1 GENERAL INFORMATION

1.1 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 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 2017.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried 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) Amendments and improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2016

The following amendments and improvements to existing standards, that are relevant to the Group's operation, are mandatory for the financial year of the Group beginning on 1 July 2016:

HKAS 1 Amendment	Disclosure initiative
HKFRS 11 Amendment	Accounting for acquisition of interests in joint operations
HKAS 16 and HKAS 38 Amendment	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 Amendment	Equity method in separate financial statements
Annual improvements project	Annual improvements 2012–2014 cycle

The adoption of the above amendments and 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 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 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 7 Amendment	Disclosure initiative	1 January 2017
HKAS 12 Amendment	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 12 Amendment	Disclosure of interest in other entities	1 January 2017
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC) — Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

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

2.1 Basis of preparation *(Continued)*

(ii) 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 *(Continued)*

The Group has already commenced an assessment of the related impact to the Group and considered that there will not be any substantial changes to the Group's significant accounting policies and presentation of consolidated financial statements, except for the following set out below:

HKFRS 9, "Financial instruments"

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39, which is based on the change in credit quality of financial assets since initial recognition.

Upon adoption of HKFRS 9, the Group will adopt an expected credit losses impairment model and the requirement on disclosure changes. Furthermore, it will have possible change in classification of the Group's financial instruments but the measurement will likely remain unchanged. Other than these, adoption of HKFRS 9 is currently not expected to have a material impact on the financial information of the Group.

HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 "Revenue from contracts with customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue when control of a good or service transfers to a customer.

Based on preliminary assessment conducted, the Group does not expect the adoption of HKFRS 15 would have a material impact other than presenting more disclosures.

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

2.1 Basis of preparation *(Continued)*

(ii) 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 *(Continued)*

HKFRS 16, "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the consolidated statements of financial position for lessees. The Group is a lessee of certain land and buildings which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised.

The standard will affect primarily the accounting for Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK$44,342,000, see note 27. The adoption of HKFRS 16 will likely result in the recognition of an asset and a liability for future lease payments and this will affect the Group's result.

(iii) Change in the accounting policy of leasehold land and buildings

In accordance with HKAS 16 "Property, Plant and Equipment", leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its leasehold land and buildings using the revaluation model in previous years. With effective from 1 July 2016, the Group stated its leasehold land and buildings at cost less accumulated depreciation and any impairment losses, because cost model is more common accounting practice adopted by market players. In the opinion of the directors, this change in the accounting policy enables the Group to provide reliable and more relevant information on the financial statements about its performance and financial position.

As a result of the adoption of the cost model under HKAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2016 and 1 July 2015, and the results for the year ended 30 June 2016.

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

2.1 Basis of preparation *(Continued)*

(iii) Change in the accounting policy of leasehold land and buildings *(Continued)*

(a) Effect on the consolidated income statement for the year ended 30 June 2016:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
Revenue	3,471,907	–	3,471,907
Cost of sales	(3,099,991)	–	(3,099,991)
Gross profit	371,916	–	371,916
Other income/gains, net	494	–	494
General and administrative expenses	(204,124)	2,517	(201,607)
Operating profit	168,286	2,517	170,803
Finance income	10,841	–	10,841
Profit before income tax	179,127	2,517	181,644
Income tax expenses	(18,056)	(377)	(18,433)
Profit attributable to equity holders of the Company	161,071	2,140	163,211
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK$ per share) — basic and diluted	0.42	0.01	0.43

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

2.1 Basis of preparation *(Continued)*

(iii) Change in the accounting policy of leasehold land and buildings *(Continued)*

(b) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2016:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
Profit for the year	161,071	2,140	163,211
Other comprehensive income:			
Items that will not be reclassified to consolidated income statement:			
Revaluation gain on property, plant and equipment	4,212	(4,212)	–
Deferred income tax on revaluation gain on property, plant and equipment	(687)	687	–
	3,525	(3,525)	–
Item that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	(23,597)	26	(23,571)
Other comprehensive income, net of tax	(20,072)	(3,499)	(23,571)
Total comprehensive income for the year and attributable to equity holders of the Company	140,999	(1,359)	139,640

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

2.1 Basis of preparation *(Continued)*

(iii) Change in the accounting policy of leasehold land and buildings *(Continued)*

