Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of mechanical and engineering services, trading of building materials, trading of environmental products, and provision of related engineering consultancy services in Hong Kong, Mainland China and Macau, cleaning and management of waste disposal services, recycling and environmental disposal services 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 2019.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(Continued)*

(i) New standards, amendments, interpretations and improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2018

The following new standards, amendments, interpretations and improvements to existing standards, that are relevant to the Group's operation, are mandatory for the financial year of the Group beginning on 1 July 2018:

HKAS 40 Amendments	Transfers of Investment Property
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendments	Clarifications to HKFRS 15
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements	2014 – 2016 Cycle

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

The Group's adoption of the above amendments, interpretations and improvements neither have any material effect on the results and financial position of the Group nor any substantial changes in the Group's accounting policies and presentation of its consolidated financial statements, except for HKFRS 9 and HKFRS 15 as described below:

(a) HKFRS 9 "Financial Instruments"

The Group's adoption of HKFRS 9 has resulted in changes in its accounting policies. While the new policies are generally required to be applied retrospectively, the Group has taken the transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to its classification and measurement (including impairment) requirements. Therefore, comparative amounts have not been restated and continue to be reported under the Group's accounting policies prevailing prior to 1 July 2018. Differences in the carrying amounts, if any, resulting from the Group's adoption of HKFRS 9 are recognised as adjustments to the opening consolidated statement of financial position on 1 July 2018.

HKFRS 9 largely retains the requirements in Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. The Group's adoption of HKFRS 9 has not had a significant effect on its accounting policies related to financial liabilities. However, HKFRS 9 eliminates the HKAS 39 categories of financial assets of held to maturity, loans and receivables and available for sale. From 1 July 2018 onwards, the Group, for the purpose of reporting for its financial statements, is required to classify and measure financial assets in accordance with HKFRS 9 categories of measured at amortised cost, at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL").

The Group's adoption of HKFRS 9 does not have significant impact on the classification and measurement of its financial assets.

Set out in Note 2.11 and 2.14 to the consolidated financial statements are further details on the changes in significant accounting policies under HKFRS 9 that have been applied from 1 July 2018 onwards, where they are different to those applied in preparing its 2018 annual financial statements.

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

2.1 Basis of preparation *(Continued)*

(ii) Adoption of new standards, amendments, interpretations and improvements to existing standards by the Group *(Continued)*

(b) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group has elected to apply the modified retrospective approach for transition to this new standard. Under this transition approach, comparative amounts for prior periods are not restated and continued to be reported under the accounting policies prevailing prior to 1 July 2018. Differences in the carrying amounts, if any, resulting from the Group's adoption of HKFRS 15 are recognised as adjustments to the opening consolidated statement of financial position on 1 July 2018.

Reclassifications were made as at 1 July 2018 to be consistent with the terminology used under HKFRS 15:

- "Contract assets" recognised in relation to contracting activities were previously presented as "Amounts due from customers for contract works".

- "Contract liabilities" recognised in relation to contracting activities were previously presented as "Amounts due to customers for contract works".

Set out in Note 2.21 are details of the changes in the Group's significant accounting policies under HKFRS 15 that have been applied from 1 July 2018, where they are different to those applied in preparing its 2018 annual financial statements.

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

2.1 Basis of preparation *(Continued)*

(iii) New standard, amendments, interpretations 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, amendments, interpretations 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 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	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
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 Amendments	Definition of Material	1 January 2020
HKFRS 3 Amendments	Definition of a Business	1 January 2020
HKFRS 17	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

The Group has already commenced an assessment of the impact of the above pronouncements to the Group and considers that there will not be any substantial changes to the Group's accounting policies and presentation of its consolidated financial statements, except for HKFRS 16 as described below:

HKFRS 16 "Leases"

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

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

2.1 Basis of preparation *(Continued)*

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

HKFRS 16 "Leases" *(Continued)*

The Group adopted HKFRS 16 starting from 1 July 2019, which results in its recognition of lease assets and lease liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$70.9 million. This results in the Group's recognition of assets and liabilities for future payments. Some of the commitments are covered by the exemptions for short-term leases and leases for which the underlying asset is of low-value. There will not be any material effect on the Group's profit or loss for its adoption of HKFRS 16.

(iv) Application of merger accounting for 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. 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" issued by the HKICPA. Accordingly, the acquired Target Group was included in the consolidated financial statements from the beginning of the earliest period presented as if the Target Group acquired had always been part of the Group. As a result, the Group has included the operating results of the Target Group and eliminated its transactions with the Target Group, as if the acquisition had been completed on the earliest date being presented.

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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Consolidation

(i) Subsidiaries

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

(ii) Business combinations under common control

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

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

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

(iii) Business combinations not under common control

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

Acquisition-related costs are expensed as incurred.

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Consolidation *(Continued)*

(iv) Disposal of subsidiaries

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

(v) Separate financial statements

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

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

2.3 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

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

2.3 Property, plant and equipment *(Continued)*

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as described in Note 2.7 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.

2.4 Investment property

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

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

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

Gains or losses on disposals of investment property are determined by comparing the proceeds with the carrying amount 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.

2.5 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.

2.6 Intangible assets (other than land use rights)

(i) Goodwill

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

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

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

2.6 Intangible assets (other than land use rights) *(Continued)*

(i) Goodwill *(Continued)*

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

(a) Environmental technology

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

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

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

(b) Research and development

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

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

2.6 Intangible assets (other than land use rights) *(Continued)*

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

(c) Amortisation method and period

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

Internally generated environmental technology	10 years

2.7 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.

