 | Investment holding |
| Building Material Supplies Limited | British Virgin Islands/Hong Kong | 100,000 shares of HK$1 each paid up to HK$1 | **100** | 100 | Investment holding |
| Indirectly owned subsidiaries: | | | | | |
| Companion Building Material Supplies (H.K.) Limited | Hong Kong | 100 shares paid up to HK$100 | **100** | 100 | Trading of ceramic tiles and building materials and provision of maintenance and fitting out services |
| Environmental Pioneers & Solutions Limited | Hong Kong | 1,000 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$10,000,000 | **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 |

## 29 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS *(Continued)*

| Company name | Place of incorporation or establishment/ principal place of operation | Registered/ issued and paid-up capital | Attributable equity interest of the Group As at 30 June 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|
| Indirectly owned subsidiaries: (Continued) | | | | | |
| 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 shares paid up to HK$10,000 | **100** | 100 | Provision of testing and calibration services |
| 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 |
| Majestic Engineering Company Limited | Hong Kong | 30,000 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 shares paid up to HK$2,000,000 | **100** | 100 | Plumbing engineering services |
| Tridant 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 |

## 29 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS *(Continued)*

| Company name | Place of incorporation or establishment/ principal place of operation | Registered/ issued and paid-up capital | Attributable equity interest of the Group As at 30 June 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|
| Indirectly owned subsidiaries: (Continued) | | | | | |
| Young's Engineering Company Limited | Hong Kong | 4,000,000 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 |
| 新創機電工程有限公司 | Mainland China[1] | RMB150,000,000 | **100** | 100 | Mechanical and electrical engineering |
| 北京遠東景福機電設備維修有限公司 | Mainland China[1] | US$150,000 | **100** | 100 | Mechanical, electrical engineering and maintenance |
| 景福機電安裝工程(上海)有限公司 | Mainland China[1] | RMB15,000,000 | **100** | 100 | Mechanical and electrical engineering |
| Joint operations: | | | | | |
| BBY HK Joint Venture | Hong Kong | Not applicable | **–** | 50 | Mechanical and electrical engineering |
| BBY Macau Joint Venture | Macau | Not applicable | **60** | 60 | Mechanical and electrical engineering in Macau |
| BSY Joint Venture | Hong Kong | Not applicable | **33** | 33 | Mechanical and electrical engineering |
| Hong Kong District Cooling DHY Joint Venture | Hong Kong | Not applicable | **25** | 25 | Mechanical and electrical engineering |

[1] These subsidiaries are limited liability companies incorporated in Mainland China.