(c) Effect on the consolidated statement of financial position as at 30 June 2016:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	187,409	(92,995)	94,414
Land use rights	23,087	–	23,087
Intangible assets	35,321	–	35,321
Deferred income tax assets	4,581	–	4,581
	250,398	(92,995)	157,403
Current assets			
Inventories	17,733	–	17,733
Amounts due from customers for contract works	317,082	–	317,082
Trade and other receivables	842,276	–	842,276
Cash and bank balances	1,325,926	–	1,325,926
	2,503,017	–	2,503,017
Total assets	2,753,415	(92,995)	2,660,420
EQUITY			
Share capital	45,000	–	45,000
Reserves	856,168	(78,327)	777,841
Total equity	901,168	(78,327)	822,841
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	44,485	(14,668)	29,817
Current liabilities			
Amounts due to customers for contract works	1,138,368	–	1,138,368
Trade and other payables	654,923	–	654,923
Taxation payable	14,471	–	14,471
	1,807,762	–	1,807,762
Total liabilities	1,852,247	(14,668)	1,837,579
Total equity and liabilities	2,753,415	(92,995)	2,660,420
Net current assets	695,255	–	695,255
Total assets less current liabilities	945,653	(92,995)	852,658

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

2.1 Basis of preparation *(Continued)*

(iii) Change in the accounting policy of leasehold land and buildings *(Continued)*

(d) Effect on the consolidated statement of financial position as at 1 July 2015:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	172,582	(91,326)	81,256
Land use rights	24,075	–	24,075
Intangible assets	35,691	–	35,691
Deferred income tax assets	268	–	268
	232,616	(91,326)	141,290
Current assets			
Inventories	18,074	–	18,074
Amounts due from customers for contract works	113,818	–	113,818
Trade and other receivables	674,558	–	674,558
Cash and bank balances	612,526	–	612,526
	1,418,976	–	1,418,976
Total assets	1,651,592	(91,326)	1,560,266
EQUITY			
Share capital	30,000	–	30,000
Reserves	466,162	(76,968)	389,194
Total equity	496,162	(76,968)	419,194
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	36,879	(14,358)	22,521
Current liabilities			
Amounts due to customers for contract works	487,977	–	487,977
Trade and other payables	614,384	–	614,384
Taxation payable	16,190	–	16,190
	1,118,551	–	1,118,551
Total liabilities	1,155,430	(14,358)	1,141,072
Total equity and liabilities	1,651,592	(91,326)	1,560,266
Net current assets	300,425	–	300,425
Total assets less current liabilities	533,041	(91,326)	441,715

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.

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

2.2 Consolidation *(Continued)*

(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.

(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 of 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 including other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.3 Joint arrangements *(Continued)*

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.

2.4 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, 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 2.14).

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.

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

2.9 Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 2.19, 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 Financial assets

Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

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

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

2.10 Financial assets *(Continued)*

Recognition and measurement *(Continued)*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other income/gains, net" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

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

2.11 Impairment of financial assets *(Continued)*

(b) Assets classified as available-for-sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement. See Note 2.11 for a description of Group's impairment policies.

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.

2.13 Cash and cash equivalents

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

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

2.14 Impairment of non-financial assets

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

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

2.15 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.

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

2.17 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.

2.18 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.

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

2.18 Current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

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.

2.19 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.

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

2.19 Revenue recognition *(Continued)*

(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.

2.20 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.

2.21 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.

2.22 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, foreign exchange risk and price 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.

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000
At 30 June 2017		
Trade and other payables, excluding accrued employee benefits	**1,049,953**	**–**
At 30 June 2016		
Trade and other payables, excluding accrued employee benefits	577,608	–

(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 2017, 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$1.6 million higher/lower respectively.

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.

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 arises.

As at 30 June 2017 and 2016, 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.

At 30 June 2017, the Group had net monetary assets denominated in United States dollar of HK$190.6 million (2016: HK$1.5 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

(v) Price risk

The Group is exposed to price risk because the Group held listed securities of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and consolidated income statement respectively. The performance of the Group's investment in listed securities are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

At 30 June 2017, if the price of listed securities, classified as available-for-sale financial assets and financial assets at fair value through profit or loss (notes 18 and 22) had been 1% higher with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK$0.3 million and HK$0.7 million higher respectively.

If the price of the above-mentioned listed securities had been 1% lower with all other variables held constant, the Group's profit for the year would have been HK$0.3 million lower and investment revaluation reserve would have been HK$0.7 million lower and resulted in a negative investment revaluation reserve of HK$0.2 million. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values by level of inputs to valuation techniques to measure fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in 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 following table presents the Group's financial assets and financial liabilities that are measured at fair values as at 30 June 2017:

	Level 1 HK$'000
Assets	
Financial assets at fair value through profit or loss	31,489
Available-for-sale financial assets	67,981
	99,470

The Group uses quoted market prices for financial assets included in level 1. The quoted price which is used, is the price within the bid-ask spread that is most representative of the fair value.

There were no transfers of financial instruments between levels in the hierarchy for the years ended 30 June 2017.

At 30 June 2017, the carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. There is no other financial instruments requiring disclosure of fair value measurement by level on fair value measurement hierarchy.

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 Estimation 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.

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 16.

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.

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors are the Group's chief operating decision-makers ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The 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:

	2017 **HK$'000**	2016 HK$'000
Revenue		
Contracting	**3,470,516**	3,256,173
Maintenance services	**114,285**	98,796
Sales of goods	**115,332**	116,938
	3,700,133	3,471,907

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.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

As at 30 June 2017, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operation of the operating segments.