2.8 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 Contract assets and contract liabilities

Accounting policies applied from 1 July 2018 onwards

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.10 Contracts in progress

Accounting policies applied before 1 July 2018

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).

2.11 Financial assets

Accounting policies applied from 1 July 2018 onwards

(i) Classifications

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

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

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

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

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

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

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

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

2.11 Financial assets *(Continued)*

Accounting policies applied from 1 July 2018 onwards *(Continued)*

(ii) Recognition and Measurement

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

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

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

(a) Debt instruments

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

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

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

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

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

2.11 Financial assets *(Continued)*

Accounting policies applied from 1 July 2018 onwards *(Continued)*

(ii) Recognition and Measurement *(Continued)*

(b) Equity instruments

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

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

Accounting policies applied before 1 July 2018

(i) Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

2.11 Financial assets *(Continued)*

Accounting policies applied before 1 July 2018 *(Continued)*

(ii) Recognition and Measurement

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

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.

2.12 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 2.14 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.14 Impairment of financial assets

Accounting policies applied from 1 July 2018 onwards

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

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

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Accounting policies applied before 1 July 2018

(i) 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.

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

2.14 Impairment of financial assets *(Continued)*

Accounting policies applied before 1 July 2018 *(Continued)*

(i) Assets carried at amortised cost *(Continued)*

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.

(ii) 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 the 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 the 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 the 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.

2.15 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 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.

2.17 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.

2.18 Contingent liabilities and contingent assets

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.19 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

(a) Inside basis differences

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

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

(b) Outside basis differences

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

(iii) Offsetting

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

2.20 Dividend distribution

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.21 Revenue recognition

Accounting policies applied from 1 July 2018 onwards

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

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

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

- provides all of the benefits received and consumed simultaneously by the customer;

- creates or enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

(i) Engineering contracts

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

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

2.21 Revenue recognition *(Continued)*

Accounting policies applied from 1 July 2018 onwards *(Continued)*

(ii) Service fee income

Maintenance service fees and consultancy fees are recognised over time 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 over time when the services are rendered.

(iii) Sales of goods

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

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

(iv) 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 over time in accordance with the terms of the service agreements when the services are rendered.

(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.

Accounting policies applied before 1 July 2018

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.

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

2.21 Revenue recognition *(Continued)*

Accounting policies applied before 1 July 2018 *(Continued)*

(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.

2.22 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.

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

2.22 Employee benefits *(Continued)*

(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.

2.24 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.

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

2.24 Foreign currencies *(Continued)*

(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:

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

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.25 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.

2.26 Segment reporting

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

3 CHANGES IN ACCOUNTING POLICIES

As explained in Note 2.1(ii) above, the Group has adopted HKFRS 9 and HKFRS 15 starting from 1 July 2018, which resulted in changes in its accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative amounts have not been restated.

HKFRS 9 replaced the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group's application of HKFRS 9 does not have significant impact on its classification and measurement of its financial assets. HKFRS 15 replaced both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 July 2018 to be consistent with the terminology used under HKFRS 15:

- "Contract assets" recognised in relation to contracting activities were previously presented as "Amounts due from customers for contract works".

- "Contract liabilities" recognised in relation to contracting activities were previously presented as "Amounts due to customers for contract works".

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 July 2018		
	As previously reported HK$'000	Effects of the adoption of HKFRS 15 HK$'000	As restated HK$'000
Consolidated statement of financial position (Extract)			
Amounts due from customers for contract works	343,029	(343,029)	–
Contract assets	–	343,029	343,029
Amounts due to customers for contract works	475,397	(475,397)	–
Contract liabilities	–	475,397	475,397

(b) The amount by each financial statement line items affected in the current year by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30 June 2019		
	Without the adoption of HKFRS 15 HK$'000	Effects of the adoption of HKFRS 15 HK$'000	As reported HK$'000
Consolidated statement of financial position (Extract)			
Amounts due from customers for contract works	290,822	(290,822)	–
Contract assets	–	290,822	290,822
Amounts due to customers for contract works	224,119	(224,119)	–
Contract liabilities	–	224,119	224,119

The adoption of HKFRS 15 has no impact to the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and net cash flow from operating, investing and financing activities on the consolidated statement of cash flows for the year ended 30 June 2019.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(i) Credit risk

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

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

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

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

(b) Credit risk of trade receivables

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(ii) Liquidity risk

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

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

As at 30 June	Less than 1 year	
	2019 HK$'000	2018 HK$'000
Trade and other payables, excluding accrued employee benefits	**1,410,422**	1,160,535

(iii) Foreign exchange risk

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

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

As at 30 June 2019 and 2018, 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 2019, the Group had net monetary assets denominated in United States dollar of HK$2.8 million (2018: HK$82.0 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.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation

At 30 June 2019, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to short-term maturities of these assets and liabilities.

4.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy is to maintain sufficient capital with the funds generated from operations.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to equity holders, or issue new shares.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

5.1 Estimation of revenue, costs and foreseeable losses of contracting works

The Group recognises its contract revenue according to the percentage of total estimated costs for each contract of contracting work. The management estimates the completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 18 to the consolidated financial statements.

5.3 Long service payment liabilities

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

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

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 27 to the consolidated financial statements.

5.4 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.

5.5 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.

6 REVENUE AND SEGMENT INFORMATION

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

The Group's revenue represents the electrical and mechanical ("E&M") engineering 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	2019 HK$'000	2018 HK$'000
Revenue		
Contracting services	3,506,894	3,532,839
Maintenance services	137,879	129,587
Sales of goods	92,099	93,616
Facility services	1,193,645	1,170,476
Total	4,930,517	4,926,518

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; and

(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 corporate expenses.

