Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

1.1 General information

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

Pursuant to a special resolution passed by the shareholders of the Company on 10 April 2018 and the issue of Certificate of Incorporation on Change of Name on 11 April 2018, the English name of the Company was changed from "FSE Engineering Holdings Limited" to "FSE Services Group Limited" and the Chinese name of the Company was changed from "豐盛機電控股有限公司" to "豐盛服務集團有限公司" with effect from 11 April 2018. The Company name was changed for the purposes of reflecting the status of the enlarged Group after completion of the acquisition of the facility services business as described in Note 2.1(iii) to the consolidated financial statements and better promoting the corporate image and future business development of the Group.

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, trading of environmental products, and provision of related engineering consultancy in Hong Kong, Mainland China and Macau, cleaning and management of waste disposal services, recycling and environmental disposal services and provision of laundry services in Hong Kong. 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 26 September 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, 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 to the consolidated financial statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation *(Continued)*

(i) Amendments to existing standards that are effective for the Group's financial year beginning on 1 July 2017

The following amendments to existing standards, that are relevant to the Group's operation, are mandatory for the financial year of the Group beginning on 1 July 2017:

HKAS 7 Amendments	Disclosure initiative
HKAS 12 Amendments	Recognition of deferred tax assets for unrealised losses
HKFRS 12 Amendments	Disclosure of interests in other entities

The adoption of the above amendments 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 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 40 Amendments	Transfers of investment property	1 January 2018
HKFRS 2 Amendments	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 Amendments	Clarifications to HKFRS 15	1 January 2018
HK (IFRIC) - Int 22	Foreign currency transactions and advance consideration	1 January 2018
Annual Improvements	2014 – 2016 cycle	1 January 2018
HKAS 19 Amendments	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 Amendments	Long-term interests in associate and joint ventures	1 January 2019
HKFRS 9 Amendments	Prepayment features with negative compensation and modification of financial liabilities	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) - Int 23	Uncertainty over income tax treatments	1 January 2019
Annual Improvements	2015 – 2017 cycle	1 January 2019
HKFRS17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or 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 derecognition of financial assets and financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes effective for its annual reporting period beginning on 1 July 2018.

The Group does not expect the new guidance will have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standard ("HKAS") 39 "Financial instruments: recognition and measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. The Group expects there will not be any material effect on the results and financial positions in the impairment provision of financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments in the year of adoption of the new standard.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 "Revenue" which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 "Construction contracts" which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim period within annual reporting period beginning on or after 1 January 2018. The Group will adopt the new standard using the modified retrospective approach from the Group's annual reporting period beginning on 1 July 2018.

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 results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$87.4 million. This will result in the recognition of an asset and a liability for future payments, and the Group expects there will not be any material effect on the profit or loss.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory to the Group's annual reporting period beginning on or after 1 July 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) Application of business combinations under common control

On 27 February 2018, FSE Facility Services Group Limited ("FSGL"), a wholly-owned subsidiary of the Company, as the purchaser and FSE Management Company Limited ("FMC"), a fellow subsidiary of the Company, as the vendor entered into a conditional sales and purchase agreement, pursuant to which FMC agreed to sell, and FSGL agreed to purchase, the entire issued share capital of Crystal Brilliant Limited and its subsidiaries (the "Target Group"), except for those of the Non-Target Group as described below, at an initial cash consideration of HK$502.0 million, subject to subsequent adjustment by reference to the change in the net tangible asset value ("NTAV") of the Target Group from 31 December 2017 to the date of completion of the acquisition. The acquisition was completed on 11 April 2018 (the "Completion Date") and a positive NTAV adjustment of HK$13.8 million was made to the total consideration for this transaction, which thus in aggregate amounts to HK$515.8 million. Prior to the completion of the acquisition on 11 April 2018, the entire issued share capital of Macro Brilliant Limited and its subsidiary (the "Non-Target Group") was disposed of by the Target Group to FMC in February 2018. The Target Group (or the "Acquired Group") is principally engaged in the provision of facility services including cleaning and laundry services.

The acquisition was considered as a business combination under common control as FSGL and the Target Group are both ultimately controlled by FSE Holdings Limited. Under HKFRS, the acquisition of the Target Group was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. Accordingly, the acquired Target Group was included in the consolidated financial statements from the beginning of the earliest period presented as if the Target Group acquired had always been part of the Group. As a result, the Group has restated its 2017 comparative amounts of the consolidated income statement and consolidated statement of comprehensive income by including the operating results of the Target Group and eliminated its transactions with the Target Group, as if the acquisition had been completed on the earliest date being presented, i.e. 1 July 2016. The consolidated statement of financial position of the Group as at 30 June 2017 was restated to include the assets and liabilities of the Target Group.

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

The Non-Target Group was included in the consolidated financial statements before the Completion Date, as it formed an integral part of the Target Group prior to the Completion Date. Upon completion of the acquisition of the Target Group on 11 April 2018, the excess of the book values of the assets and liabilities of the Non-Target Group over the consideration of disposal by the Target Group for these net assets amounting to HK$10.3 million was recorded as a deemed distribution from the Group to FSE Holdings Limited.

The following are reconciliations of the effects arising from the accounting of common control combination in accordance with AG 5 on the Group's consolidated income statements, consolidated statements of comprehensive income and consolidated statements of financial position in connection with the Target Group as at/for the years ended 30 June 2018 and 2017:

(a) Effect on the consolidated income statement for the year ended 30 June 2018:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	3,757,158	1,170,985	(1,625)	4,926,518
Cost of services and sales	(3,317,430)	(1,019,200)	1,133	(4,335,497)
Gross profit	439,728	151,785	(492)	591,021
Other income/gains, net	1,454	1,882	–	3,336
General and administrative expenses	(239,206)	(84,471)	492	(323,185)
Operating profit	201,976	69,196	–	271,172
Finance income	18,163	31	–	18,194
Finance costs	–	(1,066)	–	(1,066)
Profit before income tax	220,139	68,161	–	288,300
Income tax expenses	(40,590)	(10,926)	–	(51,516)
Profit for the year attributable to equity holders of the Company	179,549	57,235	–	236,784
Earnings per share for profit attributable to equity holders of the Company (expressed in HK$ per share)				
— Basic and diluted	0.40	0.13	–	0.53

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

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(b) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2018:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Consolidated HK$'000
Profit for the year attributable to equity holders of the Company	179,549	57,235	236,784
Other comprehensive income:			
Items that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	6,225	–	6,225
Reclassification of revaluation reserve to profit or loss upon maturity or disposal of available-for-sale financial assets, net of tax	754	–	754
Fair value change of available-for-sale financial assets, net of tax	(1,255)	–	(1,255)
Item that will not be subsequently reclassified to consolidated income statement:			
Remeasurement gains on long service payment liabilities, net of tax	–	6,750	6,750
Other comprehensive income, net of tax	5,724	6,750	12,474
Total comprehensive income for the year attributable to equity holders of the Company	185,273	63,985	249,258

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(c) Effect on the consolidated statement of financial position as at 30 June 2018:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	357,929	54,313	–	412,242
Land use rights	21,230	–	–	21,230
Investment property	11,620	–	–	11,620
Intangible assets	36,720	16,076	–	52,796
Deferred income tax assets	14,299	30	–	14,329
	441,798	70,419	–	512,217
Current assets				
Inventories	22,832	3,174	–	26,006
Amounts due from customers for contract works	343,029	–	–	343,029
Trade and other receivables	1,037,575	241,518	(146)	1,278,947
Amount due from a related company	115,002	–	(115,002)	–
Cash and bank balances	301,154	106,407	–	407,561
	1,819,592	351,099	(115,148)	2,055,543
Total assets	2,261,390	421,518	(115,148)	2,567,760
EQUITY				
Share capital	45,000	–	–	45,000
Reserves	465,417	126,933	–	592,350
Total equity	510,417	126,933	–	637,350

Note: The adjustment represents the elimination of trade and other receivables of the Group owed by the Acquired Group.

