

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 GENERAL INFORMATION

FSE Engineering Holdings Limited (the "Company") is a limited liability company incorporated in Cayman Islands on 22 June 2015. The address of its registered office is Cricket Square, Hutchins Drive, PO 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, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. The directors consider Mr. Doo Wai Hoi, William to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder").

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the board of directors of the Company (the "Board") on 26 February 2016.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

In preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited, the Company and other companies comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become holding company of the other companies now comprising the Group. The Reorganisation was completed on 30 June 2015. Details of the Reorganisation are set out under the section headed "Group reorganisation" in Appendix IV of the prospectus of the Company dated 26 November 2015 (the "Prospectus"). Accordingly, the interim financial information presented for the six months ended 31 December 2014 was prepared under the principles of merger accounting as if the current group structure had been in existence throughout the period presented.

This unaudited condensed interim financial information for the six months ended 31 December 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS 34"), "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial information should be read in conjunction with the Prospectus, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those described in the Prospectus.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

# Notes to the Condensed Consolidated Interim Financial Statements

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

### (a) Adoption of improvements to existing standards

For the six months ended 31 December 2015, the Group adopted the following improvements to existing standards which are effective for the accounting periods beginning on or after 1 January 2015 and relevant to the Group's operations:

Annual Improvements Project                      Annual improvements 2010–2012 cycle

Annual Improvements Project                      Annual improvements 2011–2013 cycle

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

### (b) New standards and amendments and improvements to standards that are not yet effective

HKICPA has issued certain new standards, amendments and improvements which are relevant to the Group's operation but not yet effective as at 31 December 2015 and the Group has not early adopted.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 Amendment	Disclosure initiative	1 January 2016
HKFRS 11 Amendment	Accounting for acquisition of interests in joint operations	1 January 2016
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 16 and HKAS 38 Amendments	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 Amendment	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012–2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The Group is in the process of making an assessment of the likely impact of these new or revised standards, amendments to standards and interpretations to the Group's results and financial position in the period of initial application. However, the Group is not yet in a position to ascertain their impact on its results and financial position.

# Notes to the Condensed Consolidated Interim Financial Statements

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the Prospectus, and should be read in conjunction with the Prospectus.

There have been no changes in the risk management policies since year end.

### 3.2 Fair value estimation

The carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

## 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2015 in the Prospectus.

## 5 REVENUE AND SEGMENT INFORMATION

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

The Group's turnover represents the electrical and mechanical ("E&M") engineering services income, environmental services income and income from trading of building materials. An analysis of the Group's turnover is as follows:

	For the six months ended 31 December	
	2015	2014
<b>Turnover</b>		
Contracting	1,496,053	1,275,820
Maintenance services	46,694	44,205
Sales of goods	66,570	54,857
	<b>1,609,317</b>	<b>1,374,882</b>

# Notes to the Condensed Consolidated Interim Financial Statements

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

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

- (i) E&M engineering — Provision of engineering services and trading of building materials;
- (ii) Environmental management services — Trading of environmental products and provision of related engineering and consultancy services.

The CODM assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of changes in fair value of properties, unallocated corporate expenses and non-recurring events. In addition, finance income and costs and share of gains or losses of joint ventures are not allocated to segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated corporate expenses.

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowances that are reported as direct offsets in the balance sheet. Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, deferred income tax assets, inventories, receivables, amounts due from related companies and cash and bank balances.

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

As at 31 December 2015, unallocated assets and unallocated liabilities represented cash of net proceeds received from listing and trade and other payables of the Company respectively.

Capital expenditure comprises mainly additions to land use rights, and property, plant and equipment (Note 11).