Prior year corresponding segment information that is presented for comparative purposes has been restated to conform to changes adopted in the current year.

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

(a) As at and for the year ended 30 June 2017

The segment results for the year ended 30 June 2017 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	3,646,040	54,093	–	3,700,133
Revenue — internal	9	11,966	(11,975)	–
Total revenue				3,700,133
Operating profit before unallocated corporate expenses	202,284	5,302	–	207,586
Unallocated corporate expenses				(5,551)
Operating profit				202,035
Finance income (Note 10)				14,501
Profit before income tax				216,536
Income tax expenses				(42,740)
Profit for the year				173,796
Other items				
Depreciation (Note 14)	23,939	2,124	–	26,063
Amortisation of intangible assets (Note 16)	370	–	–	370
Amortisation of land use rights (Note 15)	582	–	–	582

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 30 June 2017 *(Continued)*

The segment assets and liabilities as at 30 June 2017 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	2,092,580	35,950	2,128,530
Unallocated assets			395,851
Total assets			2,524,381
Segment liabilities	1,596,093	12,877	1,608,970
Unallocated liabilities			2,903
Total liabilities			1,611,873
Capital expenditure	32,408	1,025	33,433
Unallocated capital expenditure			–
Total capital expenditure			33,433

(b) As at and for the year ended 30 June 2016 (restated)

The segment results for the year ended 30 June 2016, as restated, 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, as restated	187,596	3,963	–	191,559
Unallocated corporate expenses				(20,756)
Operating profit, as restated				170,803
Finance income (Note 10)				10,841
Profit before income tax, as restated				181,644
Income tax expenses, as restated				(18,433)
Profit for the year, as restated				163,211
Other items				
Depreciation, as restated (Note 14)	9,634	2,106	–	11,740
Amortisation of intangible assets (Note 16)	370	–	–	370
Amortisation of land use rights (Note 15)	615	–	–	615

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 30 June 2016 (restated) *(Continued)*

The segment assets and liabilities as at 30 June 2016, as restated, 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, as restated	2,458,022	39,626	2,497,648
Unallocated assets			162,772
Total assets, as restated			2,660,420
Segment liabilities, as restated	1,822,927	13,109	1,836,036
Unallocated liabilities			1,543
Total liabilities, as restated			1,837,579
Capital expenditure	19,548	5,799	25,347
Unallocated capital expenditure			–
Total capital expenditure			25,347

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:

	2017 HK$'000	2016 HK$'000
Revenue		
Hong Kong	**2,843,076**	2,367,739
Mainland China	**476,794**	405,029
Macau	**380,263**	699,139
	3,700,133	3,471,907

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

	2017 HK$'000	2016 HK$'000
Customer A	**1,444,498**	1,365,411

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

	2017 **HK$'000**	2016 (restated) HK$'000
Non-current assets, other than deferred tax assets		
Hong Kong	**430,481**	94,319
Mainland China	**25,572**	27,293
Macau	**30,961**	31,210
	487,014	152,822

6 OTHER INCOME/GAINS, NET

	2017 **HK$'000**	2016 HK$'000
Exchange gain, net	**2,361**	144
Gain on disposal of land use right and property, plant and equipment, net	**510**	122
Fair value gain on financial assets at fair value through profit or loss	**377**	–
Sundries	**329**	228
	3,577	494

7 OPERATING PROFIT

	2017 HK$'000	2016 (restated) HK$'000
Operating profit is stated after charging/(crediting):		
Changes in inventories of finished goods and work in progress	**64,951**	70,072
Raw materials and consumables used	**945,688**	1,002,588
Subcontracting fees	**1,703,730**	1,479,746
Provision for inventories	**2,733**	570
Write back of provision for inventories	**(503)**	(1,302)
Amortisation of land use rights	**582**	615
Amortisation of intangible assets	**370**	370
Depreciation of property, plant and equipment	**26,063**	11,740
Staff costs (including Directors' emoluments) (Notes 8 and 9)		
Salaries and allowances	**529,425**	524,959
Pension cost on defined contribution schemes	**23,566**	22,861
Less: Staff costs capitalised under contracts in progress	**(17,974)**	(16,702)
Operating lease rental for land and buildings	**31,423**	31,924
Less: Operating lease rental capitalised under contracts in progress	**(3,610)**	(5,346)
Reversal of impairment loss on trade receivables	**(45)**	(84)
Listing expenses	**–**	16,765
Auditor's remuneration		
Audit services	**4,280**	5,050
Non-audit services	**1,040**	435

8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK$'000	2016 HK$'000
Salaries, wages and bonuses	**529,425**	524,959
Contributions to defined contribution schemes	**23,566**	22,861
Less: Staff costs capitalised under contracts in progress	**(17,974)**	(16,702)
	535,017	531,118