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(c) Effect on the consolidated statement of financial position as at 30 June 2018 (Continued):

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	18,124	7,295	–	25,419
Long service payment liabilities	–	21,320	–	21,320
	18,124	28,615	–	46,739
Current liabilities				
Amounts due to customers for contract works	475,397	–	–	475,397
Amount due to a related company	–	115,002	(115,002)	–
Trade and other payables	1,203,761	139,708	(146)	1,343,323
Taxation payable	53,691	11,260	–	64,951
	1,732,849	265,970	(115,148)	1,883,671
Total liabilities	1,750,973	294,585	(115,148)	1,930,410
Total equity and liabilities	2,261,390	421,518	(115,148)	2,567,760
Net current assets	86,743	85,129	–	171,872
Total assets less current liabilities	528,541	155,548	–	684,089

Note: The adjustments represent the elimination of trade and other receivables of the Group owed by the Acquired Group.

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(d) Effect on the consolidated income statement for the year ended 30 June 2017:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	3,700,133	1,130,443	(958)	4,829,618
Cost of services and sales	(3,293,192)	(981,784)	958	(4,274,018)
Gross profit	406,941	148,659	–	555,600
Other income/gains, net	3,577	1,019	–	4,596
General and administrative expenses	(208,483)	(88,073)	–	(296,556)
Operating profit	202,035	61,605	–	263,640
Finance income	14,501	131	–	14,632
Finance costs	–	(373)	–	(373)
Profit before income tax	216,536	61,363	–	277,899
Income tax expenses	(42,740)	(9,763)	–	(52,503)
Profit for the year attributable to equity holders of the Company	173,796	51,600	–	225,396
Earnings per share for profit attributable to equity holders of the Company (expressed in HK$ per share)				
— Basic and diluted	0.39	0.11	–	0.50

Note: The adjustment represents the elimination of revenue charged between the Group and the Acquired Group.

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(e) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2017:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Consolidated HK$'000
Profit for the year attributable to equity holders of the Company	173,796	51,600	225,396
Other comprehensive income:			
Items that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	(9,027)	–	(9,027)
Fair value change of available-for-sale financial assets, net of tax	498	–	498
Other comprehensive income, net of tax	(8,529)	–	(8,529)
Total comprehensive income for the year attributable to equity holders of the Company	165,267	51,600	216,867

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(f) Effect on the consolidated statement of financial position as at 30 June 2017:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustment (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	382,754	113,113	–	495,867
Land use rights	21,655	–	–	21,655
Intangible assets	34,951	16,556	–	51,507
Deposits	–	2,038	–	2,038
Deferred income tax assets	11,725	27	–	11,752
Available-for-sale financial assets	47,654	–	–	47,654
	498,739	131,734	–	630,473
Current assets				
Inventories	23,034	2,598	–	25,632
Amounts due from customers for contract works	141,678	–	–	141,678
Trade and other receivables	830,792	220,591	(247)	1,051,136
Financial assets at fair value through profit or loss	31,489	–	–	31,489
Amount due from a related company	–	1,500	–	1,500
Available-for-sale financial assets	20,327	–	–	20,327
Cash and bank balances	978,322	135,730	–	1,114,052
	2,025,642	360,419	(247)	2,385,814
Total assets	2,524,381	492,153	(247)	3,016,287
EQUITY				
Share capital	45,000	–	–	45,000
Reserves	867,508	158,210	–	1,025,718
Total equity	912,508	158,210	–	1,070,718

Note: The adjustment represents the elimination of trade receivables of the Group owed by the Acquired Group.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(iii) Application of business combination under common control *(Continued)*

(f) Effect on the consolidated statement of financial position as at 30 June 2017 (Continued):

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustment (Note) HK$'000	Consolidated HK$'000
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	17,493	10,944	–	28,437
Long service payment liabilities	–	34,479	–	34,479
	17,493	45,423	–	62,916
Current liabilities				
Amounts due to customers for contract works	417,597	–	–	417,597
Amount due to a related company	–	90,845	–	90,845
Borrowings	–	30,000	–	30,000
Trade and other payables	1,125,626	154,137	(247)	1,279,516
Taxation payable	51,157	13,538	–	64,695
	1,594,380	288,520	(247)	1,882,653
Total liabilities	1,611,873	333,943	(247)	1,945,569
Total equity and liabilities	2,524,381	492,153	(247)	3,016,287
Net current assets	431,262	71,899	–	503,161
Total assets less current liabilities	930,001	203,633	–	1,133,634

Note: The adjustment represents the elimination of trade receivables of the Group owed by the Acquired Group.

No other significant adjustments were made by the Group during the year to the net assets and net profit or loss of any entities of the Group and the Acquired Group as a result of the business combination under common control to achieve consistency of accounting policies.

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.

(ii) Business combinations under common control

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

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

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

(iii) Business combinations not under common control

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

Acquisition-related costs are expenses 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 combined income statement.

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

2.2 Consolidation *(Continued)*

(iii) Business combinations not under common control *(Continued)*

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

(iv) Disposal of subsidiaries

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

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend 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 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.4 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.

(iv) Disposal of foreign operation and partial disposal

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.5 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.

(iii) Internally generated environmental technology

(1) Environmental technology

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

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

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

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

2.5 Intangible assets *(Continued)*

(iii) Internally generated environmental technology *(Continued)*

(2) Research and development

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

(3) Amortisation method and period

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

Internally generated environmental technology	10 years

2.6 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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 to the consolidated financial statements).

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

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

2.7 Investment property

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

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

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

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

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

2.8 Inventories

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

2.9 Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 2.21 to the consolidated financial statements, 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

(i) *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.

(ii) *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.

(iii) *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.

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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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 income statement.

(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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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 to the consolidated financial statements 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.

2.14 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

2.17 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 Borrowings

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.19 Borrowing costs

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

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

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

2.20 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.21 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. Revenue from the provision and management of cleaning and waste disposal services, provision of recycling and environmental services, laundry services and pest control services are recognised when the services are rendered.

(iii) Sales of goods

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

(iv) Interest income

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

(v) Dividend income

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

(vi) Linen management services

Income from the provision of linen management services is recognised in accordance with the terms of the service agreements on an accrual basis.

(vii) Rental income of investment property

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.22 Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plan

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

(iii) Defined contribution schemes

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

(iv) Long service payment liabilities

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

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

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

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

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

2.23 Operating leases

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.24 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.

2.25 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 and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

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

(i) Credit risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(ii) Liquidity risk

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

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year	
For the year ended 30 June	**2018**	2017 (restated)
	HK$'000	HK$'000
Trade and other payables, excluding accrued employee benefits	**1,160,535**	1,103,436
Amount due to a related company	**–**	90,845
Borrowings	**–**	30,000

(iii) 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 2018 and 2017, 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 2018, the Group had net monetary assets denominated in United States dollar of HK$82.0 million (2017: HK$190.6 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.

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:

	Level 1	
As at 30 June	**2018 HK$'000**	2017 HK$'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 year ended 30 June 2018.

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, costs and foreseeable losses 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.

Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. When it is probable that total budgeted contracting costs will exceed total budgeted contracting income, the expected loss is recognised as an expense immediately.

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 17 to the consolidated financial statements.

