

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 22nd 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 electrical engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. 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.

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

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company (the "Board") on 23 February 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed interim financial information for the six months ended 31 December 2016 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 annual financial statements for the year ended 30 June 2016, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those set out in the annual report for the year ended 30 June 2016, except for the adoption of amendments to standards which are further explained in note (a) and the change in the accounting policy of the Group's leasehold land and buildings as stated in note (c).

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

(a) Adoption of amendments to standards

For the six months ended 31 December 2016, the Group adopted the following amendments and improvements to existing standards which are effective for the accounting periods beginning on or after 1 January 2016 and relevant to the Group's operations:

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

The adoption of the above amendments to standards has no material effect on the results and financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

The following new standards and amendments and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year of the Group beginning on 31 December 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 7 Amendment	Disclosure initiative	1 January 2017
HKAS 12 Amendment	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1 January 2018
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the impact of these new standards and amendments and improvements to standards, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures and measurement of certain items in the financial information. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

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

In accordance with HKAS 16 Property, Plant and Equipment, leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its leasehold land and buildings using the revaluation model in previous years. With effective from 1 July 2016, the Group aligned its accounting policy with the industry practice and stated its leasehold land and buildings at cost less accumulated depreciation and any impairment losses. In addition, the Group's leasehold land and buildings are not expected to be sold in the normal course of business, instead, the future economic benefits embodied in the properties will be recovered principally through use in the Group's operation. In the opinion of the directors, this change in the accounting policy enables the Group to provide reliable and more relevant information on the financial statements about its performance and financial position.

As a result of the adoption of the cost model under HKAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2016, and the results for the six months ended 31 December 2015.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

(i) Effect on the condensed consolidated income statement for the six months ended 31 December 2015:

	As previously reported HK\$'000	Effect of adopting cost model under HKAS 16 HK\$'000	As restated HK\$'000
Revenue	1,609,317	–	1,609,317
Cost of sales	(1,420,208)	–	(1,420,208)
Gross profit	189,109	–	189,109
Other income/gains, net	195	354	549
General and administrative expenses	(110,423)	616	(109,807)
Operating profit	78,881	970	79,851
Finance income	5,101	–	5,101
Profit before income tax	83,982	970	84,952
Income tax expenses	(9,382)	(145)	(9,527)
Profit for the period attributable to equity holders of the Company	74,600	825	75,425
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK\$ per share) — basic and diluted	0.23	0.01	0.24

Notes to the Condensed Consolidated Interim Financial Statements

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

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

- (ii) Effect on the condensed consolidated statement of comprehensive income for the six months ended 31 December 2015:

	As previously reported HK\$'000	Effect of adopting cost model under HKAS 16 HK\$'000	As restated HK\$'000
Profit for the period	74,600	825	75,425
Other comprehensive income:			
<i>Items that will not be reclassified to condensed consolidated income statement:</i>			
Revaluation loss on property, plant and equipment	(6,538)	6,538	–
Deferred income tax on revaluation loss on property, plant and equipment	1,040	(1,040)	–
	(5,498)	5,498	–
<i>Item that may be subsequently reclassified to condensed consolidated income statement:</i>			
Currency translation differences	(16,375)	4	(16,371)
Other comprehensive income, net of tax	(21,873)	5,502	(16,371)
Total comprehensive income for the period and attributable to equity holders of the Company	52,727	6,327	59,054

Notes to the Condensed Consolidated Interim Financial Statements

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

(c) Changes in the accounting policies of leasehold land and buildings *(Continued)*

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

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

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 annual financial statements, and should be read in conjunction with the Group's 30 June 2016 annual financial statements.

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 2016.

5 REVENUE AND SEGMENT INFORMATION

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

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

	For the six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Contracting	1,648,355	1,496,053
Maintenance services	56,058	46,694
Sales of goods	64,902	66,570
	1,769,315	1,609,317

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 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.

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

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

As at 31 December 2016, unallocated assets represented trade and other receivables and cash and bank balances of the Company. Unallocated liabilities represented other payables of the Company.