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2017 HK$'000	2016 HK$'000
Fees	1,281	633
Salaries and other emoluments	14,183	13,481
Contributions to defined contribution schemes	957	738
	16,421	14,852

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 2017 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Wong Kwok Kin, Andrew	105	900	1,000	–	–	2,005
Poon Lock Kee, Rocky	–	3,313	1,161	–	331	4,805
Lam Wai Hon, Patrick	–	1,651	–	–	203	1,854
Doo William Junior Guilherme	–	1,471	–	–	73	1,544
Lee Kwok Bong	–	1,224	–	–	92	1,316
Soon Kweong Wah	–	2,577	886	–	258	3,721
Cheng Kar Shun, Henry	308	–	–	–	–	308
Kwong Che Keung, Gordon	256	–	–	–	–	256
Hui Chiu Chung, Stephen	204	–	–	–	–	204
Lee Kwan Hung	204	–	–	–	–	204
Tong Yuk Lun, Paul	204	–	–	–	–	204
	1,281	11,136	3,047	–	957	16,421

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 2016 is set out below:

	Fees HK$'000	Salaries HK$'000	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	–	3,078	1,133	–	308	4,519
Lam Wai Hon, Patrick	–	750	–	–	38	788
Doo William Junior Guilherme	–	1,429	–	–	71	1,500
Lee Kwok Bong	–	1,100	400	–	83	1,583
Soon Kweong Wah	–	2,376	1,525	–	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	10,423	3,058	–	738	14,852

Notes:

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

(b) During the year ended 30 June 2017, 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 (2016: Nil).

(c) With effect from 1 January 2017, Mr. Wong Kwok Kin, Andrew was re-designated from the position of an Executive Director to a non-executive Director.

(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 2017 include three directors (2016: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals during the years are as follows:

	2017 **HK$'000**	2016 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind & bonuses	**5,165**	8,374
Contributions to pension scheme	**178**	416
	5,343	8,790

The emoluments fell within the following bands:

	2017	2016
	Number of individuals	
Emolument bands		
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 2017, 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 (2016: Nil).

10 FINANCE INCOME

	2017 **HK$'000**	2016 HK$'000
Finance income		
Interest from bank deposits	**13,409**	10,841
Interest from available-for-sale financial assets	**960**	–
Interest from financial assets at fair value through profit or loss	**132**	–
	14,501	10,841

11 INCOME TAX EXPENSES

	2017 HK$'000	2016 (restated) HK$'000
Current income tax		
Hong Kong profits tax	17,836	8,387
Mainland China taxation		
— Income tax	13,959	9,942
— Withholding tax	4,025	–
Macau taxation	26,723	1,113
Over-provision in prior years	(358)	(3,992)
Deferred income tax (credit)/expense (Note 17)		
— Income tax	(20,939)	2,983
— Withholding tax	1,494	–
	42,740	18,433

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 2017 (2016: 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:

	2017 HK$'000	2016 (restated) HK$'000
Profit before income tax	216,536	181,644
Calculated at a tax rate of 16.5% (2016: 16.5%)	35,728	29,971
Effect of different taxation rates in other regions	2,039	64
Income not subject to taxation	(1,950)	(3,974)
Expenses not deductible for taxation purposes	3,121	4,246
Temporary difference not recognised, net	73	(322)
Utilisation of previously unrecognised tax losses	(1,612)	(9,246)
Tax losses not recognised	180	1,686
Withholding tax on undistributed earnings from subsidiaries in Mainland China	5,519	–
Over-provision in prior years	(358)	(3,992)
Income tax expenses	42,740	18,433

12 EARNINGS PER SHARE

(a) Basic

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 2017 and 2016.

	2017	2016
		(restated)
	HK$'000	HK$'000
Profit attributable to owners of the Company	**173,796**	163,211
Weighted average number of ordinary shares in issue (shares in thousands) (Note (i))	**450,000**	384,016
Basic earnings per share (HK$)	**0.39**	0.43

Note (i) The number of ordinary shares in issue increased from 300,000,000 to 450,000,000 on 10 December 2015 upon the Global Offering of the Company. Hence, the weighted average number of ordinary shares in issue for the year ended 30 June 2016 was 384,016,000. There was no movement in the number of ordinary shares in issue for the year ended 30 June 2017.

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2017 and 2016, the diluted earnings per share equals the basic earnings per share.