4.3 Long service payment liabilities

The present value of the long service payment liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for long service payment liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of long service payment liabilities.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service payment liabilities. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the liabilities will be paid, and that have terms to maturity approximating the terms of the related long service payment liabilities.

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 29 to the consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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 and facility service income. An analysis of the Group's revenue is as follows:

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Revenue		
Contracting services	**3,532,839**	3,470,516
Maintenance services	**129,587**	113,539
Sales of goods	**93,616**	115,332
Facility services	**1,170,476**	1,130,231
	4,926,518	4,829,618

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The CODM considers the business from product and service perspectives and the Group is organised into three 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;

(iii) Facility services — Management of cleaning and waste disposal services, recycling and environmental disposal services and provision of laundry 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.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, land use rights, investment property, intangible assets, deferred income tax assets, inventories, amounts due from customers for contract works, trade and other receivables and cash and bank balances.

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

As at 30 June 2018, 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).

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 30 June 2018

The segment results for the year ended 30 June 2018 and other segment items included in the consolidated income statement are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External	3,694,258	61,784	1,170,476	–	4,926,518
Revenue — Internal	1,074	2,857	509	(4,440)	–
Total revenue					4,926,518
Operating profit before unallocated corporate expenses	204,674	7,697	69,196	–	281,567
Unallocated corporate expenses					(10,395)
Operating profit					271,172
Finance income (Note 10)					18,194
Finance costs (Note 10)					(1,066)
Profit before income tax					288,300
Income tax expenses					(51,516)
Profit for the year attributable to equity holders of the company					236,784
Other items					
Depreciation (Notes 14 and 16)	25,808	2,247	19,809	–	47,864
Amortisation of land use rights (Note 15)	588	–	–	–	588
Amortisation of intangible assets (Note 17)	370	–	480	–	850

The segment assets and liabilities as at 30 June 2018 and capital expenditure for the year then ended are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Total HK$'000
Segment assets	1,950,752	40,999	306,154	2,297,905
Unallocated assets				269,855
Total assets				2,567,760
Segment liabilities	(1,733,265)	(15,130)	(179,221)	(1,927,616)
Unallocated liabilities				(2,794)
Total liabilities				(1,930,410)
Capital expenditure	14,358	473	19,803	34,634
Unallocated capital expenditure				–
Total capital expenditure				34,634

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

The segment results for the year ended 30 June 2017, 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	Facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External, as restated	3,645,410	53,977	1,130,231	–	4,829,618
Revenue — Internal, as restated	639	12,082	212	(12,933)	–
Total revenue					4,829,618
Operating profit before unallocated corporate expenses, as restated	202,284	5,302	61,605	–	269,191
Unallocated corporate expenses					(5,551)
Operating profit, as restated					263,640
Finance income, as restated (Note 10)					14,632
Finance costs, as restated (Note 10)					(373)
Profit before income tax, as restated					277,899
Income tax expenses, as restated					(52,503)
Profit for the year attributable to equity holders of the Company, as restated					225,396
Other items					
Depreciation, as restated (Note 14)	23,939	2,124	21,274	–	47,337
Amortisation of land use rights (Note 15)	582	–	–	–	582
Amortisation of intangible assets, as restated (Note 17)	370	–	480	–	850

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

The segment assets and liabilities as at 30 June 2017 and capital expenditure, as restated, for the year then ended are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility Services HK$'000	Total HK$'000
Segment assets, as restated	2,092,333	35,950	492,153	2,620,436
Unallocated assets				395,851
Total assets, as restated				3,016,287
Segment liabilities, as restated	1,596,093	12,877	333,696	1,942,666
Unallocated liabilities				2,903
Total liabilities, as restated				1,945,569
Capital expenditure, as restated	32,408	1,025	18,851	52,284
Unallocated capital expenditure				–
Total capital expenditure, as restated				52,284

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

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

For the year ended 30 June	**2018** **HK$'000**	2017 (restated) HK$'000
Revenue		
Hong Kong	**3,913,818**	3,972,561
Mainland China	**658,832**	476,794
Macau	**353,868**	380,263
	4,926,518	4,829,618

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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:

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Customer A	1,335,275	1,470,119

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

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

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Non-current assets, other than deferred tax assets		
Hong Kong	441,781	562,188
Mainland China	25,756	25,572
Macau	30,351	30,961
	497,888	618,721

6 OTHER INCOME/GAINS, NET

	2018 HK$'000	2017 (restated) HK$'000
Exchange gain, net	6,134	2,361
Rental income	790	–
(Loss)/gain on disposal of property, plant and equipment and land use rights, net	(151)	529
(Loss)/gain on disposal or maturity of financial assets at fair value through profit or loss and available-for-sale financial assets	(5,652)	445
Ex-gratia payment from the government for retirement of motor vehicles	295	726
Sundries	1,920	535
	3,336	4,596

7 OPERATING PROFIT

For the year ended 30 June	Notes	2018 HK$'000	2017 (restated) HK$'000
Operating profit is stated after charging/(crediting):			
Cost of inventories sold		**49,802**	64,951
Raw materials and consumables used		**987,718**	968,310
Subcontracting fees		**1,895,954**	1,816,101
Provision for inventories		**245**	2,230
Staff costs (including Directors' emoluments)	8, 9		
Salaries and allowances		**1,342,235**	1,292,200
Pension cost on defined contribution schemes		**55,062**	52,054
Add/(less): Staff costs released/(capitalised) under contracts in progress		**3,529**	(17,974)
Depreciation of property, plant and equipment	14	**47,768**	47,337
Depreciation of investment property	16	**96**	–
Amortisation of land use rights	15	**588**	582
Amortisation of intangible assets	17	**850**	850
Operating lease rental for land and buildings		**41,028**	37,119
Less: Operating lease rental capitalised under contracts in progress		**(5,711)**	(3,610)
Reversal of impairment loss on trade receivables	22	**(727)**	(45)
Impairment loss on trade and other receivables	22	**1,463**	436
Auditors' remuneration			
Audit services		**4,607**	4,953
Non-audit services		**2,030**	1,065

8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Salaries, wages and bonuses	**1,342,235**	1,292,200
Contributions to defined contribution schemes	**55,062**	52,054
Add/(less): Staff costs released/(capitalised) under contracts in progress	**3,529**	(17,974)
	1,400,826	1,326,280

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

For the year ended 30 June	2018 HK$'000	2017 HK$'000
Fees	1,440	1,281
Salaries and other emoluments	16,868	14,183
Contributions to defined contribution schemes	970	957
	19,278	16,421

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 2018 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
Lam Wai Hon, Patrick	–	1,836	–	–	184	2,020
Poon Lock Kee, Rocky	–	3,454	3,228	–	345	7,027
Doo William Junior Guilherme	–	1,530	–	–	77	1,607
Lee Kwok Bong	–	1,273	–	–	95	1,368
Soon Kweong Wah	–	2,686	1,691	–	269	4,646
Wong Shu Hung	–	936	234	–	–	1,170
Cheng Kar Shun, Henry	321	–	–	–	–	321
Wong Kwok Kin, Andrew	213	–	–	–	–	213
Kwong Che Keung, Gordon	267	–	–	–	–	267
Hui Chiu Chung, Stephen	213	–	–	–	–	213
Lee Kwan Hung	213	–	–	–	–	213
Tong Yuk Lun, Paul	213	–	–	–	–	213
	1,440	11,715	5,153	–	970	19,278

Notes to the Consolidated Financial Statements

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 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
Lam Wai Hon, Patrick	–	1,651	–	–	203	1,854
Poon Lock Kee, Rocky	–	3,313	1,161	–	331	4,805
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
Wong Kwok Kin, Andrew	105	900	1,000	–	–	2,005
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

Notes:

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

(b) During the year ended 30 June 2018, 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 (2017: Nil).