# Notes to the Condensed Consolidated Interim Financial Statements

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

### (a) As at and for the six months ended 31 December 2015

The segment results for the six months ended 31 December 2015 and other segment items included in the condensed consolidated income statement are as follows:

	E&M engineering HK\$'000	Environmental management services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue — external	1,584,884	24,433	–	1,609,317
Revenue — internal	6,473	2,917	(9,390)	–
Total revenue				1,609,317
Operating profit before unallocated corporate expenses	96,854	2,310		99,164
Unallocated corporate expenses				(20,283)
Operating profit				78,881
Finance income, net				5,101
Profit before income tax				83,982
Income tax expenses				(9,382)
Profit for the period				74,600
Other items				
Depreciation	4,081	776	–	4,857
Amortisation of intangible assets	185	–	–	185
Amortisation of land use rights	285	–	–	285

The segment assets and liabilities as at 31 December 2015 and capital expenditure for the six months ended 31 December 2015 are as follows:

	E&M engineering HK\$'000	Environmental management services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Segment assets	1,858,651	32,080	–	1,890,731
Unallocated assets				273,529
Total assets				2,164,260
Segment liabilities	1,308,390	11,292	–	1,319,682
Unallocated liabilities				9,200
Total liabilities				1,328,882
Capital expenditure	2,547	3,131		5,678
Unallocated capital expenditure				–
Total capital expenditure				5,678

# Notes to the Condensed Consolidated Interim Financial Statements

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

### (b) For the six months ended 31 December 2014 and as at 30 June 2015

The segment results for the six months ended 31 December 2014 and other segment items included in the condensed consolidated income statement are as follows:

	E&M engineering HK\$'000	Environmental management services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue — external	1,350,694	24,188	–	1,374,882
Revenue — internal	4,110	3,259	(7,369)	–
<b>Total revenue</b>				<b>1,374,882</b>
Operating profit before unallocated corporate expenses	73,603	2,696	–	76,299
Unallocated corporate expenses				–
Operating profit				76,299
Finance income, net				8,701
<b>Profit before income tax</b>				<b>85,000</b>
Income tax expenses				(10,874)
<b>Profit for the period</b>				<b>74,126</b>
<b>Other items</b>				
Depreciation	3,515	458	–	3,973
Amortisation of intangible assets	185	–	–	185
Amortisation of land use rights	289	–	–	289

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

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

### (b) For the six months ended 31 December 2014 and as at 30 June 2015 *(Continued)*

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

Turnover is allocated based on the countries in which the customers are located as follows:

	For the six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
<b>Turnover</b>		
Hong Kong	1,041,404	716,613
Mainland China	167,020	229,177
Macau	400,893	429,092
	<b>1,609,317</b>	<b>1,374,882</b>

The non-current assets excluding deferred tax assets are allocated based on the countries in which the non-current assets are located as follows:

	At	At
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
<b>Non-current assets</b>		
Hong Kong	148,103	153,007
Mainland China	31,260	32,854
Macau	45,868	46,487
	<b>225,231</b>	<b>232,348</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 6 OTHER INCOME/GAINS, NET

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Exchange gain, net	366	297
(Loss)/gain on disposal of property, plant and equipment and land use rights, net	(184)	71
Sundries	13	158
	<b>195</b>	<b>526</b>

## 7 OPERATING PROFIT

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Operating profit is stated after charging/(crediting):		
Changes in inventories of finished goods and work in progress	37,741	32,301
Raw materials and consumables used	496,339	517,085
Subcontracting fees	631,332	468,040
Write back of provision for inventories	(722)	(1,595)
Amortisation of land use rights	285	289
Amortisation of intangible assets	185	185
Depreciation of property, plant and equipment	4,857	3,973
Operating lease rental for land and buildings	14,234	15,241
Less: Operating lease rental capitalised under contracts in progress	(1,766)	(2,382)
	<b>12,468</b>	<b>12,859</b>
Staff costs (including Directors' emoluments)		
Salaries and allowances	245,471	216,960
Pension cost on defined contribution schemes	12,632	11,524
Listing expenses	16,760	–



# Notes to the Condensed Consolidated Interim Financial Statements

## 8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Current income tax		
Hong Kong profits tax	7,863	4,171
Mainland China taxation	7,989	6,652
Macau taxation	297	35
Over-provision in prior years	(3,125)	(4,091)
Deferred income tax (credit)/expense	(3,642)	4,107
	<b>9,382</b>	<b>10,874</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the six months ended 31 December 2014 and 2015 respectively. According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiary companies which are expected to fulfill the aforesaid conditions.