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

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

As at 30 June 2019, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operation of the operating segments.

Capital expenditure comprises mainly additions to property, plant and equipment (Note 15).

(a) As at and for the year ended 30 June 2019

The segment results for the year ended 30 June 2019 and other segment items included in the consolidated income statement are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External	3,665,794	71,078	1,193,645	–	4,930,517
Revenue — Internal	1,701	3,907	10,009	(15,617)	–
Total revenue	3,667,495	74,985	1,203,654	(15,617)	4,930,517
Timing of revenue recognition					
Over time	3,578,758	71,560	1,203,654	(15,554)	4,838,418
At a point in time	88,737	3,425	–	(63)	92,099
Total revenue	3,667,495	74,985	1,203,654	(15,617)	4,930,517
Operating profit before unallocated corporate expenses	232,489	10,601	53,524	–	296,614
Unallocated corporate expenses					(4,285)
Operating profit					292,329
Finance income (Note 11)					5,163
Finance costs (Note 11)					–
Profit before income tax					297,492
Income tax expenses (Note 12)					(49,980)
Profit for the year attributable to equity holders of the company					247,512
Other items					
Depreciation (Notes 15 and 16)	25,692	1,882	14,679	–	42,253
Amortisation of land use rights (Note 17)	581	–	–	–	581
Amortisation of intangible assets (Note 18)	370	–	480	–	850

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 30 June 2019 *(Continued)*

The segment assets and liabilities as at 30 June 2019 and capital expenditure for the year then ended are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Total HK$'000
Segment assets	1,887,204	46,816	494,758	2,428,778
Unallocated assets				259,115
Total assets				2,687,893
Segment liabilities	1,677,243	22,292	212,286	1,911,821
Unallocated liabilities				4,052
Total liabilities				1,915,873
Total capital expenditure	4,895	687	19,389	24,971

(b) 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	3,695,332	64,641	1,170,985	(4,440)	4,926,518
Timing of revenue recognition					
Over time	3,604,586	61,771	1,170,985	(4,440)	4,832,902
At a point in time	90,746	2,870	–	–	93,616
Total revenue	3,695,332	64,641	1,170,985	(4,440)	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 11)					18,194
Finance costs (Note 11)					(1,066)
Profit before income tax					288,300
Income tax expenses (Note 12)					(51,516)
Profit for the year attributable to equity holders of the company					236,784
Other items					
Depreciation (Notes 15 and 16)	25,808	2,247	19,809	–	47,864
Amortisation of land use rights (Note 17)	588	–	–	–	588
Amortisation of intangible assets (Note 18)	370	–	480	–	850

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 30 June 2018 *(Continued)*

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	1,835,604	40,999	421,302	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
Total capital expenditure	14,358	473	19,803	34,634

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	**2019 HK$'000**	2018 HK$'000
Revenue		
Hong Kong	**3,938,184**	3,913,818
Mainland China	**792,671**	658,832
Macau	**199,662**	353,868
Total	**4,930,517**	4,926,518

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	**2019 HK$'000**	2018 HK$'000
Customer A	**1,101,605**	1,335,275

The revenue contributed by the above major customer is mainly attributable to the Group's E&M engineering segment in Hong Kong and Mainland China and facility services segment in Hong Kong.

Notes to the Consolidated Financial Statements

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

As at 30 June	2019 HK$'000	2018 HK$'000
Non-current assets, other than deferred income tax assets		
Hong Kong	423,089	441,781
Mainland China	29,789	25,756
Macau	24,680	30,351
Total	477,558	497,888

7 OTHER INCOME/GAINS, NET

	2019 HK$'000	2018 HK$'000
Rental income	2,328	790
Release of exchange reserve upon dissolution of subsidiaries	1,905	–
Ex-gratia payments from the government for retirement of motor vehicles	489	295
Loss on disposal of property, plant and equipment, net	(831)	(151)
Exchange (loss)/gain, net	(763)	6,134
Loss on disposal or maturity of available-for-sale financial assets and fair value changes of financial assets at fair value through profit or loss	–	(5,652)
Sundries	758	1,920
Total	3,886	3,336

8 OPERATING PROFIT

For the year ended 30 June	Notes	2019 HK$'000	2018 HK$'000
Operating profit is stated after charging/(crediting):			
Cost of inventories sold		49,937	49,802
Raw materials and consumables used		1,058,327	987,718
Subcontracting fees		1,875,953	1,895,954
Provision for inventories		456	245
Staff costs (including Directors' emoluments)	9, 10	1,341,892	1,400,826
Depreciation of property, plant and equipment	15	41,868	47,768
Depreciation of investment property	16	385	96
Amortisation of land use rights	17	581	588
Amortisation of intangible assets	18	850	850
Operating lease rental for land and buildings		42,632	35,317
Reversal of impairment loss on trade receivables	22	(626)	(727)
Impairment loss on trade and other receivables	22	3,274	1,463
Auditors' remuneration			
Audit services		4,606	4,607
Non-audit services		511	2,030

9 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Salaries, wages and bonuses	1,306,944	1,342,235
Contributions to defined contribution schemes	56,328	55,062
(Less)/add: Staff costs (capitalised)/released under contract assets and contract liabilities/contracts in progress	(21,380)	3,529
Total	1,341,892	1,400,826

10 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Fees	1,498	1,440
Salaries and other emoluments	18,493	16,868
Contributions to defined contribution schemes	1,009	970
Total	21,000	19,278