13 DIVIDENDS

	2017	2016
	HK$'000	HK$'000
Interim dividend paid of HK7.4 cents (2016: HK5.0 cents) per share	**33,300**	22,500
Final dividend proposed of HK8.1 cents (2016: HK9.4 cents) per share	**36,450**	42,300
	69,750	64,800

Note:

At a meeting held on 22 September 2017, the Board recommended a final dividend of HK8.1 cents per share. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2018.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improve-ment 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 2017							
Opening net book amount, as previously reported	36,240	123,712	16,594	1,537	7,992	1,334	187,409
Impact of change in accounting policy (note 2.1)	(11,305)	(81,690)	–	–	–	–	(92,995)
As restated	24,935	42,022	16,594	1,537	7,992	1,334	94,414
Additions	–	–	24,340	589	8,166	338	33,433
Disposals	–	(251)	(1,108)	–	(62)	(65)	(1,486)
Exchange differences	–	(33)	(5)	–	(28)	(11)	(77)
Depreciation charge	–	(10,513)	(9,449)	(543)	(4,974)	(584)	(26,063)
Acquisition of subsidiaries (note 28)	–	282,533	–	–	–	–	282,533
Closing net book value	24,935	313,758	30,372	1,583	11,094	1,012	382,754
At 30 June 2017							
Cost	24,935	332,640	50,732	3,609	39,938	6,512	458,366
Accumulated depreciation	–	(18,882)	(20,360)	(2,026)	(28,844)	(5,500)	(75,612)
Net book value	24,935	313,758	30,372	1,583	11,094	1,012	382,754
Year ended 30 June 2016							
Opening net book amount, as previously reported	36,240	124,612	4,598	320	4,509	2,303	172,582
Impact of change in accounting policy (note 2.1)	(11,305)	(80,021)	–	–	–	–	(91,326)
As restated	24,935	44,591	4,598	320	4,509	2,303	81,256
Additions	–	–	16,762	1,651	6,934	–	25,347
Disposals	–	–	(4)	–	(38)	(106)	(148)
Exchange differences	–	(131)	(17)	–	(92)	(61)	(301)
Depreciation charge	–	(2,438)	(4,745)	(434)	(3,321)	(802)	(11,740)
Closing net book value, as restated	24,935	42,022	16,594	1,537	7,992	1,334	94,414
At 30 June 2016							
Cost, as restated	24,935	50,430	31,121	3,020	33,808	6,862	150,176
Accumulated depreciation	–	(8,408)	(14,527)	(1,483)	(25,816)	(5,528)	(55,762)
Net book value, as restated	24,935	42,022	16,594	1,537	7,992	1,334	94,414

Notes:

(a) None of the above property, plant and equipment was pledged as security as at 30 June 2017 (2016: None).

15 LAND USE RIGHTS

	HK$'000
Year ended 30 June 2017	
Opening net book value	**23,087**
Exchange differences	**(86)**
Amortisation	**(582)**
Disposal	**(764)**
Closing net book value	**21,655**
At 30 June 2017	
Cost	**23,537**
Accumulated amortisation	**(1,882)**
Net book value	**21,655**
Year ended 30 June 2016	
Opening net book value	24,075
Exchange differences	(373)
Amortisation	(615)
Closing net book value	23,087
At 30 June 2016	
Cost	24,507
Accumulated amortisation	(1,420)
Net book value	23,087

16 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and brand names HK$'000	Total HK$'000
Year ended 30 June 2017			
Opening net book value	**33,841**	**1,480**	**35,321**
Amortisation	**–**	**(370)**	**(370)**
Closing net book value	**33,841**	**1,110**	**34,951**
At 30 June 2017			
Cost	**38,512**	**12,100**	**50,612**
Accumulated amortisation	**–**	**(3,710)**	**(3,710)**
Accumulated impairment	**(4,671)**	**(7,280)**	**(11,951)**
Net book value	**33,841**	**1,110**	**34,951**
Year ended 30 June 2016			
Opening net book value	33,841	1,850	35,691
Amortisation	–	(370)	(370)
Closing net book value	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 value	33,841	1,480	35,321

(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 growths 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:

	2017	2016
Gross margin	**9.5–9.7%**	9.4–9.8%
Growth rate	**5%**	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 2017 (2016: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

17 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	As at 30 June		As at 1 July
	2017	2016	2015
		(restated)	(restated)
	HK$'000	HK$'000	HK$'000
Deferred income tax assets	**11,725**	4,581	268
Deferred income tax liabilities	**(17,493)**	(29,817)	(22,521)
	(5,768)	(25,236)	(22,253)

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 and deferred income tax liabilities are expected to be recovered/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 2015	153	115	–	268
Credited to consolidated income statement (note 11)	122	3,946	245	4,313
As at 30 June 2016	275	4,061	245	4,581
Credited/(charged) to consolidated income statement (note 11)	191	(221)	8,466	8,436
Acquisition of a subsidiary (note 28(c))	–	122	–	122
As at 30 June 2017	**466**	**3,962**	**8,711**	**13,139**

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 2015, as previously reported	(305)	(30,434)	(6,140)	(36,879)
Impact of change in accounting policy	–	30,434	(16,076)	14,358
As restated	(305)	–	(22,216)	(22,521)
Credited/(charged) to consolidated income statement, as restated (note 11)	61	–	(7,357)	(7,296)
As at 30 June 2016, as restated	**(244)**	**–**	**(29,573)**	**(29,817)**
Charged to other comprehensive income	**–**	**–**	**(98)**	**(98)**
Translation difference	**–**	**–**	**(1)**	**(1)**
Credited to consolidated income statement (note 11)	**61**	**–**	**10,948**	**11,009**
As at 30 June 2017	**(183)**	**–**	**(18,724)**	**(18,907)**