Capital expenditure comprises mainly additions to 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 2016

The segment results for the six months ended 31 December 2016 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	1,738,482	30,833	–	1,769,315
Revenue — internal	4	2,391	(2,395)	–
Total revenue				1,769,315
Operating profit before unallocated corporate expenses	94,230	3,211	–	97,441
Unallocated corporate expenses				(2,241)
Operating profit				95,200
Finance income, net				6,766
Profit before income tax				101,966
Income tax expenses				(19,666)
Profit for the period				82,300
Other items				
Depreciation	4,748	1,054	–	5,802
Amortisation of intangible assets	185	–	–	185
Amortisation of land use rights	301	–	–	301

The segment assets and liabilities as at 31 December 2016 and capital expenditure for the six months ended 31 December 2016 are as follows:

	E&M engineering HK\$'000	Environmental management services HK\$'000	Total HK\$'000
Segment assets	2,244,912	38,622	2,283,534
Unallocated assets			159,917
Total assets			2,443,451
Segment liabilities	1,581,521	13,453	1,594,974
Unallocated liabilities			1,900
Total liabilities			1,596,874
Total capital expenditure	5,591	769	6,360

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2015 and as at 30 June 2016 (restated)

The segment results for the six months ended 31 December 2015, as restated, 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	97,824	2,310	–	100,134
Unallocated corporate expenses				(20,283)
Operating profit				79,851
Finance income, net				5,101
Profit before income tax				84,952
Income tax expenses				(9,527)
Profit for the period				75,425
Other items				
Depreciation	3,465	776	–	4,241
Amortisation of intangible assets	185	–	–	185
Amortisation of land use rights	285	–	–	285

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

	E&M Engineering HK\$'000	Environmental management services HK\$'000	Total HK\$'000
Segment assets	2,458,022	39,626	2,497,648
Unallocated assets			162,772
Total assets			2,660,420
Segment liabilities	1,822,927	13,109	1,836,036
Unallocated liabilities			1,543
Total liabilities			1,837,579
Total capital expenditure	19,548	5,799	25,347

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

	For the six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Hong Kong	1,381,569	1,041,404
Mainland China	274,353	167,020
Macau	113,393	400,893
	1,769,315	1,609,317

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

	At	At
	31 December	30 June
	2016	2016
	HK\$'000	(restated) HK\$'000
Non-current assets, other than deferred tax assets		
Hong Kong	122,963	94,319
Mainland China	26,737	27,293
Macau	30,903	31,210
	180,603	152,822

Notes to the Condensed Consolidated Interim Financial Statements

6 OTHER (LOSSES)/GAINS, NET

	For the six months ended 31 December	
	2016	2015 (restated)
	HK\$'000	HK\$'000
Exchange (loss)/gain, net	(160)	366
(Loss)/gain on disposal of property, plant and equipment and land use rights, net	(291)	170
Sundries	239	13
	(212)	549

7 OPERATING PROFIT

	For the six months ended 31 December	
	2016	2015 (restated)
	HK\$'000	HK\$'000
Operating profit is stated after charging/(crediting):		
Changes in inventories of finished goods and work in progress	36,611	37,741
Raw materials and consumables used	406,707	496,339
Subcontracting fees	831,773	631,332
Provision for inventories	285	–
Write back of provision for inventories	–	(722)
Reversal of impairment loss on trade receivables	(40)	–
Amortisation of land use rights	301	285
Amortisation of intangible assets	185	185
Depreciation of property, plant and equipment	5,802	4,241
Operating lease rental for land and buildings	16,020	14,234
Less: Operating lease rental capitalised under contracts in progress	(1,993)	(1,766)
Staff costs (including directors' emoluments)		
Salaries and allowances	264,272	245,110
Pension cost on defined contribution schemes	11,770	12,632
Less: Recognition of staff costs previously capitalised/ (staff costs capitalised) under contracts in progress	656	(8,026)
Listing expenses	–	16,760

Notes to the Condensed Consolidated Interim Financial Statements

8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2016	2015 (restated)
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	8,973	7,863
Mainland China taxation	8,169	7,989
Macau taxation	1,440	297
Under/(over)-provision in prior years	119	(3,125)
Deferred income tax expense/(credit)	965	(3,497)
	19,666	9,527

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 2015 and 2016.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 31 December 2016 and 2015.