(c) With effect from 18 December 2017, Mr. Wong Shu Hung was appointed as an Executive Director of the Company.

(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 2018 include two directors (2017: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2017: two) individuals during the years are as follows:

For the year ended 30 June	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind and bonuses	7,584	5,165
Contributions to pension scheme	277	178
	7,861	5,343

The emoluments fell within the following bands:

	2018 Number of individuals	2017 Number of individuals
Emolument bands		
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	2	2

During the year ended 30 June 2018, 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 (2017: Nil).

10 FINANCE INCOME AND COSTS

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Finance income		
Interest from bank deposits	11,982	13,540
Interest from available-for-sale financial assets	2,845	960
Interest from financial assets at fair value through profit or loss	3,367	132
Finance income	18,194	14,632
Finance costs		
Interest on short-term bank borrowings	(1,066)	(373)
Net finance income	17,128	14,259

11 INCOME TAX EXPENSES

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Current income tax		
Hong Kong profits tax	**31,952**	28,108
Mainland China taxation		
Income tax	**12,913**	13,959
Withholding tax	**1,745**	4,025
Macau taxation	**7,567**	26,723
Over-provision in prior years	**(68)**	(595)
Deferred income tax (credit)/expense (Note 18)		
Income tax	**(2,977)**	(21,211)
Withholding tax	**384**	1,494
	51,516	52,503

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 2018 (2017: 12% to 25%). According to applicable the People's Republic of China ("PRC") tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiaries which are expected to fulfill the aforesaid conditions.

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

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Profit before income tax	**288,300**	277,899
Calculated at a tax rate of 16.5% (2017: 16.5%)	**47,570**	45,853
Effect of different taxation rates in other regions	**2,664**	2,039
Income not subject to taxation	**(2,227)**	(1,953)
Expenses not deductible for taxation purposes	**2,716**	3,233
Temporary difference not recognised	**306**	(161)
Utilisation of previously unrecognised tax losses	**(2,409)**	(1,612)
Tax losses not recognised	**835**	180
Withholding tax on undistributed earnings from subsidiaries in Mainland China	**2,129**	5,519
Over-provision in prior years	**(68)**	(595)
Income tax expenses	**51,516**	52,503

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 2018 and 2017.

For the year ended 30 June	**2018** **HK$'000**	2017 (restated) HK$'000
Profit attributable to equity holders of the Company	**236,784**	225,396
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**0.53**	0.50

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2018 and 2017, the diluted earnings per share equals the basic earnings per share.

13 DIVIDENDS

For the year ended 30 June	**2018** **HK$'000**	2017 HK$'000
Interim dividend paid of HK7.8 cents (2017: HK7.4 cents) per share	**35,100**	33,300
Final dividend proposed of HK13.3 cents (2017: HK8.1 cents) per share	**59,850**	36,450
	94,950	69,750

Note:

At a meeting held on 26 September 2018, the Board recommended a final dividend of HK13.3 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 2019.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2017							
Opening net book amount, as previously reported	24,935	42,022	16,594	1,537	7,992	1,334	94,414
Acquisition of the Acquired Group (Note 2.1(iii))	–	61,340	745	34,546	2,836	16,353	115,820
As restated	24,935	103,362	17,339	36,083	10,828	17,687	210,234
Additions	–	–	25,344	14,034	10,590	2,316	52,284
Disposals	–	(251)	(1,108)	(283)	(62)	(65)	(1,769)
Currency translation differences	–	(33)	(5)	–	(29)	(11)	(78)
Depreciation charge	–	(12,492)	(10,156)	(11,716)	(6,956)	(6,017)	(47,337)
Acquisition of subsidiaries (Note 32(b))	–	282,533	–	–	–	–	282,533
Closing net book value, as restated	24,935	373,119	31,414	38,118	14,371	13,910	495,867
At 30 June 2017							
Cost, as restated	24,935	426,679	56,715	137,648	71,196	41,134	758,307
Accumulated depreciation, as restated	–	(53,560)	(25,301)	(99,530)	(56,825)	(27,224)	(262,440)
Net book value, as restated	24,935	373,119	31,414	38,118	14,371	13,910	495,867
Year ended 30 June 2018							
Opening net book amount, as previously reported	24,935	313,758	30,372	1,583	11,094	1,012	382,754
Acquisition of the Acquired Group (Note 2.1(iii))	–	59,361	1,042	36,535	3,277	12,898	113,113
As restated	24,935	373,119	31,414	38,118	14,371	13,910	495,867
Additions	–	–	14,375	11,457	6,623	2,179	34,634
Disposals	–	–	(13)	(534)	(55)	(288)	(890)
Currency translation differences	–	90	14	–	44	21	169
Depreciation charge	–	(11,729)	(11,150)	(11,793)	(7,112)	(5,984)	(47,768)
Disposal of subsidiaries (Note 32(c))	–	(58,054)	–	–	–	–	(58,054)
Reclassification to investment property (Note 16)	–	(11,716)	–	–	–	–	(11,716)
Closing net book value	24,935	291,710	34,640	37,248	13,871	9,838	412,242
At 30 June 2018							
Cost	24,935	318,047	68,289	138,366	75,438	42,900	667,975
Accumulated depreciation	–	(26,337)	(33,649)	(101,118)	(61,567)	(33,062)	(255,733)
Net book value	24,935	291,710	34,640	37,248	13,871	9,838	412,242

Note:

(a) None of the above property, plant and equipment was pledged as security as at 30 June 2018 (2017: None).

15 LAND USE RIGHTS

	HK$'000
Year ended 30 June 2017	
Opening net book value	23,087
Currency translation 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 2018	
Opening net book value	**21,655**
Currency translation differences	**163**
Amortisation	**(588)**
Closing net book value	**21,230**
At 30 June 2018	
Cost	**23,728**
Accumulated amortisation	**(2,498)**
Net book value	**21,230**

16 INVESTMENT PROPERTY

	HK$'000
Year ended 30 June 2018	
Opening net book value	–
Reclassification from property, plant and equipment (Note 14)	11,716
Depreciation charge	(96)
Closing net book value	11,620
At 30 June 2018	
Cost	**14,700**
Accumulated depreciation	**(3,080)**
Net book value	**11,620**

Notes:

(a) The fair value of the Group's investment property is determined based on direct comparison method and it is within level 3 of the fair value hierarchy. Based on management's estimation, the fair value of the property is approximately HK$46.5 million as at 30 June 2018 (2017: Nil).

(b) For the year ended 30 June 2018, the Group's investment property generated rental income of HK$419,000 (2017: Nil) and incurred direct operating expenses of HK$388,000 (2017: Nil).

17 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and brand names HK$'000	Development costs HK$'000	Total HK$'000
Year ended 30 June 2017				
Opening net book value, as previously reported	33,841	1,480	–	35,321
Acquisition of the Acquired Group (Note 2.1(iii))	7,916	9,120	–	17,036
As restated	41,757	10,600	–	52,357
Amortisation	–	(850)	–	(850)
Closing net book value, as restated	41,757	9,750	–	51,507
At 30 June 2017				
Cost, as restated	46,428	26,660	–	73,088
Accumulated amortisation, as restated	–	(9,630)	–	(9,630)
Accumulated impairment	(4,671)	(7,280)	–	(11,951)
Net book value, as restated	41,757	9,750	–	51,507
Year ended 30 June 2018				
Opening net book value, as previously reported	33,841	1,110	–	34,951
Acquisition of the Acquired Group (Note 2.1(iii))	7,916	8,640	–	16,556
As restated	41,757	9,750	–	51,507
Additions	–	–	2,139	2,139
Amortisation	–	(850)	–	(850)
Closing net book value	41,757	8,900	2,139	52,796
At 30 June 2018				
Cost	46,428	26,660	2,139	75,227
Accumulated amortisation	–	(10,480)	–	(10,480)
Accumulated impairment	(4,671)	(7,280)	–	(11,951)
Net book value	41,757	8,900	2,139	52,796

17 INTANGIBLE ASSETS *(Continued)*

(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.