As at 30 June 2017, the Group did not recognise deferred income tax assets of HK$14 million (2016: HK$16 million), arising from unused tax losses of HK$85 million (2016: HK$94 million). Except for tax losses of HK$0.4 million as at 30 June 2017 (2016: HK$1 million) which will expire within three years and except for tax losses of HK$3 million as at 30 June 2017 (2016: HK$2 million) which will expire within five years, the remaining tax losses have no expiry date.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Non-current		
Listed securities, at market value	47,654	–
Current		
Listed securities, at market value	20,327	–
	67,981	–

The available-for-sale financial assets are denominated in United States dollars.

19 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	1,509	1,758
Finished goods	21,525	15,975
	23,034	17,733

20 CONTRACTS IN PROGRESS

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	3,633,301	7,565,338
Progress payments received and receivable	(3,909,220)	(8,386,624)
	(275,919)	(821,286)
Representing		
Amounts due from customers for contract works	141,678	317,082
Amounts due to customers for contract works	(417,597)	(1,138,368)
	(275,919)	(821,286)

21 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables		
Third parties	121,525	137,801
Related companies (Note 29(c))	71,400	172,026
	192,925	309,827
Less: provision for impairment		
Third parties	(3,972)	(6,674)
	188,953	303,153
Retention receivables		
Third parties	143,322	160,977
Related companies (Note 29(c))	216,398	188,918
	359,720	349,895
Accrued contract revenue	243,341	160,270
Other receivables and prepayments	38,778	28,958
	830,792	842,276

Generally, no credit period was granted to retail customers for trading of building materials. The credit periods generally granted to other customers at 30–60 days for E&M engineering and Environmental management services.

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:

	2017 HK$'000	2016 HK$'000
Current to 90 days	167,333	280,308
91–180 days	12,264	9,115
Over 180 days	9,356	13,730
	188,953	303,153

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.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

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.

	2017 HK$'000	2016 HK$'000
1–90 days	**67,338**	192,461
91–180 days	**18,355**	9,115
Over 180 days	**9,356**	13,730
	95,049	215,306

At 30 June 2017, the Group's trade receivables of HK$3,972,000 (2016: HK$6,674,000) were impaired.

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	**646,291**	745,203
Renminbi	**162,295**	58,964
Macau patacas	**21,089**	32,926
United States dollars	**1,117**	83
Others	**–**	5,100
	830,792	842,276

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**6,674**	6,752
Exchange differences	**(1)**	–
Receivables written off during the year	**(2,656)**	–
Reversal of provision during the year	**(45)**	(84)
Provision for the year	**–**	6
At end of year	**3,972**	6,674

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.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Current		
Listed securities, at fair value	31,489	–

The financial assets at fair value through profit or loss are denominated in United States Dollars.

23 CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Time deposits — original maturities within three months	808,705	1,040,908
Time deposits — original maturities over three months	10,000	52,000
Other cash at bank and in hand	159,617	233,018
	978,322	1,325,926

At 30 June 2017, the effective interest rate on bank deposits is 1.12% per annum (2016: 0.96% per annum).

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

	2017 HK$'000	2016 HK$'000
Renminbi	319,414	375,879
Hong Kong dollars	538,670	899,433
Macau patacas	17,350	36,759
United States dollars	93,049	844
Euros	7,825	10,598
Others	2,014	2,413
	978,322	1,325,926

24 SHARE CAPITAL

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 2016 and 2017	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2016 and 2017	450,000,000	45,000

25 RESERVES

	Investment revaluation reserve 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 2016, as previously reported	**–**	**743,204**	**(146,414)**	**(16,967)**	**76,962**	**21,044**	**178,339**	**856,168**
Impact of change in accounting policy	–	–	–	26	(76,962)	–	(1,391)	(78,327)
As restated	–	743,204	(146,414)	(16,941)	–	21,044	176,948	777,841
Profit for the year	–	–	–	–	–	–	173,796	173,796
Fair value changes of available-for-sale financial assets	596	–	–	–	–	–	–	596
Deferred tax on fair value change on available-for-sale financial assets	(98)	–	–	–	–	–	–	(98)
Dividend	–	–	–	–	–	–	(75,600)	(75,600)
Currency translation differences	–	–	–	(9,027)	–	–	–	(9,027)
Appropriation to statutory reserves	–	–	–	–	–	713	(713)	–
At 30 June 2017	**498**	**743,204**	**(146,414)**	**(25,968)**	**–**	**21,757**	**274,431**	**867,508**
At 1 July 2015, as previously reported	–	471,697	(146,414)	6,630	76,111	17,994	40,144	466,162
Impact of change in accounting policy	–	–	–	–	(76,111)	–	(857)	(76,968)
As restated	–	471,697	(146,414)	6,630	–	17,994	39,287	389,194
Profit for the year, as restated	–	–	–	–	–	–	163,211	163,211
Issuance of shares	–	271,507	–	–	–	–	–	271,507
Dividend	–	–	–	–	–	–	(22,500)	(22,500)
Currency translation differences, as restated	–	–	–	(23,571)	–	–	–	(23,571)
Appropriation to statutory reserves	–	–	–	–	–	3,050	(3,050)	–
At 30 June 2016, as restated	–	743,204	(146,414)	(16,941)	–	21,044	176,948	777,841

