

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

FSE Engineering Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 22 June 2015. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, 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 27 February 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2017 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 ("HKICPA"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2017, 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 2017.

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 2017, the Group adopted the following amendments to existing standards which are effective for the accounting periods beginning on or after 1 January 2017 and relevant to the Group's operations:

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

The adoption of the above amendments to standards has no material effect on the results and financial position of the Group nor any substantial changes in the Group's accounting policies and the presentation of the consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

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

(b) New standards and amendments and interpretations 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 interpretations to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year of the Group beginning on 1 July 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
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
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9 Amendment	Prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) — Int 23	Uncertainty over income tax treatments	1 January 2019
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 to the Group and considered that there will not be any substantial changes to the Group's significant accounting policies and presentation of consolidated financial statements, except for the following set out below:

HKFRS 9, "Financial instruments"

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory for the year ending 30 June 2019.

The Group expects the adoption will have possible change in classification of the Group's financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

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

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

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

(Continued)

HKFRS 9, "Financial instruments" *(Continued)*

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

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 July 2018.

Based on preliminary assessment conducted, the Group expects there will not be any material effect on the results and financial positions, but will need to present more disclosures in the financial statements.

HKFRS 16, "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$40.5 million. The adoption of HKFRS 16 will result in the recognition of an asset and a liability for future payments, and the Group expects there will not be any material effect on the profit or loss.

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

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The 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 2017 annual financial statements.

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

3.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair values:

	At 31 December 2017 Level 1 HK\$'000	At 30 June 2017 Level 1 HK\$'000
Assets		
Financial assets at fair value through profit or loss	93,768	31,489
Available-for-sale financial assets	94,672	67,981
	188,440	99,470

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

There were no transfers of financial instruments between levels in the hierarchy for the period ended 31 December 2017.

At 31 December 2017, the carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. There is no other financial instrument requiring disclosure of fair value measurement by level on fair value measurement hierarchy.

Notes to the Condensed Consolidated Interim Financial Statements

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 2017.

5 REVENUE AND SEGMENT INFORMATION

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

The Group's revenue represents the electrical and mechanical ("E&M") engineering 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	
	2017	2016
	HK\$'000	HK\$'000
Revenue		
Contracting	1,651,264	1,648,355
Maintenance services	62,522	56,058
Sales of goods	49,549	64,902
	1,763,335	1,769,315

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; and
- (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.

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 2017, 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 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 2017

The segment results for the six months ended 31 December 2017 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	1,729,483	33,852	–	1,763,335
Revenue — internal	6	1,004	(1,010)	–
Total revenue				<u>1,763,335</u>
Operating profit before unallocated corporate expenses	95,826	3,344	–	99,170
Unallocated corporate expenses				(2,167)
Operating profit				<u>97,003</u>
Finance income				9,794
Profit before income tax				<u>106,797</u>
Income tax expenses				(20,017)
Profit for the period				<u>86,780</u>
Other items				
Depreciation (Note 11)	11,819	1,025	–	12,844
Amortisation of intangible assets (Note 11)	185	–	–	185
Amortisation of land use rights (Note 11)	300	–	–	300

The segment assets and liabilities as at 31 December 2017 and capital expenditure for the six months ended 31 December 2017 are as follows:

	E&M engineering HK\$'000	Environmental management services HK\$'000	Total HK\$'000
Segment assets	2,078,061	35,906	2,113,967
Unallocated assets			490,138
Total assets			<u>2,604,105</u>
Segment liabilities	1,616,003	14,071	1,630,074
Unallocated liabilities			3,093
Total liabilities			<u>1,633,167</u>
Capital expenditure	2,487	183	2,670
Unallocated capital expenditure			–
Total capital expenditure			<u>2,670</u>

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2016 and as at 30 June 2017

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				<u>1,769,315</u>
Operating profit before unallocated corporate expenses	94,230	3,211	–	97,441
Unallocated corporate expenses				<u>(2,241)</u>
Operating profit				95,200
Finance income				<u>6,766</u>
Profit before income tax				101,966
Income tax expenses				<u>(19,666)</u>
Profit for the period				<u>82,300</u>
Other items				
Depreciation (Note 11)	4,748	1,054	–	5,802
Amortisation of intangible assets (Note 11)	185	–	–	185
Amortisation of land use rights (Note 11)	301	–	–	301