A summary of the goodwill allocation to business units is presented below:

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
E&M engineering	33,841	33,841
Cleaning services	7,916	7,916
	41,757	41,757

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using zero growth rate for the E&M business unit and 1% growth rate for the Cleaning services business unit. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

	2018		2017	
	E&M engineering	Cleaning services	E&M engineering	Cleaning services
Cash flows in the first five years				
Gross margin	9.5% – 9.7%	10.5% – 11.7%	9.5% – 9.7%	10.5% – 11.7%
Growth rate	5%	2% – 3%	5%	2% – 3%
Pre-tax discount rate	14%	9.5%	14%	9.5%
Cash flows beyond five-year period				
Terminal growth rate	0%	1%	0%	1%
Pre-tax discount rate	14%	9.5%	14%	9.5%

These assumptions have been used for the analysis of the group of CGUs within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2018 (2017: 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.

18 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Deferred income tax assets	**14,329**	11,752
Deferred income tax liabilities	**(25,419)**	(28,437)
	(11,090)	(16,685)

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 and net balances after offsetting at the end of the reporting periods are as follows:

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2016, as previously reported	275	4,061	245	4,581
Acquisition of the Acquired Group (Note 2.1(iii))	21	872	–	893
As restated	296	4,933	245	5,474
Credited/(charged) to consolidated income statement, as restated (Note 11)	197	(463)	8,466	8,200
Acquisition of subsidiaries (Note 32(b))	–	122	–	122
At 30 June 2017, as restated	493	4,592	8,711	13,796
At 1 July 2017, as previously reported	**466**	**3,962**	**8,711**	**13,139**
Acquisition of the Acquired Group (Note 2.1(iii))	**27**	**630**	**–**	**657**
As restated	**493**	**4,592**	**8,711**	**13,796**
Credited/(charged) to consolidated income statement (Note 11)	**800**	**(654)**	**1,440**	**1,586**
At 30 June 2018	**1,293**	**3,938**	**10,151**	**15,382**

	2018 HK$'000	2017 HK$'000
Total deferred income tax assets before offsetting	**15,382**	13,796
Less: Amount offset against deferred tax liabilities	**(1,053)**	(2,044)
Net deferred income tax assets after offsetting	**14,329**	11,752

18 DEFERRED INCOME TAX ASSETS/(LIABILITIES) *(Continued)*

Deferred income tax liabilities

	Accelerated deprecation allowance HK$'000	Fair value adjustment on trademarks and brand names HK$'000	Fair value adjustment on property, plant and equipment arising from business combinations HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2016, as previously reported	(642)	(244)	(15,326)	–	(13,605)	(29,817)
Acquisition of the Acquired Group (Note 2.1(iii))	(8,578)	(1,506)	(1,998)	–	–	(12,082)
As restated	(9,220)	(1,750)	(17,324)	–	(13,605)	(41,899)
Charged to other comprehensive income	–	–	–	–	(98)	(98)
Currency translation differences	–	–	–	–	(1)	(1)
(Charged)/credited to consolidated income statement (Note 11)	(98)	140	901	–	10,574	11,517
At 30 June 2017, as restated	(9,318)	(1,610)	(16,423)	–	(3,130)	(30,481)
At 1 July 2017, as previously reported	**(1,053)**	**(183)**	**(14,541)**	**–**	**(3,130)**	**(18,907)**
Acquisition of the Acquired Group (Note 2(iii))	**(8,265)**	**(1,427)**	**(1,882)**	**–**	**–**	**(11,574)**
As restated	**(9,318)**	**(1,610)**	**(16,423)**	**–**	**(3,130)**	**(30,481)**
(Charged)/credited to other comprehensive income	**–**	**–**	**–**	**(1,334)**	**99**	**(1,235)**
Credited to consolidated income statement (Note 11)	**335**	**140**	**351**	**–**	**181**	**1,007**
Disposal of subsidiaries (Note 32(c))	**2,432**	**–**	**1,805**	**–**	**–**	**4,237**
At 30 June 2018	**(6,551)**	**(1,470)**	**(14,267)**	**(1,334)**	**(2,850)**	**(26,472)**

	2018 HK$'000	2017 HK$'000
Total deferred income tax liabilities before offsetting	**(26,472)**	(30,481)
Less: Amount offset against deferred tax assets	**1,053**	2,044
Net deferred income tax liabilities after offsetting	**(25,419)**	(28,437)

As at 30 June 2018, the Group did not recognise deferred income tax assets of HK$15 million (2017: HK$14 million), arising from unused tax losses of HK$87 million (2017: HK$85 million). Except for tax losses of HK$0.6 million as at 30 June 2018 (2017: HK$0.4 million) which will expire within three years and except for tax losses of HK$3 million as at 30 June 2018 (2017: HK$3 million) which will expire within five years, the remaining tax losses have no expiry date.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 30 June	2018 HK$'000	2017 HK$'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 at 30 June 2017 are denominated in United States dollars.

20 INVENTORIES

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Raw materials	731	1,509
Finished goods	22,101	21,525
Spare parts and consumables	3,174	2,598
	26,006	25,632

21 CONTRACTS IN PROGRESS

As at 30 June	2018 HK$'000	2017 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	3,929,339	3,633,301
Progress payments received and receivable	(4,061,707)	(3,909,220)
	(132,368)	(275,919)
Representing		
Amounts due from customers for contract works	343,029	141,678
Amounts due to customers for contract works	(475,397)	(417,597)
	(132,368)	(275,919)

22 TRADE AND OTHER RECEIVABLES

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Trade receivables		
Third parties	**328,571**	288,218
Related companies (Note 33(c))	**116,195**	100,451
	444,766	388,669
Less: Provision for impairment		
Third parties	**(4,899)**	(4,609)
	439,867	384,060
Retention receivables		
Third parties	**125,263**	143,322
Related companies (Note 33(c))	**251,208**	216,398
	376,471	359,720
Accrued contract revenue	**378,197**	251,343
Other receivables and prepayments	**84,412**	56,013
	1,278,947	1,051,136

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 the Group.

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:

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Current – 90 days	**400,576**	356,020
91 – 180 days	**28,300**	18,505
Over 180 days	**10,991**	9,535
	439,867	384,060

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.

22 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.

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
1 – 90 days	268,271	163,615
91 – 180 days	28,300	18,505
Over 180 days	10,991	9,535
	307,562	191,655

At 30 June 2018, the Group's trade receivables of HK$4,899,000 (2017: HK$4,609,000, as restated) were impaired.

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

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Hong Kong dollars	1,087,104	866,635
Renminbi	183,673	162,295
Macau patacas	8,131	21,089
United States dollars	39	1,117
	1,278,947	1,051,136

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

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
At beginning of year	4,609	6,903
Exchange differences	(1)	(1)
Receivables written off during the year	(445)	(2,684)
Provision for the year	1,463	436
Reversal of provision during the year	(727)	(45)
At end of year	4,899	4,609

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.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June	2018 HK$'000	2017 HK$'000
Current		
Listed securities, at fair value	–	31,489

The financial assets at fair value through profit or loss at 30 June 2017 are denominated in United States Dollars.