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 2019 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Employer's contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	–	1,910	–	–	191	2,101
Poon Lock Kee, Rocky	–	3,593	3,269	–	359	7,221
Doo William Junior Guilherme	–	1,591	–	–	80	1,671
Lee Kwok Bong	–	1,324	–	–	99	1,423
Soon Kweong Wah	–	2,795	1,721	–	280	4,796
Wong Shu Hung	–	1,775	515	–	–	2,290
Cheng Kar Shun, Henry	333	–	–	–	–	333
Wong Kwok Kin, Andrew	277	–	–	–	–	277
Kwong Che Keung, Gordon	222	–	–	–	–	222
Hui Chiu Chung, Stephen	222	–	–	–	–	222
Lee Kwan Hung, Eddie	222	–	–	–	–	222
Tong Yuk Lun, Paul	222	–	–	–	–	222
Total	1,498	12,988	5,505	–	1,009	21,000

10 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) The remuneration of each Director for the year ended 30 June 2018 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Employer's contributions to defined contribution schemes 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, Eddie	213	–	–	–	–	213
Tong Yuk Lun, Paul	213	–	–	–	–	213
Total	1,440	11,715	5,153	–	970	19,278

Notes:

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

(b) During the year ended 30 June 2019, 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 (2018: 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.

10 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the years ended 30 June 2019 include three directors (2018: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2018: three) individuals during the years are as follows:

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind and bonuses	5,476	7,584
Contributions to defined contribution schemes	196	277
Total	5,672	7,861

The emoluments fell within the following bands:

	2019 Number of individuals	2018 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 2019, 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 (2018: Nil).

11 FINANCE INCOME AND COSTS

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Finance income		
Interest from bank deposits	5,163	11,982
Interest from available-for-sale financial assets	–	2,845
Interest from financial assets at fair value through profit or loss	–	3,367
	5,163	18,194
Finance costs		
Interest on short-term bank borrowings	–	(1,066)
Net finance income	5,163	17,128

12 INCOME TAX EXPENSES

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Current income tax		
Hong Kong profits tax	41,369	31,952
Mainland China taxation		
Income tax	5,175	12,913
Withholding tax	–	1,745
Macau taxation	(2,777)	7,567
Under-provision/(over-provision) in prior years	58	(68)
Deferred income tax expense/(credit) (Note 19)		
Income tax	5,440	(2,977)
Withholding tax	715	384
Total	49,980	51,516

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 2019 (2018: 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	2019 HK$'000	2018 HK$'000
Profit before income tax	297,492	288,300
Calculated at a tax rate of 16.5% (2018: 16.5%)	49,086	47,570
Effect of different taxation rates in other regions	249	2,664
Income not subject to taxation	(1,122)	(2,227)
Expenses not deductible for taxation purposes	1,732	2,716
Temporary differences not recognised	595	306
Utilisation of previously unrecognised tax losses	(1,997)	(2,409)
Tax losses not recognised	881	835
Withholding tax on undistributed earnings from subsidiaries in Mainland China	715	2,129
Tax exemption granted	(217)	–
Under-provision/(over-provision) in prior years	58	(68)
Income tax expenses	49,980	51,516

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 30 June 2019 and 2018.

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Profit for the year attributable to equity holders of the Company	247,512	236,784
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK$)	0.55	0.53

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2019 and 2018, the diluted earnings per share equals the basic earnings per share.

14 DIVIDENDS

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Interim dividend paid of HK10.1 cents (2018: HK7.8 cents) per share	45,450	35,100
Final dividend proposed of HK11.9 cents (2018: HK13.3 cents) per share	53,550	59,850
Total	99,000	94,950

Note:

At a meeting held on 26 September 2019, the Board recommended a final dividend of HK11.9 cents (2018: 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 earnings for the year ending 30 June 2020.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2018							
Opening net book value	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 29(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
Year ended 30 June 2019							
Opening net book value	24,935	291,710	34,640	37,248	13,871	9,838	412,242
Additions	–	–	4,704	12,526	4,904	2,837	24,971
Disposals	–	–	(98)	(949)	(65)	(87)	(1,199)
Currency translation differences	–	(68)	(16)	–	(80)	(37)	(201)
Depreciation charge	–	(10,126)	(11,532)	(7,780)	(7,142)	(5,288)	(41,868)
Closing net book value	24,935	281,516	27,698	41,045	11,488	7,263	393,945
At 30 June 2019							
Cost	24,935	317,993	72,630	142,184	78,142	44,161	680,045
Accumulated depreciation	–	(36,477)	(44,932)	(101,139)	(66,654)	(36,898)	(286,100)
Net book value	24,935	281,516	27,698	41,045	11,488	7,263	393,945

Note:

(a) None of the above property, plant and equipment was pledged as security as at 30 June 2019 (2018: None).

16 INVESTMENT PROPERTY

	HK$'000
Year ended 30 June 2018	
Opening net book value	–
Reclassification from property, plant and equipment (Note 15)	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
Year ended 30 June 2019	
Opening net book value	**11,620**
Depreciation charge	**(385)**
Closing net book value	**11,235**
At 30 June 2019	
Cost	**14,700**
Accumulated depreciation	**(3,465)**
Net book value	**11,235**

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$64.4 million as at 30 June 2019 (2018: HK$46.5 million).

(b) For the year ended 30 June 2019, the Group's investment property generated rental income of HK$2,012,000 (2018: HK$419,000) and incurred direct operating expenses of HK$206,000 (2018: HK$388,000).