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

	E&M Engineering HK\$'000	Environmental management services HK\$'000	Total HK\$'000
Segment assets	2,092,580	35,950	2,128,530
Unallocated assets			395,851
Total assets			<u>2,524,381</u>
Segment liabilities	1,596,093	12,877	1,608,970
Unallocated liabilities			2,903
Total liabilities			<u>1,611,873</u>
Capital expenditure	32,408	1,025	33,433
Unallocated capital expenditure			–
Total capital expenditure			<u>33,433</u>

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	
	2017 HK\$'000	2016 HK\$'000
Revenue		
Hong Kong	1,326,504	1,381,569
Mainland China	249,628	274,353
Macau	187,203	113,393
	1,763,335	1,769,315

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

	At 31 December 2017 HK\$'000	At 30 June 2017 HK\$'000
	Non-current assets, other than deferred tax assets	
Hong Kong	468,101	430,481
Mainland China	25,997	25,572
Macau	30,675	30,961
	524,773	487,014

6 OTHER GAINS/(LOSSES), NET

	For the six months ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Exchange gain/(loss), net	3,929	(160)
Loss on disposal of property, plant and equipment, net	–	(291)
Fair value loss on financial assets at fair value through profit or loss	(1,443)	–
Reclassification of revaluation reserve to profit or loss upon maturity of available-for-sale financial assets	(72)	–
Sundries	211	239
	2,625	(212)

Notes to the Condensed Consolidated Interim Financial Statements

7 OPERATING PROFIT

	For the six months ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Operating profit is stated after charging/(crediting):		
Changes in inventories of finished goods and work in progress	25,783	36,611
Raw materials and consumables used	418,225	406,707
Subcontracting fees	820,782	831,773
Provision for inventories	721	285
Reversal of provision for inventories	(487)	–
Reversal of impairment loss on trade receivables	(104)	(40)
Amortisation of land use rights	300	301
Amortisation of intangible assets	185	185
Depreciation of property, plant and equipment	12,844	5,802
Operating lease rental for land and buildings	15,449	16,020
Less: Operating lease rental capitalised under contracts in progress	(2,065)	(1,993)
Staff costs (including directors' emoluments)		
Salaries and allowances	289,821	264,272
Pension cost on defined contribution schemes	12,503	11,770
Add: Recognition of staff costs previously capitalised under contracts in progress	6,731	656

8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Current income tax		
Hong Kong profits tax	7,785	8,973
Mainland China taxation	9,124	8,169
Macau taxation	1,969	1,440
Under-provision in prior years	–	119
Deferred income tax expense	1,139	965
	20,017	19,666

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

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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 2017 and 2016.

	For the six months ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Profit attributable to owners of the Company	86,780	82,300
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.19	0.18

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2017 and 2016, the diluted earnings per share equals the basic earnings per share.

10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK7.8 cents per share for the six months ended 31 December 2017 (2016: HK7.4 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 2017			
Opening net book value as at 1 July 2017	382,754	21,655	34,951
Additions	2,670	–	915
Exchange differences	250	235	–
Depreciation and amortisation charges	(12,844)	(300)	(185)
Closing net book value as at 31 December 2017	372,830	21,590	35,681

Notes to the Condensed Consolidated Interim Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, AND INTANGIBLE ASSETS *(Continued)*

	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 value as at 1 July 2016	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 value as at 31 December 2016	94,418	22,549	35,136

12 TRADE AND OTHER RECEIVABLES

	At 31 December 2017 HK\$'000	At 30 June 2017 HK\$'000
Trade receivables		
Third parties	160,567	121,525
Related companies (Note 17(c))	88,548	71,400
	249,115	192,925
Less: provision for impairment		
Third parties	(3,861)	(3,972)
	245,254	188,953
Retention receivables		
Third parties	158,983	143,322
Related companies (Note 17(c))	221,969	216,398
	380,952	359,720
Accrued contract revenue	234,442	243,341
Other receivables and prepayments	34,058	38,778
	649,452	641,839
	894,706	830,792

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

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 2017 HK\$'000	At 30 June 2017 HK\$'000
Current to 90 days	221,136	167,333
91–180 days	16,127	12,264
Over 180 days	7,991	9,356
	245,254	188,953

13 CASH AND BANK BALANCES

	At 31 December 2017 HK\$'000	At 30 June 2017 HK\$'000
Time deposits — original maturities within three months	632,777	808,705
Time deposits — original maturities over three months	–	10,000
Other cash at bank and in hand	133,134	159,617
	765,911	978,322