	For the six months ended 31 December	
	2016	2015 (restated)
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	82,300	75,425
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	318,750
Basic earnings per share (HK\$)	0.18	0.24

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2016 and 2015, 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 HK7.4 cents per share for the six months ended 31 December 2016 (2015: HK5.0 cents per share). 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
Six months ended 31 December 2016			
Opening net book amount as at 1 July 2016, as previously reported	187,409	23,087	35,321
Impact of change in accounting policy	(92,995)	–	–
As restated	94,414	23,087	35,321
Additions	6,360	–	–
Disposals	(307)	–	–
Exchange differences	(247)	(237)	–
Depreciation and amortisation charges	(5,802)	(301)	(185)
Closing net book amount as at 31 December 2016	94,418	22,549	35,136
Six months ended 31 December 2015			
Opening net book amount as at 1 July 2015, as previously reported	172,582	24,075	35,691
Impact of change in accounting policy	(91,326)	–	–
As restated	81,256	24,075	35,691
Additions	5,678	–	–
Disposals	(74)	–	–
Exchange differences	(228)	(270)	–
Depreciation and amortisation charges	(4,241)	(285)	(185)
Closing net book amount as at 31 December 2015, as restated	82,391	23,520	35,506

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES

	At 31 December 2016 HK\$'000	At 30 June 2016 HK\$'000
Trade receivables		
Third parties	179,053	137,801
Related companies (Note 17(c))	84,880	172,026
	263,933	309,827
Less: provision for impairment		
Third parties	(6,634)	(6,674)
	257,299	303,153
Retention receivables		
Third parties	164,990	160,977
Related companies (Note 17(c))	218,614	188,918
	383,604	349,895
Accrued contract revenue	42,804	160,270
Other receivables and prepayments	66,157	28,958
	749,864	842,276
Less: Non-current portion — Deposits (Note)	(28,500)	—
	721,364	842,276

Note: Balance represented deposits paid for the acquisition of a property holding group.

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

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

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 31 December 2016 HK\$'000	At 30 June 2016 HK\$'000
Current to 90 days	232,523	280,308
91–180 days	13,430	9,115
Over 180 days	11,346	13,730
	257,299	303,153

13 SHARE CAPITAL

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

	Number of shares	HK\$'000
Ordinary shares, authorised:		
As at 30 June 2016 and 31 December 2016	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2016 and 31 December 2016	450,000,000	45,000

14 TRADE AND OTHER PAYABLES

	At 31 December 2016 HK\$'000	At 30 June 2016 HK\$'000
Trade payables		
Third parties	76,319	81,772
Bills payable		
Third parties	6,651	6,708
Retention payables		
Third parties	225,393	209,125
Related companies	–	14
	225,393	209,139
Accrued expenses	72,875	97,454
Provision for contracting costs	196,457	230,633
Other creditors and accruals	121,006	29,217
	698,701	654,923

Notes to the Condensed Consolidated Interim Financial Statements

14 TRADE AND OTHER PAYABLES *(Continued)*

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 2016 HK\$'000	At 30 June 2016 HK\$'000
1-90 days	72,809	79,833
91-180 days	1,985	419
Over 180 days	1,525	1,520
	76,319	81,772

15 CAPITAL COMMITMENTS

	At 31 December 2016 HK\$'000	At 30 June 2016 HK\$'000
Contracted but not provided for	256,500	998

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the six months ended 31 December	
	2016 HK\$'000	2015 (restated) HK\$'000
Profit before income tax	101,966	84,952
Interest income	(6,766)	(5,101)
Amortisation of land use rights	301	285
Amortisation of intangible assets	185	185
Depreciation of property, plant and equipment	5,802	4,241
Provision for inventories	285	–
Write back of provision for inventories	–	(722)
Reversal of impairment loss on trade receivables	(40)	–
Listing expenses	–	16,760
Loss/(gain) on disposal of property, plant and equipment	291	(170)
Unrealised exchange differences	(2,092)	(1,114)
Operating cash flows before changes in working capital	99,932	99,316
Change in working capital:		
— Inventories	2,127	815
— Net amounts due to customers for contract works	(197,321)	211,438
— Trade and other receivables	117,697	(3,672)
— Trade and other payables	52,682	(86,710)
— Balances with related companies	–	782
Cash generated from operations	75,117	221,969

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

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 2015 and 2016.