17 LAND USE RIGHTS

	HK$'000
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
Year ended 30 June 2019	
Opening net book value	**21,230**
Currency translation differences	**(217)**
Amortisation	**(581)**
Closing net book value	**20,432**
At 30 June 2019	
Cost	**23,469**
Accumulated amortisation	**(3,037)**
Net book value	**20,432**

18 OTHER INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and brand names HK$'000	Development costs HK$'000	Total HK$'000
Year ended 30 June 2018				
Opening net book value	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
Year ended 30 June 2019				
Opening net book value	**41,757**	**8,900**	**2,139**	**52,796**
Amortisation	**–**	**(850)**	**–**	**(850)**
Closing net book value	**41,757**	**8,050**	**2,139**	**51,946**
At 30 June 2019				
Cost	**46,428**	**26,660**	**2,139**	**75,227**
Accumulated amortisation	**–**	**(11,330)**	**–**	**(11,330)**
Accumulated impairment	**(4,671)**	**(7,280)**	**–**	**(11,951)**
Net book value	**41,757**	**8,050**	**2,139**	**51,946**

(a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the CGUs of the Group's segments. For the purpose of impairment test, the recoverable amount of the Group's CGUs is determined based on value-in-use calculations. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on management's best estimates and past experience.

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

As at 30 June	2019 HK$'000	2018 HK$'000
E&M engineering	**33,841**	33,841
Cleaning services	**7,916**	7,916
Total	**41,757**	41,757

18 OTHER INTANGIBLE ASSETS *(Continued)*

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

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using zero growth rate for the E&M 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's CGUs operate.

	2019		2018	
	E&M engineering	Cleaning services	E&M engineering	Cleaning services
Cash flows in the first five years				
Gross margin	9.5% – 10.8%	8.8% – 9.5%	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's CGUs within the operating segments.

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 2019 (2018: 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.

19 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2019 HK$'000	2018 HK$'000
Deferred income tax assets	9,337	14,329
Deferred income tax liabilities	(26,787)	(25,419)
Net	(17,450)	(11,090)

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

Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after 12 months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year and net balances after offsetting at the end of the reporting periods are as follows:

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2017	493	4,592	8,711	13,796
Credited/(charged) to the consolidated income statement (Note 12)	800	(654)	1,440	1,586
At 30 June 2018	1,293	3,938	10,151	15,382
At 1 July 2018	**1,293**	**3,938**	**10,151**	**15,382**
Credited/(charged) to the consolidated income statement (Note 12)	**785**	**340**	**(5,977)**	**(4,852)**
Currency translation differences	**–**	**–**	**1**	**1**
At 30 June 2019	**2,078**	**4,278**	**4,175**	**10,531**

	2019 HK$'000	2018 HK$'000
Total deferred income tax assets before offsetting	**10,531**	15,382
Less: Amount offset against deferred tax liabilities	**(1,194)**	(1,053)
Net deferred income tax assets after offsetting	**9,337**	14,329

19 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 2017	(9,318)	(1,610)	(16,423)	–	(3,130)	(30,481)
(Charged)/credited to other comprehensive income	–	–	–	(1,334)	99	(1,235)
Credited to the consolidated income statement (Note 12)	335	140	351	–	181	1,007
Disposal of subsidiaries (Note 29(c))	2,432	–	1,805	–	–	4,237
At 30 June 2018	(6,551)	(1,470)	(14,267)	(1,334)	(2,850)	(26,472)
At 1 July 2018	**(6,551)**	**(1,470)**	**(14,267)**	**(1,334)**	**(2,850)**	**(26,472)**
Charged to other comprehensive loss	**–**	**–**	**–**	**(206)**	**–**	**(206)**
(Charged)/credited to the consolidated income statement (Note 12)	**(1,180)**	**140**	**487**	**–**	**(750)**	**(1,303)**
At 30 June 2019	**(7,731)**	**(1,330)**	**(13,780)**	**(1,540)**	**(3,600)**	**(27,981)**

	2019 HK$'000	2018 HK$'000
Total deferred income tax liabilities before offsetting	**(27,981)**	(26,472)
Less: Amount offset against deferred tax assets	**1,194**	1,053
Net deferred income tax liabilities after offsetting	**(26,787)**	(25,419)

As at 30 June 2019, the Group did not recognise deferred income tax assets of HK$13 million (2018: HK$15 million), arising from unused tax losses of HK$80 million (2018: HK$87 million). Except for tax losses of HK$0.4 million as at 30 June 2019 which will expire within three years from 30 June 2019 (2018: HK$0.6 million which will expire within three years and HK$3 million which will expire within five years from 30 June 2018), the remaining tax losses have no expiry date.

20 INVENTORIES

As at 30 June	2019 HK$'000	2018 HK$'000
Raw materials	688	731
Finished goods	36,221	22,101
Spare parts and consumables	3,297	3,174
Total	40,206	26,006

21 CONTRACT ASSETS/(LIABILITIES) AND CONTRACTS IN PROGRESS

As at 30 June	2019 HK$'000	2018 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	2,440,665	3,929,339
Progress payments received and receivable	(2,373,962)	(4,061,707)
Net	66,703	(132,368)
Representing:		
Contract assets	290,822	–
Contract liabilities	(224,119)	–
Amounts due from customers for contract works	–	343,029
Amounts due to customers for contract works	–	(475,397)
Net	66,703	(132,368)

Notes:

(a) The Group's "Amounts due from customers for contract works" and "Amounts due to customers for contract works" at 30 June 2018 have been reclassified on 1 July 2018 as "Contract assets" and "Contracts liabilities', respectively. Details of this change are set out in Note 3 to the consolidated financial statements.

(b) All of the Group's contract assets and liabilities at 30 June 2019 and 1 July 2018 relate to its engineering contracts with customers and no loss allowances have been included therein.

(c) During the year ended 30 June 2019, the Group recognised (i) HK$455.0 million of revenue for its engineering contracts relating to its carried-forward contract liabilities at 1 July 2018 and (ii) HK$102.6 million of revenue from its performance obligations satisfied in previous reporting years.