25 RESERVES *(Continued)*

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 2017, the board of directors of the PRC companies resolved to appropriate HK$713,000 (2016: HK$3,050,000) 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.

26 TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables		
Third parties	**62,711**	81,772
	62,711	81,772
Bills payable		
Third parties	**9,355**	6,708
Retention payables		
Third parties	**207,815**	209,125
Related companies (Note 29(c))	**–**	14
	207,815	209,139
Accrued expenses	**91,888**	97,454
Provision for contracting costs	**660,915**	230,633
Other creditors and accruals	**92,942**	29,217
	1,125,626	654,923

The carrying amounts of the balances approximate their fair values.

26 TRADE AND OTHER PAYABLES *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
Hong Kong dollars	**853,922**	429,882
Renminbi	**168,734**	171,143
Macau patacas	**93,882**	39,020
United States dollars	**5,152**	2,394
Malaysian ringgits	**16**	6,835
Euros	**3,912**	5,639
Others	**8**	10
	1,125,626	654,923

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:

	2017	2016
	HK$'000	HK$'000
1–90 days	**55,094**	79,833
91–180 days	**6,227**	419
Over 180 days	**1,390**	1,520
	62,711	81,772

27 COMMITMENTS

Operating lease commitments

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

	2017	2016
	HK$'000	HK$'000
No later than one year	**25,831**	26,799
Later than one year and no later than five years	**18,511**	19,482
	44,342	46,281

28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 HK$'000	2016 (restated) HK$'000
Profit before income tax	**216,536**	181,644
Interest income	**(14,501)**	(10,841)
Amortisation of land use rights	**582**	615
Amortisation of intangible assets	**370**	370
Depreciation of property, plant and equipment	**26,063**	11,740
Provision for inventories	**2,733**	570
Write back of provision for inventories	**(503)**	(1,302)
Reversal of impairment loss on trade receivables	**(45)**	(84)
Impairment loss on trade and other receivables	**–**	6
Gain on disposal of land use right and property, plant and equipment, net	**(510)**	(122)
Gain on disposal of available-for-sale financial assets	**(68)**	–
Listing expenses	**–**	16,765
Fair value gain on financial assets at fair value through profit or loss	**(377)**	–
Unrealised exchange differences	**(4,612)**	(1,642)
Operating cash flows before changes in working capital	**225,668**	197,719
Changes in working capital:		
— Inventories	**(7,531)**	1,073
— Net amounts due to customers for contract works	**(545,880)**	448,964
— Trade and other receivables	**10,550**	(174,389)
— Trade and other payables	**472,806**	55,444
Cash generated from operations	**155,613**	528,811

(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.

28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Acquisition of a subsidiary

On 9 January 2017, the Group acquired a property holding group in Hong Kong from Catchy Investments Limited, a wholly-owned subsidiary of New World Development Company Limited and a related company of the Group, at a consideration of HK$282,300,194 which composed of the 100% equity interest in Optimum Result Holdings Limited and its wholly owned subsidiary called Ocean Front Investments Limited in order to acquire additional premises for office use by members of the Group as well as reducing the Group's costs in leasing of office premises in the long run.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Net assets acquired	
Leasehold land and buildings	282,533
Deferred tax assets	122
Deposits and prepayment	281
Cash and bank balances	289
Accrued expenses	(860)
Taxation payable	(65)
Consideration	282,300

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiary:

	HK$'000
Cash paid	(282,300)
Cash and cash equivalent acquired	289
	(282,011)

29 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 2017.