24 AMOUNT DUE FROM/(TO) A RELATED COMPANY

The balances are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of these balances approximate to their fair value and they are denominated in Hong Kong dollars.

25 CASH AND BANK BALANCES

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Time deposits — original maturities within three months	78,474	808,705
Time deposits — original maturities over three months	–	10,000
Other cash at banks and in hand	329,087	295,347
	407,561	1,114,052

At 30 June 2018, the effective interest rate on bank deposits is 2.00% per annum (2017: 1.12% per annum).

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

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Hong Kong dollars	197,432	673,932
Renminbi	115,598	319,882
Macau patacas	6,691	17,350
United States dollars	81,994	93,049
Euros	2,954	7,825
Others	2,892	2,014
	407,561	1,114,052

26 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 2017 and 2018	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2017 and 2018	450,000,000	45,000

27 RESERVES

	Investment revaluation reserve HK$'000	Share premium HK$'000	Merger reserve (Note a) HK$'000	Exchange reserve HK$'000	Statutory reserves (Note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2016, as previously reported	–	743,204	(146,414)	(16,941)	21,044	176,948	777,841
Acquisition of the Acquired Group (Note 2.1(iii))	–	–	137,014	–	–	19,596	156,610
As restated	–	743,204	(9,400)	(16,941)	21,044	196,544	934,451
Profit for the year, as restated	–	–	–	–	–	225,396	225,396
Fair value changes of available-for-sale financial assets, net of tax	498	–	–	–	–	–	498
Dividends	–	–	–	–	–	(75,600)	(75,600)
Dividends to the original shareholder of subsidiaries of the Acquired Group, as restated	–	–	–	–	–	(50,000)	(50,000)
Currency translation differences	–	–	–	(9,027)	–	–	(9,027)
Appropriation to statutory reserves	–	–	–	–	713	(713)	–
At 30 June 2017, as restated	498	743,204	(9,400)	(25,968)	21,757	295,627	1,025,718
At 1 July 2017, as previously reported	498	743,204	(146,414)	(25,968)	21,757	274,431	867,508
Acquisition of the Acquired Group (Note 2.1(iii))	–	–	137,014	–	–	21,196	158,210
As restated	498	743,204	(9,400)	(25,968)	21,757	295,627	1,025,718
Profit for the year	–	–	–	–	–	236,784	236,784
Reclassification of revaluation reserve to profit or loss upon maturity or disposal of available-for-sale financial assets, net of tax	754	–	–	–	–	–	754
Fair value changes of available-for-sale financial assets, net of tax	(1,255)	–	–	–	–	–	(1,255)
Dividends	–	–	–	–	–	(71,550)	(71,550)
Dividends to the original shareholder of subsidiaries of the Acquired Group	–	–	–	–	–	(85,000)	(85,000)
Acquisition of the Acquired Group	–	–	(515,814)	–	–	–	(515,814)
Deemed distribution	–	–	–	–	–	(10,262)	(10,262)
Remeasurement gains on long service payment liabilities	–	–	–	–	–	8,084	8,084
Deferred tax on remeasurement gains on long service payment liabilities	–	–	–	–	–	(1,334)	(1,334)
Currency translation differences	3	–	–	6,222	–	–	6,225
Appropriation to statutory reserves	–	–	–	–	441	(441)	–
At 30 June 2018	–	743,204	(525,214)	(19,746)	22,198	371,908	592,350

27 RESERVES *(Continued)*

Notes:

(a) Merger reserve arises from (i) the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital upon the completion of the reorganisation on 30 June 2015 and (ii) the difference between the consideration for the acquisition of Crystal Brilliant Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Facility Services Group Limited, and their issued share capital upon the completion of the acquisition on 11 April 2018.

(b) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

(c) During the year ended 30 June 2018, the board of directors of the PRC companies resolved to appropriate HK$441,000 (2017: HK$713,000) from retained earnings to statutory reserves.

28 TRADE AND OTHER PAYABLES

As at 30 June	**2018** **HK$'000**	2017 (restated) HK$'000
Trade payables		
Third parties	**277,258**	91,404
Related companies (Note 33(c))	**147**	3,087
	277,405	94,491
Bills payable		
Third parties	**–**	9,355
Retention payables		
Third parties	**237,290**	207,815
Accrued expenses	**198,882**	204,300
Provision for contracting costs	**578,139**	660,915
Other creditors and accruals	**51,607**	102,640
	1,343,323	1,279,516

The carrying amounts of the balances approximate their fair values.

28 TRADE AND OTHER PAYABLES *(Continued)*

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

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Hong Kong dollars	**932,248**	1,007,812
Renminbi	**280,332**	168,734
Macau patacas	**130,594**	93,882
United States dollars	**103**	5,152
Malaysian ringgits	**16**	16
Euros	**4**	3,912
Others	**26**	8
	1,343,323	1,279,516

The ageing analysis of the Group's trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
1 – 90 days	**274,934**	86,874
91 – 180 days	**1,232**	6,227
Over 180 days	**1,239**	1,390
	277,405	94,491

29 LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's MPF and ORSO schemes that are attributable to contributions made by the Group. The Group has not set aside any assets to fund any remaining obligations.

The liability recognised in the combined statement of financial position is the present value of unfunded obligations and its movements are as follows:

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Beginning of the year	**34,479**	33,305
Expenses recognised in the consolidated income statement	**3,068**	2,010
Remeasurement gains recognised in other comprehensive income	**(8,084)**	–
Benefits paid	**(8,143)**	(836)
End of the year	**21,320**	34,479

29 LONG SERVICE PAYMENT LIABILITIES *(Continued)*

Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	2018	2017 (restated)
Discount rate	1.30%	1.30%
Long term rate of salary increases	3.80% – 4.80%	3.80% – 4.80%
Long term rate of increase of maximum salary and amount of long service payment and MPF Relevant Income limit	3.0%	3.0%
Long term average expected return on MPF and ORSO balances	3.75% – 4.25%	3.75% – 4.25%

The below analysis shows how the long service payment liability as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	2018		2017	
Assumptions	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000	Increase in 0.25% HK$'000 (restated)	Decrease in 0.25% HK$'000 (restated)
Long term rate of salary increases	1,328	(1,347)	2,096	(2,110)
Long term average expected return on MPF and ORSO balances	(1,019)	1,049	(1,439)	1,419

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the long service payment liability to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the long service payment liability recognised within the consolidated statement of financial position.

30 BORROWINGS

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Current		
Bank borrowings — Secured	–	30,000

Borrowings at 30 June 2017 are interest bearing at effective interest rates of 1.2% per annum. The carrying amounts of the borrowings approximate its fair values and are denominated in Hong Kong dollar.

Borrowings are secured by a corporate guarantee provided by a related company of the Group.