(d) As at 30 June 2019, the aggregate amount of transaction price allocated to the Group's remaining performance obligations in respect of engineering, environmental management and cleaning service contracts is HK$6,673 million. The Group will recognise this revenue during the completion of the related works, which is expected to occur over the next 51 months after 30 June 2019.

(e) The decrease in the Group's contract assets and contract liabilities during the year ended 30 June 2019 was principally due to its completion of certain sizeable engineering contracts near 30 June 2019.

22 TRADE AND OTHER RECEIVABLES

As at 30 June	2019 HK$'000	2018 HK$'000
Trade receivables		
Third parties	411,521	328,571
Related companies (Note 30(c))	128,292	116,195
	539,813	444,766
Less: Provision for impairment		
Third parties	(7,389)	(4,899)
	532,424	439,867
Retention receivables		
Third parties	137,114	125,263
Related companies (Note 30(c))	207,663	251,208
	344,777	376,471
Accrued contract revenue	478,746	378,197
Less: Provision for impairment	(149)	–
	478,597	378,197
Other receivables and prepayments	67,129	84,412
Total	1,422,927	1,278,947

Generally, no credit period is granted by the Group to its retail customers for trading of building materials. The credit periods generally granted by the Group to its other customers is 30 to 60 days.

Expected credit losses

The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group's expected credit loss is minimal as the majority of the trade and other receivables is due from a number of independent customers for whom there is no recent history of default, except for an account receivable with full impairment provision being provided for during the period because it has been undergoing financial difficulties.

The ageing analysis of the Group's trade receivables (including amounts due from related parties of trading in nature) based on the invoice due date, net of provision for impairment, is as follows:

As at 30 June	2019 HK$'000	2018 HK$'000
Current to 90 days	487,863	400,576
91 – 180 days	33,528	28,300
Over 180 days	11,033	10,991
Total	532,424	439,867

22 TRADE AND OTHER RECEIVABLES *(Continued)*

At 30 June 2019, the Group's trade receivables and accrued contract revenue of HK$7,538,000 (2018: HK$4,899,000) were impaired.

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

As at 30 June	2019 HK$'000	2018 HK$'000
Hong Kong dollars	1,027,886	1,087,104
Renminbi	347,497	183,673
Macau patacas	46,590	8,131
United States dollars	104	39
EURO	850	–
Total	1,422,927	1,278,947

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

As at 30 June	2019 HK$'000	2018 HK$'000
At the beginning of the year	4,899	4,609
Currency translation differences	–	(1)
Receivables written off during the year	(9)	(445)
Provision for the year	3,274	1,463
Reversal of provision during the year	(626)	(727)
At the end of the year	7,538	4,899

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 CASH AND BANK BALANCES

As at 30 June	2019 HK$'000	2018 HK$'000
Time deposits — original maturities within three months	214,768	78,474
Other cash at banks and in hand	232,275	329,087
Total	447,043	407,561

At 30 June 2019, the effective interest rate on bank deposits is 2.56% per annum (2018: 2.00% 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	2019 HK$'000	2018 HK$'000
Hong Kong dollars	333,925	197,432
Renminbi	87,458	115,598
Macau patacas	14,057	6,691
United States dollars	2,501	81,994
Euros	3,757	2,954
Others	5,345	2,892
Total	447,043	407,561

24 SHARE CAPITAL

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

	Number of shares	HK$'000
Ordinary shares, authorised:		
As at 30 June 2018 and 2019	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2018 and 2019	450,000,000	45,000

25 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 2017	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
At 1 July 2018	–	743,204	(525,214)	(19,746)	22,198	371,908	592,350
Profit for the year	–	–	–	–	–	247,512	247,512
Dividends	–	–	–	–	–	(105,300)	(105,300)
Remeasurement gains on long service payment liabilities	–	–	–	–	–	1,971	1,971
Deferred tax on remeasurement gains on long service payment liabilities	–	–	–	–	–	(206)	(206)
Currency translation differences	–	–	–	(7,402)	–	–	(7,402)
Release of exchange reserve upon dissolution of subsidiaries	–	–	–	(1,905)	–	–	(1,905)
Release of statutory reserve upon dissolution of a subsidiary	–	–	–	–	(588)	588	–
At 30 June 2019	–	743,204	(525,214)	(29,053)	21,610	516,473	727,020

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 2019, no appropriation from retained earnings to statutory reserves for PRC companies was made (2018: the board of directors of the PRC companies resolved to appropriate HK$441,000 from retained earnings to statutory reserves) and the remaining statutory reserves of HK$588,000 for a PRC subsidiary dissolved was transferred to retained earnings.

26 TRADE AND OTHER PAYABLES

As at 30 June	2019 HK$'000	2018 HK$'000
Trade payables		
Third parties	210,489	277,258
Related companies (Note 30(c))	58	147
	210,547	277,405
Bills payable		
Third parties	12,025	–
Retention payables		
Third parties	231,157	237,290
Accrued expenses	213,118	198,882
Provision for contracting costs	861,378	578,139
Other creditors and accruals	61,868	51,607
Total	1,590,093	1,343,323

The carrying amounts of the above balances approximate their fair values.