# Notes to the Condensed Consolidated Interim Financial Statements

## 9 EARNINGS PER SHARE

### (a) Basic

For the purpose of computing earnings per share for the six months ended 31 December 2014 and 2015, 300,000,000 ordinary shares of the Company issued and fully paid as at 30 June 2015 were treated as if they had been in issue throughout the relevant period.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 31 December 2015 and 2014.

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Profit attributable to owners of the Company	74,600	74,126
Weighted average number of ordinary shares in issue (shares in thousands)	318,750	300,000
Basic earnings per share (HK\$)	0.23	0.25

### (b) Diluted

As the Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2015 and 2014, the diluted earnings per share equals the basic earnings per share.

# Notes to the Condensed Consolidated Interim Financial Statements

## 10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK5.0 cents per share for the six months ended 31 December 2015 (2014: Nil). The interim dividend will be paid in cash.

## 11 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, AND INTANGIBLE ASSETS

	Property, plant and equipment HK\$'000	Land use rights HK\$'000	Other intangible assets HK\$'000
<b>Six months ended 31 December 2015</b>			
<b>Opening net book amount as at 1 July 2015</b>	<b>172,582</b>	<b>24,075</b>	<b>35,691</b>
Additions	5,678	–	–
Disposals	(74)	–	–
Exchange differences	(232)	(270)	–
Depreciation and amortisation charges	(4,857)	(285)	(185)
Adjustment on revaluation	(6,892)	–	–
<b>Closing net book amount as at 31 December 2015</b>	<b>166,205</b>	<b>23,520</b>	<b>35,506</b>
<b>Six months ended 31 December 2014</b>			
<b>Opening net book amount as at 1 July 2014</b>	165,051	24,654	36,061
Additions	2,871	–	–
Disposals	(3)	–	–
Exchange differences	4	–	–
Depreciation and amortisation charges	(3,972)	(289)	(185)
<b>Closing net book amount as at 31 December 2014</b>	<b>163,951</b>	<b>24,365</b>	<b>35,876</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 12 TRADE AND OTHER RECEIVABLES

	At 31 December 2015 HK\$'000	At 30 June 2015 HK\$'000
Trade receivables		
Third parties	213,947	151,050
Related companies	59,596	41,803
	<b>273,543</b>	192,853
Less: provision for impairment		
Third parties	(6,713)	(6,752)
	<b>266,830</b>	186,101
Retention receivables		
Third parties	182,006	191,170
Related companies	135,521	102,917
	<b>317,527</b>	294,087
Accrued contract revenue	38,196	156,288
Other receivables and prepayments	50,053	38,082
	<b>672,606</b>	674,558

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

	Credit period
E&M engineering	30-60 days
Environmental	30-60 days

The ageing analysis of the Group's trade receivables, based on the invoice date, and net of provision for impairment, is as follows:

	At 31 December 2015 HK\$'000	At 30 June 2015 HK\$'000
Current to 3 months	240,073	170,303
4 to 6 months	15,133	7,756
Over 6 months	11,624	8,042
	<b>266,830</b>	186,101