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

Name	Relationship
FSE Management Company Limited	Note i
International Property Management Limited	Note i
Kiu Lok Service Management Company Limited	Note i
Nova Insurance Consultants Limited	Note i
Urban Property Management Limited	Note i
Fung Seng Enterprises Limited	Note i
DMI Development Limited	Note i
Kenbase Engineering Limited	Note i
Onglory International Limited	Note i
Power Estate Investments Limited	Note i
上海豐昌物業管理有限公司	Note i
上海上實南洋大酒店有限公司	Note i
上海豐順置業有限公司	Note i
上海豐濤置業有限公司	Note i
Fung Seng Diamond Company Limited	Note i
General Security (H.K.) Limited	Note i
New China Laundry Limited	Note i
Waihong Environmental Services Limited	Note i
Waihong Pest Control Services Limited	Note i
Hong Kong Island Landscape Company Limited	Note i
上海上實南洋大酒店有限公司上海四季酒店	Note i
Great City Developments Company Limited	Note i
NWS Holdings Limited	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Seng Construction Company Limited	Note ii
北京僑樂房地產管理服務有限公司	Note ii
大連僑樂物業服務有限公司	Note ii
Anway Limited	Note ii
New World Construction Company Limited	Note ii
Bright Link Engineering Limited	Note ii
Gammon — Hip Hing Joint Venture	Note ii
Hong Kong Island Development Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
北京祥和物業管理有限公司	Note ii
北京京廣中心有限公司	Note ii
K11 Concepts Limited	Note ii

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 related parties that had transactions with the Group are listed below: *(Continued)*

Name	Relationship
New Town Project Management Limited	Note ii
協興建築(中國)有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南新城新世界物業服務有限公司	Note ii
新世界安信(天津)發展有限公司	Note ii
天津新世界百貨有限公司	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
廣州市新禦房地產開發有限公司	Note ii
East Concept Investments Limited	Note ii
周大福鐘錶(香港)有限公司	Note ii
GH Hotel Company Limited (Formerly known as Grand Hyatt Hong Kong Company Limited)	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
New World Strategic Investment Limited	Note ii
New World Telecommunications Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
The Automall Limited	Note ii
Techni Development Investment Limited	Note ii
HH — CW Joint Venture	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Hip Hing Joint Venture	Note ii
HK Convention & Exhibition Centre	Note ii
Vibro (HK) Limited	Note ii
Vibro Construction Company Limited	Note ii
深圳拓勁房地產開發有限公司	Note ii
新世界發展(武漢)有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
Chow Tai Fook Charity Foundation	Note ii
Chow Tai Fook Enterprises 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
NW Project Management Limited	Note ii
鹽城新世界百貨有限公司	Note ii
新世界百貨集團上海匯雅百貨有限公司	Note ii
成都心怡房地產開發有限公司	Note ii

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 related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
新世界(瀋陽)房地產開發有限公司	Note ii
K11 Select Limited	Note ii
Victoria Nursery	Note ii
北京新策項目管理諮詢服務有限公司	Note ii
Hip Hing — Hanison Joint Venture	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
北京麗高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.

(b) Transaction with related parties

	For the six months ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	19,593	35,422
Other related companies	903,921	686,099
	923,514	721,521
Insurance broking service expenses (Note ii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	12,446	12,394
Rental expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,205	2,219
Other related companies	132	90
	4,337	2,309

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

- (i) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (ii) Insurance broking service expenses were principally charged in accordance with respective insurance policies.
- (iii) Rental expenses were principally charged in accordance with respective rental agreements.
- (iv) The above transactions with related parties are based upon mutually agreed terms and conditions.

(c) Balances with related parties

	At 31 December 2016 HK\$'000	At 30 June 2016 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	9,569	15,770
Other related companies	75,311	156,256
	84,880	172,026
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,624	5,541
Other related companies	106,632	205,845
	109,256	211,386
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	11,156	4,990
Other related companies	476,879	652,567
	488,035	657,557
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,815	530
Other related companies	216,799	188,388
	218,614	188,918
Advance received for contract works		
Other related companies	–	5,759

Notes to the Condensed Consolidated Interim Financial Statements

17 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 six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Fees	575	108
Salaries and other emoluments	17,384	13,559
Contributions to defined contribution schemes	764	756
	18,723	14,423

18 SUBSEQUENT EVENTS

The acquisition of a property holding group which holds a property at 17/F, Chevalier Commercial Centre, Kowloon Bay, Hong Kong was completed on 9 January 2017.