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

As at 30 June	2019 HK$'000	2018 HK$'000
Hong Kong dollars	1,190,693	932,248
Renminbi	325,922	280,332
Macau patacas	69,034	130,594
United States dollars	2,785	103
Euros	1,645	4
Malaysian ringgits	–	16
Others	14	26
Total	1,590,093	1,343,323

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	2019 HK$'000	2018 HK$'000
1 – 90 days	203,790	274,934
91 – 180 days	4,835	1,232
Over 180 days	1,922	1,239
Total	210,547	277,405

27 LONG SERVICE PAYMENT LIABILITIES

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

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

As at 30 June	2019 HK$'000	2018 HK$'000
At the beginning of the year	21,320	34,479
Expenses recognised in the consolidated income statement	2,627	3,068
Remeasurement gains recognised in other comprehensive (loss)/income	(1,971)	(8,084)
Benefits paid	(921)	(8,143)
At the end of the year	21,055	21,320

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

As at 30 June	2019	2018
Discount rate	1.30%	1.30%
Long term rate of salary increases	3.55% – 4.35%	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	2019		2018	
Assumptions	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Long term rate of salary increases	1,353	(1,386)	1,328	(1,347)
Long term average expected return on MPF and ORSO balances	(1,030)	1,043	(1,019)	1,049

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 in the consolidated statement of financial position.

28 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	2019 HK$'000	2018 HK$'000
No later than one year	35,073	40,725
Later than one year and no later than five years	32,797	41,253
Over five years	3,072	5,376
Total	70,942	87,354

(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	2019 HK$'000	2018 HK$'000
No later than one year	2,007	1,936
Later than one year and no later than five years	8,148	7,420
More than five years	6,616	8,804
Total	16,771	18,160

29 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended 30 June	Notes	2019 HK$'000	2018 HK$'000
Profit before income tax		**297,492**	288,300
Finance income		**(5,163)**	(18,194)
Finance costs		**–**	1,066
Depreciation of property, plant and equipment	15	**41,868**	47,768
Depreciation of investment property	16	**385**	96
Amortisation of land use rights	17	**581**	588
Amortisation of other intangible assets	18	**850**	850
Provision for inventories	8	**456**	245
Reversal of impairment loss on trade receivables	8	**(626)**	(727)
Impairment loss on trade and other receivables	8	**3,274**	1,463
Loss on disposal of property, plant and equipment, net	7	**831**	151
Release of exchange reserve upon dissolution of subsidiaries	7	**(1,905)**	–
Loss on disposal or maturity of available-for-sale financial assets and fair value changes of financial assets at fair value through profit or loss	7	**–**	5,652
Long service payment liabilities			
Expenses recognised in the consolidated income statement	27	**2,627**	3,068
Benefit paid	27	**(921)**	(8,143)
Unrealised exchange differences		**513**	(2,502)
Operating cash flows before changes in working capital		**340,262**	319,681
Changes in working capital:			
Inventories		**(14,656)**	(619)
Net contract assets/liabilities		**(205,075)**	–
Net amounts due to customers for contract works		**–**	(145,575)
Trade and other receivables		**(157,114)**	(221,498)
Trade and other payables		**260,734**	59,164
Cash generated from operations		**224,151**	11,153

(b) Business combination under common control

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(iv) to the consolidated financial statements.

(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 29(f)). Details of the transaction are set out in Note 2.1(iv).

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

(c) Disposal of subsidiaries *(Continued)*

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

	HK$'000
Property, plant and equipment (Note 15)	58,054
Cash and bank balances	444
Deferred income tax liabilities (Note 19)	(4,237)
Trade and other payables	(680)
Taxation payable	(35)
Net assets	53,546
Deemed distribution	(10,262)
Consideration	43,284

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

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

(d) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for the year ended 30 June 2019.

	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	1,104,052	(90,845)	(30,000)	983,207
Cash flows	(707,120)	46,061	30,000	(631,059)
Non-cash transaction (Note 29(f))	–	44,784	–	44,784
Currency translation differences	10,629	–	–	10,629
Net cash at 1 July 2018	**407,561**	**–**	**–**	**407,561**
Cash flows	**44,586**	**–**	**–**	**44,586**
Currency translation differences	**(5,104)**	**–**	**–**	**(5,104)**
Net cash at 30 June 2019	**447,043**	**–**	**–**	**447,043**

(e) Exchange differences

The exchange differences of cash and cash equivalents during the year are mainly arising from the remeasurement of the Group's foreign currency denominated cash and bank balances at the year end exchange rate.

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

(f) Major non-cash transactions

As described in Note 29(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 29(d)).

In February 2018, NCL settled HK$1.5 million of its amounts due to FMC through offsetting against its receivables from FMC (Note 29(d)).

30 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 2019.

(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
Beamland Limited	Note i
DMI Development Limited	Note i
General Security (H.K.) Limited	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
Nova Risk Services Holdings 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
ACE Island Limited	Note ii
Anway Ltd	Note ii
AOS Management Ltd	Note ii
ATL Logistics Centre Hong Kong Ltd	Note ii
Bright Link Engineering Limited	Note ii

30 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
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
East Concept Investments Ltd	Note ii
Ever Light Limited	Note ii
Grand Hyatt Hong Kong	Note ii
Gammon — Hip Hing Joint Venture	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Head Step Ltd T/A Pentahotel HK Kowloon	Note ii
HH — CW 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 Builders Ltd	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 Design Store Ltd	Note ii
K11 Select Ltd	Note ii
Kai Tak Sports Park Ltd	Note ii
Kiu Lok Property Services (China) Limited	Note ii
Marriott Properties (International) Limited	Note ii
Markson Limited	Note ii
New Town Project Management Ltd	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 Development (China) Limited	Note ii
New World Department Stores Limited	Note ii
New World Development Company Limited	Note ii

30 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
New World 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
Seaworthy Investment Limited	Note ii
Rosewood Hotels (HK) Ltd	Note ii
Shanghai Ramada Plaza Ltd	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
Vibro (H.K.) Ltd	Note ii
Vibro Construction Company Limited	Note ii
Wise City Investment Limited	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 • 京崇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
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

30 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
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
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
新世界發展(武漢)有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
新世界(中國)地產投資有限公司	Note ii
新世界房地產發展有限公司	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
廣州市新御運營管理有限公司	Note ii
廣州新世界地產策劃有限公司	Note ii
鄭州新世界百貨有限公司	Note ii
廊坊新世界房地產開發有限公司	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.