(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
新豐福貿易(上海)有限公司	Note i
Fung Seng Diamond Co Ltd	Note i
General Security (H.K.) Limited	Note i
New China Laundry Ltd	Note i
Waihong Environmental Services Ltd	Note i
Waihong Pest Control Services Ltd	Note i
Hong Kong Island Landscape Co Ltd	Note i
Great City Developments Co Ltd	Note i
The Dynasty Club Ltd	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	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
AOS Management Ltd	Note ii
Direct Profit Development Ltd	Note ii
Ever Light Limited	Note ii
New World Construction Company Limited	Note ii
Bright Link Engineering Limited	Note ii

29 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
Discovery Park Commercial Services Limited	Note ii
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
K11 Select Ltd	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
Chow Tai Fook Jewellery and Watch (HK) Ltd	Note ii
GH Hotel Company Limited (Formerly known as Grand Hyatt Hong Kong Co Ltd)	Note ii
Head Step Ltd T/A Pentahotel 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 Ltd	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
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

29 RELATED PARTY TRANSACTIONS *(Continued)*

(a) The directors of the Company are of the view that the related parties that had transactions with the Group are listed below: *(Continued)*

Name	Relationship
Chow Tai Fook 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
新世界百貨集團上海匯妍百貨有限公司	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
清遠新世界旅遊發展有限公司	Note ii
北京新策項目管理諮詢服務有限公司	Note ii
Hong Kong Golf & Tennis Academy Management Co., Ltd.	Note ii
Victoria Nursery	Note ii
Build King Construction Ltd	Note ii
Hip Hing — Hanison Joint Venture	Note ii
Urbran Parking Ltd	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.

29 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2017.

Related party transactions:

	2017 HK$'000	2016 HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**56,708**	40,552
Other related companies	**1,730,284**	1,688,068
	1,786,992	1,728,620

	2017 HK$'000	2016 HK$'000
Insurance broking service expenses (Note ii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**17,654**	15,118
Rental expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**8,329**	6,325
Other related companies	**244**	176
	8,573	6,501

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

29 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2017 **HK$'000**	2016 HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**11,385**	15,770
Other related companies	**60,015**	156,256
	71,400	172,026
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**4,825**	5,541
Other related companies	**40,180**	205,845
	45,005	211,386
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**8,046**	4,990
Other related companies	**257,003**	652,567
	265,049	657,557
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**1,622**	530
Other related companies	**214,776**	188,388
	216,398	188,918
Retention payables		
Other related companies	**–**	14
Advance received for contract works		
Other related companies	**–**	5,759

29 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:

	2017 **HK$'000**	2016 HK$'000
Fees	**1,281**	633
Salaries and other emoluments	**30,617**	29,119
Contributions to defined contribution schemes	**1,823**	1,520
	33,721	31,272

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

	2017	2016
	Number of individuals	
Emolument bands		
Nil–HK$1,000,000	**5**	6
HK$1,000,001–HK$1,500,000	**3**	–
HK$1,500,001–HK$2,000,000	**7**	6
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
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**	1
	20	18

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current asset		
Subsidiaries	**501,697**	501,697
Current assets		
Trade and other receivables	**236**	223
Amounts due from subsidiaries	**428,105**	76,487
Cash and bank balances	**385**	162,549
	428,726	239,259
Total assets	**930,423**	740,956
EQUITY		
Share capital	**45,000**	45,000
Reserves (note (a))	**613,262**	694,413
Total equity	**658,262**	739,413
LIABILITIES		
Current liabilities		
Trade and other payables	**2,603**	1,543
Amounts due to subsidiaries	**269,558**	–
Total liabilities	**272,161**	1,543
Total equity and liabilities	**930,423**	740,956
Net current assets	**156,565**	237,716
Total assets less current liabilities	**658,262**	739,413

The statement of financial position of the Company was approved by the Board of Directors on 22 September 2017 and was signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

30 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 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
At 1 July 2016	743,204	(48,791)	694,413
Loss for the year	–	(5,551)	(5,551)
Dividend	–	(75,600)	(75,600)
At 30 June 2017	**743,204**	**(129,942)**	**613,262**

31 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS

The following is a list of the principal subsidiaries and joint operations as at 30 June 2017:

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 2017	2016	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$10,100,000	**100**	100	Trading of equipment and materials

31 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 2017	2016	Principal activities
Indirectly owned subsidiaries: (Continued)					
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	**100**	100	Trading of environmental products and the provision of related engineering and consultancy services
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares paid up to HK$10,000,020	**100**	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Services (Macao) Limited	Macau	MOP25,000	**100**	100	Mechanical and electrical engineering
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 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

31 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 2017	2016	Principal activities
Indirectly owned subsidiaries: (Continued)					
Trident Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares paid up to HK$50,000,000	**100**	100	Provision of mechanical and electrical engineering services
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[1]	Mainland China[2]	RMB50,000,000	**100**	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司	Mainland China[2]	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[2]	RMB15,000,000	**100**	100	Mechanical and electrical engineering
Yau Fai Building Material Supplies (Macao) Limited	Macau	MOP25,000	**100**	–	Trading and supply of building materials
Lucky Bridge Investments Limited	Hong Kong	USD1	**100**	–	Investment in trading securities
Ocean Front Investments Limited	Hong Kong	HK$1	**100**	–	Property holding

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 2017	2016	Principal activities
Joint operations:					
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) This subsidiary changed its name to 豐盛機電工程有限公司 on 14 August 2017.

(2) These subsidiaries are limited liability companies incorporated in Mainland China.