# Notes to the Condensed Consolidated Interim Financial Statements

## 13 SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 22 June 2015. At the date of incorporation, an authorised share capital of HK\$100,000 comprising 1,000,000 ordinary shares of HK\$0.1 each and 1 share was allotted and issued nil paid to Sharon Pierson which was transferred to FSE Holdings Limited on the same date. On 30 June 2015, the remaining 999,999 shares in the authorised share capital of Company were allotted and issued nil paid to FSE Holdings Limited. On 30 June 2015, the authorised share capital of the Company has been increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new shares of HK\$0.1 each. On 30 June 2015, the entire share capitals in Building Material Supplies Limited, FSE Engineering Group Limited and FSE Environmental Technologies Limited held by FSE Management Company Limited were transferred to the Company, in consideration of the issue and allotment of 299,000,000 shares by the Company to FSE Holdings Limited, each credited as fully paid, as the initial capital of the Company for the acquisition of the entire interest and control of the listing businesses.

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

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

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

	Number of shares	HK\$'000
Ordinary shares, authorised:		
As at 30 June 2015 and 31 December 2015	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2015	300,000,000	30,000
Capitalisation issues	37,500,000	3,750
Issues of shares	112,500,000	11,250
As at 31 December 2015	450,000,000	45,000

# Notes to the Condensed Consolidated Interim Financial Statements

## 14 TRADE AND OTHER PAYABLES

	At 31 December 2015 HK\$'000	At 30 June 2015 HK\$'000
Trade payables		
Third parties	19,975	99,666
Related companies	–	1
	<b>19,975</b>	99,667
Bills payable		
Third parties	12,473	4,678
Retention payables		
Third parties	167,245	151,850
Related companies	–	201
	<b>167,245</b>	152,051
Accrued expenses	113,277	129,686
Provision for contracting costs	193,077	198,871
Other creditors and accruals	15,508	29,431
	<b>521,555</b>	614,384

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

	At 31 December 2015 HK\$'000	At 30 June 2015 HK\$'000
Current to 3 months	16,222	94,930
4 to 6 months	2,263	2,264
Over 6 months	1,490	2,473
	<b>19,975</b>	99,667

# Notes to the Condensed Consolidated Interim Financial Statements

## 15 CAPITAL COMMITMENTS

	At 31 December 2015 HK\$'000	At 30 June 2015 HK\$'000
Authorised but not contracted for	972	5,000
Contracted but not provided for	2,919	–
	<b>3,891</b>	5,000

## 16 NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations:

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Profit before income tax	83,982	85,000
Interest income	(5,101)	(8,701)
Amortisation of land use rights (Note 11)	285	289
Amortisation of intangible assets (Note 11)	185	185
Depreciation of property, plant and equipment (Note 11)	4,857	3,973
Write back of provision for inventories	(722)	(1,595)
Listing expenses	16,760	–
Loss/(gain) on disposal of property, plant and equipment (Note 6)	184	(71)
Exchange differences	(1,114)	(76)
Operating cash flows before changes in working capital	<b>99,316</b>	79,004
Change in working capital:		
— Inventories	815	(945)
— Net amounts due to customers for contract works	211,438	(29,363)
— Trade and other receivables	(3,672)	100,990
— Trade and other payables	(86,710)	(74,647)
— Balances with related companies	782	3,508
Cash generated from operations	<b>221,969</b>	78,547

# Notes to the Condensed Consolidated Interim Financial Statements

## 17 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial information, 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 six months ended 31 December 2014 and 2015.

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

Name	Relationship
DMI Development Limited	Note i
FSE Management Company Limited	Note i
Fung Seng Enterprises Limited	Note i
General Security (H.K.) Limited	Note i
International Property Management Limited	Note i
Kenbase Engineering Limited	Note i
Kiu Lok Service Management Company Limited	Note i
New China Laundry Limited	Note i
Nova Insurance Consultants Limited	Note i
Onglory International Limited	Note i
Urban Property Management Limited	Note i
Waihong Environmental Services Limited	Note i
Waihong Pest Control Services Limited	Note i
上海實業南洋大酒店有限公司	Note i
上海豐昌物業管理有限公司	Note i
上海豐順置業有限公司	Note i
上海豐濤置業有限公司	Note i
Anway Limited	Note ii
AOS Management Ltd	Note ii
ATL Logistic Centre Hong Kong Ltd	Note ii
Bright Link Engineering Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Direct Profit Development Ltd	Note ii
Discovery Park Commercial Services Limited	Note ii
East Concept Investments Ltd	Note ii
Ever Light Limited	Note ii
Gammon — Hip Hing Joint Venture	Note ii
GH Hotel Company Limited (Formerly known as Grand Hyatt Hong Kong Company Limited)	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Seng Construction Company Limited (Formerly known as Waking Builders Limited)	Note ii
HK Convention & Exhibition Centre	Note ii