31 COMMITMENTS

Operating lease commitments

(a) The Group as lessees

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

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
No later than one year	**40,725**	30,371
Later than one year and no later than five years	**41,253**	20,909
Over five years	**5,376**	–
	87,354	51,280

(b) The Group as a lessor

The Group's investment property is leased to a tenant under a long-term operating lease with rentals payable monthly. Minimum lease payments receivable on the lease of the Group's investment property are as follows:

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
No later than one year	**1,936**	371
Later than one year and no later than five years	**7,420**	265
More than five years	**8,804**	–
	18,160	636

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended 30 June	Notes	2018 HK$'000	2017 (restated) HK$'000
Profit before income tax		**288,300**	277,899
Finance income		**(18,194)**	(14,632)
Finance costs		**1,066**	373
Amortisation of land use rights	15	**588**	582
Amortisation of intangible assets	17	**850**	850
Depreciation of property, plant and equipment	14	**47,768**	47,337
Depreciation of investment property	16	**96**	–
Provision for inventories	7	**245**	2,230
Reversal of impairment loss on trade receivables	7	**(727)**	(45)
Impairment loss on trade and other receivables	7	**1,463**	436
Loss/(gain) on disposal of land use right and property, plant and equipment, net	6	**151**	(529)
Loss/(gain) on disposal or maturity of financial assets at fair value through profit or loss and available-for-sale financial assets	6	**5,652**	(445)
Long service payment liabilities			
Expenses recognised in the consolidated income statement	29	**3,068**	2,010
Benefit paid	29	**(8,143)**	(836)
Unrealised exchange differences		**(2,502)**	(4,612)
Operating cash flows before changes in working capital		**319,681**	310,618
Changes in working capital:			
Inventories		**(619)**	(7,041)
Net amounts due to customers for contract works		**(145,575)**	(545,880)
Trade and other receivables		**(221,498)**	(11,858)
Trade and other payables		**59,164**	483,049
Cash generated from operations		**11,153**	228,888

(b) Business combination under common control/acquisition of subsidiaries

On 11 April 2018, the Group acquired the Acquired Group at a total consideration of HK$515.8 million. Details of the transaction are set out in Note 2.1(iii) to the consolidated financial statements.

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$282.3 million 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.

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

(b) Business combination under common control/acquisition of subsidiaries *(Continued)*

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	
Property, plant and equipment (Note 14)	282,533
Deferred income tax assets (Note 18)	122
Trade and other receivables	281
Cash and bank balances	289
Trade and other payables	(860)
Taxation payable	(65)
Consideration	282,300

Analysis of net outflow of cash and cash equivalents in respect of the above acquisition of subsidiaries:

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

(c) Disposal of subsidiaries

In February 2018, New China Steam Laundry Limited, a wholly-owned subsidiary of the Acquired Group, disposed of its 100% equity interest in Marco Brilliant Limited and its subsidiary with a net asset value of HK$53.5 million for HK$43.3 million to FMC and settled it through its current account with FMC (Note 32(d)). Details of the transaction were set out in Note 2.1(iii).

The total net assets of the disposed subsidiary at the date of disposal were as follows:

	HK$'000
Property, plant and equipment (Note 14)	58,054
Cash and bank balances	444
Deferred income tax liabilities (Note 18)	(4,237)
Trade and other payables	(680)
Taxation payable	(35)
Net assets	53,546
Deemed distribution	(10,262)
Consideration	43,284

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

(c) Disposal of subsidiaries *(Continued)*

Analysis of net outflow of cash and cash equivalents in respect of the above disposal of subsidiaries:

	HK$'000
Cash considerations received during the year	–
Less: Cash and cash equivalents disposed	(444)
	(444)

(d) Major non-cash transactions

As described in Note 32(c), in February 2018, New China Steam Laundry Limited disposed of its 100% equity interest in Marco Brilliant Limited and its subsidiary for HK$43.3 million to FMC and settled it through its current account with FMC (Note 32(e)).

In February 2018, NCL settled HK$1.5 million of its amounts due to FMC through offsetting against its receivables from FMC (Note 32(e)).

(e) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for the year ended 30 June 2018.

	Cash and cash equivalents HK$'000	Amount due to a related company HK$'000	Borrowings due within one year HK$'000	Total HK$'000
Net cash at 1 July 2017, as previously reported	968,322	–	–	968,322
Acquisition of the Acquired Group (Note 2.1(iii))	135,730	(90,845)	(30,000)	14,885
As restated	1,104,052	(90,845)	(30,000)	983,207
Cash flows	(707,120)	46,061	30,000	(631,059)
Non-cash transaction (Note 32(d))	–	44,784	–	44,784
Currency translation differences	10,629	–	–	10,629
Net cash at 30 June 2018	407,561	–	–	407,561

(f) 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.

33 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 2018.

(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
DMI Development Limited	Note i
Fast Solution Limited	Note i
General Security (H.K.) Limited	Note i
Great City Developments Co Ltd	Note i
Hong Kong Island Landscape Company Limited	Note i
International Property Management Limited	Note i
Kenbase Engineering Limited	Note i
Kiu Lok Service Management Company Limited	Note i
KOHO Facility Management Limited	Note i
Nova Insurance Consultants Limited	Note i
Onglory International Limited	Note i
Paramatta Estate Management Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Success Ocean Limited	Note i
Turning Technical Services Limited	Note i
Urban Management Services Limited	Note i
Urban Property Management Limited	Note i
Urban-Wellborn Property Management Limited	Note i
上海上實南洋大酒店有限公司	Note i
上海新尚賢坊房地產發展有限公司	Note i
上海豐昌物業管理有限公司	Note i
新豐福貿易(上海)有限公司	Note i
AOS Management Ltd	Note ii
ATL Logistics Centre Hong Kong Ltd	Note ii
Bright Link Engineering Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Construction Ltd	Note ii
Chow Tai Fook Enterprises Ltd	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
CIF Solution Limited	Note ii
Citybus Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Ever Light Limited	Note ii
Gammon - Hip Hing Joint Venture	Note ii
GH Hotel Company Limited	Note ii

33 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
GHK Hospital Limited	Note ii
Head Step Ltd T/A Pentahotel HK Kowloon	Note ii
HH - CW Joint Venture	Note ii
Hip Hing - Hanison Joint Venture	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Seng Construction Company Limited	Note ii
HK Convention & Exhibition Centre	Note ii
Hong Kong Golf & Tennis Academy Management Co., Ltd.	Note ii
Hong Kong Island Development Ltd	Note ii
Hyatt Regency Hong Kong	Note ii
K11 Concepts Limited	Note ii
K11 Select Ltd	Note ii
Kiu Lok Property Services (China) Limited	Note ii
New World China Construction Limited	Note ii
New World China Land Ltd	Note ii
New World Construction Company Limited	Note ii
New World Department Stores Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World First Bus Services Limited	Note ii
New World Harbourview Hotel Co Ltd	Note ii
New World Hotel Management Ltd	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Ltd	Note ii
New World Telecommunications Ltd	Note ii
New World TMT Ltd	Note ii
New World Tower Company Ltd	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Pentahotel Hong Kong	Note ii
Pridemax Ltd	Note ii
Renaissance Harbour View Hotel HK	Note ii
Sky Connection Limited	Note ii
Space Enterprises Limited	Note ii
The Automall Ltd	Note ii
The Dynasty Club Ltd	Note ii
Ultimate Vantage Limited	Note ii
Urban Parking Ltd	Note ii

33 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
Vibro (H.K.) Ltd	Note ii
Vibro Construction Company Limited	Note ii
Victoria Nursery	Note ii
上海三聯物業發展有限公司	Note ii
大連新世界大廈有限公司	Note ii
大連僑樂物業服務有限公司	Note ii
天津新世界百貨有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
北京京廣中心有限公司	Note ii
北京崇文 • 新世界房地產發展有限公司	Note ii
北京祥和物業管理有限公司	Note ii
北京新世界物業管理有限公司	Note ii
北京新策項目管理諮詢服務有限公司	Note ii
北京僑樂房地產管理服務有限公司	Note ii
北京麗高房地產開發有限公司	Note ii
新世界協中建築有限公司	Note ii
深圳拓勁房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
湖南新城新世界物業服務有限公司	Note ii
新世界（瀋陽）房地產開發有限公司	Note ii
新世界（瀋陽）房地產開發第五有限公司	Note ii
新世界百貨集團上海匯妍百貨有限公司	Note ii
新世界百貨集團上海匯雅百貨有限公司	Note ii
新世界發展（武漢）有限公司	Note ii
新世界嘉業（武漢）有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廣州市新禦房地產開發有限公司	Note ii
鄭州新世界百貨有限公司	Note ii

Notes:

(i) These companies are commonly controlled by the Ultimate Controlling Shareholder.

(ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

33 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 2018.

For the year ended 30 June	**2018** **HK$'000**	2017 (restated) HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**92,114**	56,708
Other related companies (Note ii)	**1,756,606**	1,730,284
	1,848,720	1,786,992
Facility service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**160,562**	146,017
Other related companies (Note ii)	**104,328**	84,931
	264,890	230,948

Notes:

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

(ii) These related companies are companies of which the key management personal are close members of the family of the ultimate controlling shareholder (Mr. Doo Wai Hoi, William).

33 RELATED PARTY TRANSACTIONS *(Continued)*

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

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Insurance broking service expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	19,138	17,654
Rental expenses (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	9,763	8,329
Other related companies (Note ii)	3,993	1,929
	13,756	10,258
IT secondment fee to a related company (Note v)	116	720
Management fee to a related company (Note vi)	–	5,800
Miscellaneous service fees (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,989	2,818
Other related companies (Note ii)	–	1,751
	2,989	4,569

Notes:

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

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

(v) IT secondment fee was changed based on fixed amount mutually agreed by the parties.

(vi) Management fee was charged based on fixed amount mutually agreed by the parties.

(vii) Miscellaneous service fee was charged based on fixed amounts mutually agreed by the parties.

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

(ix) Banking facilities granted to the Group amounting to HK$242.1 million (2017: HK$258.4 million) are guaranteed by a related company.

33 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

As at 30 June	2018 HK$'000	2017 (restated) HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**40,261**	31,578
Other related companies (Note i)	**75,934**	68,873
	116,195	100,451
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**7,045**	4,825
Other related companies (Note i)	**114,960**	40,180
	122,005	45,005
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**7,690**	8,046
Other related companies (Note i)	**297,062**	257,003
	304,752	265,049
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**1,917**	1,622
Other related companies (Note i)	**249,291**	214,776
	251,208	216,398
Trade payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**147**	101
Other related companies (Note i)	**–**	2,986
	147	3,087

Note:

(i) These related companies are companies of which the key management personal are close members of the family of the ultimate controlling shareholder (Mr. Doo Wai Hoi, William).

33 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

For the year ended 30 June	2018 HK$'000	2017 (restated) HK$'000
Fees	**1,440**	1,281
Salaries and other emoluments	**39,835**	35,141
Contributions to defined contribution schemes	**2,137**	2,015
	43,412	38,437

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

For the year ended 30 June	2018 Number of individuals	2017 (restated) Number of individuals
Emolument bands		
Nil – HK$1,000,000	**7**	6
HK$1,000,001 – HK$1,500,000	**4**	5
HK$1,500,001 – HK$2,000,000	**5**	8
HK$2,000,001 – HK$2,500,000	**5**	1
HK$2,500,001 – HK$3,000,000	**2**	2
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**–**	–
HK$4,500,001 – HK$5,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**–**	–
HK$5,500,001 – HK$6,000,000	**–**	–
HK$6,000,001 – HK$6,500,000	**–**	–
HK$6,500,001 – HK$7,000,000	**–**	–
HK$7,000,001 – HK$7,500,000	**1**	–
	25	24

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current asset		
Subsidiaries	501,697	501,697
Current assets		
Trade and other receivables	243	236
Amounts due from subsidiaries	1,064,935	428,105
Cash and bank balances	959	385
	1,066,137	428,726
Total assets	1,567,834	930,423
EQUITY		
Share capital	45,000	45,000
Reserves (Note (a))	531,329	613,262
Total equity	576,329	658,262
LIABILITIES		
Current liabilities		
Trade and other payables	1,973	2,603
Amounts due to subsidiaries	989,532	269,558
Total liabilities	991,505	272,161
Total equity and liabilities	1,567,834	930,423
Net current assets	74,632	156,565
Total assets less current liabilities	576,329	658,262

The statement of financial position of the Company was approved by the Board of Directors on 26 September 2018 and was signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

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

Note (a) Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	743,204	(48,791)	694,413
Loss for the year	–	(5,551)	(5,551)
Dividends	–	(75,600)	(75,600)
At 30 June 2017	743,204	(129,942)	613,262
At 1 July 2017	743,204	(129,942)	613,262
Loss for the year	–	(10,383)	(10,383)
Dividends	–	(71,550)	(71,550)
At 30 June 2018	**743,204**	**(211,875)**	**531,329**

35 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2018:

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2018	2017	Principal activities
Directly-owned subsidiaries:					
Building Material Supplies Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
FSE Engineering Group Limited [1]	British Virgin Islands/ Hong Kong	50,000,000 shares of HK$1 each paid up to HK$50,000,000	100	100	Investment holding
FSE Environmental Technologies Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
FSE Facility Services Group Limited [2]	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	–	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1 paid up to US$1	100	100	Investment in trading securities
Indirectly owned subsidiaries:					
Bright Team Enterprises Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of transportation services to fellow subsidiaries
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 shares paid up to HK$100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited[3]	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	–	Investment holding
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

35 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2018	2017	Principal activities
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[4]	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
Kleaners Limited	Hong Kong	5,000,000 ordinary shares paid up to HK$5,000,000	100	100	Laundry services
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
New China Laundry Limited	Hong Kong	40,000,002 ordinary shares and 704,000 non-voting deferred shares paid up to HK$40,704,002	100	100	Laundry services
New China Steam Laundry Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
Ocean Front Investments Limited	Hong Kong	1 share paid up to HK$1	100	100	Property holding
Smart and Safe Fleet Management Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of fleet management services in Hong Kong
Success Ocean Limited	Hong Kong	2 ordinary shares paid up to HK$2	–	100	Property investment

35 PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or establishment/ place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2018	2017	Principal activities
Tridant Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares paid up to HK$50,000,000	100	100	Provision of mechanical and electrical engineering services
Waihong Cleaning Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
Waihong Environmental Services Limited	Hong Kong	400,000 ordinary shares paid up to HK$40,000,000	100	100	Provision and management of cleaning and waste disposal services and provision of recycling and environmental disposal services
Waihong Integrated Green Services Limited (formerly known as Waihong Pest Control Services Limited)	Hong Kong	400,000 ordinary shares paid up to HK$400,000	100	100	Provision of pest control services
Waihong Medicare Services Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of cleaning services in hospitals
Yau Fai Building Supplies (Macao) Limited	Macau	MOP25,000	100	100	Trading and supply of building materials
Young's Engineering Company Limited	Hong Kong	4,000,000 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
豐盛機電工程有限公司 (formerly known as 新創機電工程有限公司)	Mainland China [5]	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 [5]	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 [5]	RMB15,000,000	100	100	Mechanical and electrical engineering

Notes:

(1) The Chinese name of FSE Engineering Group Limited was changed from "豐盛創建機電工程集團有限公司" to "豐盛機電工程集團有限公司" on 6 June 2018.

(2) FSE Facility Services Group Limited was incorporated on 21 February 2018.

(3) Crystal Brilliant Limited was incorporated on 1 February 2018.

(4) The Chinese name of FSE Environmental Laboratory Services Limited was changed from "豐盛創建環境化驗服務有限公司" to "豐盛環境化驗服務有限公司" on 11 June 2018.

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