30 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 2019.

For the year ended 30 June	2019 HK$'000	2018 HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	72,665	92,114
Other related companies (Note ii)	1,738,281	1,756,606
Total	1,810,946	1,848,720
Facility service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	167,748	160,562
Other related companies (Note ii)	126,063	104,328
Total	293,811	264,890
Insurance broking service expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	25,509	19,138
Rental expenses (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	18,128	9,763
Other related companies (Note ii)	1,668	3,993
Total	19,796	13,756
IT secondment fee to a related company (Note v)	120	116
Miscellaneous service fees (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	961	2,989
Other related companies (Note ii)	32	–
Total	993	2,989

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).

(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 charged based on fixed amount mutually agreed by the parties.

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

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

(viii) As at 30 June 2019, none of the banking facilities granted to the Group was guaranteed by its related companies (2018: HK$242.1 million guaranteed by a related company of the Group).

30 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

As at 30 June	2019 HK$'000	2018 HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**51,915**	40,261
Other related companies (Note i)	**76,377**	75,934
Total	**128,292**	116,195
Contract assets/Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**2,682**	7,045
Other related companies (Note i)	**77,502**	114,960
Total	**80,184**	122,005
Contract liabilities/Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**11,565**	7,690
Other related companies (Note i)	**51,402**	297,062
Total	**62,967**	304,752
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**1,966**	1,917
Other related companies (Note i)	**205,697**	249,291
Total	**207,663**	251,208
Trade payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**58**	147

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).

30 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	2019 HK$'000	2018 HK$'000
Fees	1,498	1,440
Salaries and other emoluments	42,000	39,835
Contributions to defined contribution schemes	2,315	2,137
Total	45,813	43,412

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

For the year ended 30 June	2019 Number of individuals	2018 Number of individuals
Emolument bands		
Nil – HK$1,000,000	8	7
HK$1,000,001 – HK$1,500,000	5	4
HK$1,500,001 – HK$2,000,000	5	5
HK$2,000,001 – HK$2,500,000	5	5
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	–	–
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	1
Total	27	25

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current asset		
Subsidiaries	501,697	501,697
Current assets		
Trade and other receivables	268	243
Amounts due from subsidiaries	1,069,629	1,064,935
Cash and bank balances	950	959
	1,070,847	1,066,137
Total assets	1,572,544	1,567,834
EQUITY		
Share capital	45,000	45,000
Reserves (Note (a))	421,744	531,329
Total equity	466,744	576,329
LIABILITIES		
Current liabilities		
Trade and other payables	2,552	1,973
Amounts due to subsidiaries	1,103,248	989,532
Total liabilities	1,105,800	991,505
Total equity and liabilities	1,572,544	1,567,834
Net current (liabilities)/assets	(34,953)	74,632
Total assets less current liabilities	466,744	576,329

The statement of financial position of the Company was approved by the Board of Directors on 26 September 2019 and was signed on its behalf.

Lam Wai Hon, Patrick	**Poon Lock Kee, Rocky**
Director	*Director*

Note (a): Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
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
At 1 July 2018	743,204	(211,875)	531,329
Loss for the year	–	(4,285)	(4,285)
Dividends	–	(105,300)	(105,300)
At 30 June 2019	743,204	(321,460)	421,744

32 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2019:

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 2019	2018	Principal activities
Directly-owned subsidiaries:					
Building Material Supplies Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK$1 each paid up to HK$50,000,000	100	100	Investment holding
FSE Environmental Technologies Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
FSE Facility Services Group Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 paid up to US$1	100	100	Investment in trading securities
Indirectly owned subsidiaries:					
Bright Team Enterprises Limited	Hong Kong	1 ordinary share paid up to HK$1	100	100	Provision of transportation services to fellow subsidiaries
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 ordinary shares paid up to HK$100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited	British Virgin Islands	50,000 shares of US$1 each paid up to US$1	100	100	Investment holding
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 ordinary shares paid up to HK$100,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares paid up to HK$10,100,000	100	100	Trading of equipment and materials

32 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 2019	2018	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 Service (Macao) Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 ordinary shares paid up to HK$10,000	100	100	Provision of testing and calibration services
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 ordinary shares paid up to HK$30,000,000	100	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 ordinary shares paid up to HK$2,000,000	100	100	Plumbing engineering services
New China Laundry Limited	Hong Kong	40,000,002 ordinary shares and 704,000 non-voting deferred shares paid up to HK$40,704,002	100	100	Laundry services
New China Steam Laundry Limited	British Virgin Islands	100,000 shares of HK$1 each paid up to HK$1	100	100	Investment holding
Ocean Front Investments Limited	Hong Kong	1 share paid up to HK$1	100	100	Property holding

32 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 2019	2018	Principal activities
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
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	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 Material Supplies (Macao) Limited	Macau	MOP25,000	100	100	Trading and supply of building materials
Young's Engineering Company Limited	Hong Kong	4,000,000 ordinary shares paid up to HK$40,000,000	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering
豐盛機電工程有限公司[(1)]	Mainland China	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司[(1)]	Mainland China	US$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程(上海)有限公司[(1)]	Mainland China	RMB15,000,000	100	100	Mechanical and electrical engineering

Note:

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