# Notes to the Condensed Consolidated Interim Financial Statements

## 17 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Hong Kong Island Development Limited	Note ii
K11 Concepts Limited	Note ii
Markson Limited	Note ii
New Town Project Management Limited	Note ii
New World China Land Ltd	Note ii
New World Construction Company Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Ltd	Note ii
New World TMT Ltd	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Pridemax Ltd	Note ii
Renaissance Harbour View Hotel HK	Note ii
The Automall Ltd	Note ii
Vibro (HK) Ltd	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
北京祥和物業管理有限公司	Note ii
北京僑樂房地產管理服務有限公司	Note ii
成都心怡房地產開發有限公司	Note ii
協興建築(中國)有限公司	Note ii
周大福鐘錶(香港)有限公司	Note ii
深圳拓勁房地產開發有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
湖南新城新世界物業服務有限公司	Note ii
新世界(瀋陽)房地產開發有限公司	Note ii
新世界安信(天津)發展有限公司	Note ii
新世界百貨集團上海匯雅百貨有限公司	Note ii
新世界發展(武漢)有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
廣州市新御房地產開發有限公司	Note ii
鹽城新世界百貨有限公司	Note ii

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder.
- (ii) These related companies include companies of which the key management personnel are close relatives of the family of the Ultimate Controlling Shareholder.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17 RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Transaction with related parties

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note iii)	35,422	19,875
Other related companies (Note iv)	686,099	300,999
	<b>721,521</b>	320,874
Contract expenses		
Other related companies (Note iv)	–	2,060
Insurance broking service expenses		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note iii)	12,394	9,132
Rental expenses (Note ii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note iii)	2,219	2,219
Other related companies (Note iv)	90	92
	<b>2,309</b>	2,311
General expenses		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note iii)	72	–
Other related companies (Note iv)	117	106
	<b>189</b>	106
Management fee		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note iii)	–	6,300

Notes:

- (i) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (ii) Rental expenses were recharged based on fixed amounts agreed by the parties.
- (iii) These related companies include companies which are commonly controlled by the Ultimate Controlling Shareholder.
- (iv) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17 RELATED PARTY TRANSACTIONS (Continued)

### (b) Transaction with related parties (Continued)

#### Balances with related parties

	As 31 December 2015 HK\$'000	As 30 June 2015 HK\$'000
Accounts receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	8,861	6,975
Other related companies (Note ii)	50,735	34,828
	<b>59,596</b>	<b>41,803</b>
Accounts payable		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	–	1
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	3,872	5,618
Other related companies (Note ii)	92,731	49,245
	<b>96,603</b>	<b>54,863</b>
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	3,164	5,393
Other related companies (Note ii)	277,580	120,177
	<b>280,744</b>	<b>125,570</b>
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	724	–
Other related companies (Note ii)	134,797	102,917
	<b>135,521</b>	<b>102,917</b>
Retention payables		
Other related companies (Note ii)	–	201
Advance received for contract works		
Other related companies (Note ii)	–	1,061

Notes:

- (i) These related companies include companies which 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.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17 RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Key management compensation

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

	For the six months ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Fees	108	380
Salaries and other emoluments	13,559	8,870
Contributions to defined contribution schemes	756	705
	<b>14,423</b>	<b>9,955</b>