14 SHARE CAPITAL

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

	Number of shares	HK\$'000
Ordinary shares, authorised: As at 30 June 2017 and 31 December 2017	1,000,000,000	100,000
Ordinary shares, issued and fully paid: As at 30 June 2017 and 31 December 2017	450,000,000	45,000

Notes to the Condensed Consolidated Interim Financial Statements

15 TRADE AND OTHER PAYABLES

	At 31 December 2017 HK\$'000	At 30 June 2017 HK\$'000
Trade payables		
Third parties	227,566	62,711
Bills payable		
Third parties	–	9,355
Retention payables		
Third parties	222,973	207,815
Accrued expenses	60,404	91,888
Provision for contracting costs	669,679	660,915
Other creditors and accruals	84,857	92,942
	1,265,479	1,125,626

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 2017 HK\$'000	At 30 June 2017 HK\$'000
1–90 days	218,332	55,094
91–180 days	4,544	6,227
Over 180 days	4,690	1,390
	227,566	62,711

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the six months ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Profit before income tax	106,797	101,966
Interest income	(9,794)	(6,766)
Amortisation of land use rights	300	301
Amortisation of intangible assets	185	185
Depreciation of property, plant and equipment	12,844	5,802
Provision for inventories	721	285
Reversal of provision for inventories	(487)	–
Reversal of impairment loss on trade receivables	(104)	(40)
Loss on disposal of property, plant and equipment	–	291
Loss on disposal of available-for-sale financial assets upon maturity	72	–
Fair value loss on financial assets at fair value through profit or loss	1,443	–
Unrealised exchange differences	(3,440)	(2,092)
Operating cash flows before changes in working capital	108,537	99,932
Changes in working capital:		
— Inventories	(8,947)	2,127
— Net amounts due to customers for contract works	(248,839)	(197,321)
— Trade and other receivables	(56,629)	117,697
— Trade and other payables	132,158	52,682
Cash (used in)/generated from operations	(73,720)	75,117

(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 2016 and 2017.

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

Name	Relationship
DMI Development Limited	Note i
Fung Seng Diamond Company Limited	Note i
General Security (H.K.) Limited	Note i
Great City Developments Company 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
New China Laundry Limited	Note i
Nova Insurance Consultants Limited	Note i
Onglory International Limited	Note i
Power Estate Investments Limited	Note i
The Dynasty Club Limited	Note i
Urban Property Management Limited	Note i
Urban Management Services Limited	Note i
Waihong Environmental Services Limited	Note i
Waihong Integrated Green Services Limited (Formerly known as Waihong Pest Control Services 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
上海上實南洋大酒店有限公司上海四季酒店	Note i
上海新尚賢坊房地產發展有限公司	Note i
新豐福貿易(上海)有限公司	Note i
Anway Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Bright Link Engineering Limited	Note ii
Build King Construction Ltd	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery and Watch Company (Macau) Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
East Concept Investments Limited	Note ii
Ever Light Limited	Note ii
Gammon — Hip Hing Joint Venture	Note ii
GH Hotel Company Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
HH — CW Joint Venture	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
Hip Hing Joint Venture	Note ii
HK Convention & Exhibition Centre	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
Hip Hing — Hanison Joint Venture	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Golf & Tennis Academy Management Company Limited	Note ii
K11 Concepts Limited	Note ii
K11 Select Limited	Note ii
Kiu Lok Properties Services (China) Ltd	Note ii
New Town Project Management Limited	Note ii
New World Strategic Investment Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
New World Harbourview Hotel Company Limited	Note ii
New World Construction Company Limited	Note ii
NWS Holdings 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
New World China Land Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Space Enterprises Limited	Note ii
The Automall Limited	Note ii
Ultimate Vantage Limited	Note ii
Vibro (HK) Limited	Note ii
Vibro Construction Company Limited	Note ii
Victoria Nursery	Note ii
大連僑樂物業服務有限公司	Note ii
大連新世界大廈有限公司	Note ii
北京僑樂房地產管理服務有限公司	Note ii
北京祥和物業管理有限公司	Note ii
北京京廣中心有限公司	Note ii
北京麗高房地產開發有限公司	Note ii
北京新策項目管理諮詢服務有限公司	Note ii
北京崇文·新世界房地產發展有限公司	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
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
湖南梓山湖置業有限公司	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
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
上海三聯物業發展有限公司	Note ii
鹽城新世界百貨有限公司	Note ii
廣州市新禦房地產開發有限公司	Note ii
深圳拓勁房地產開發有限公司	Note ii
鄭州新世界百貨有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
新協中建築有限公司 (Formerly known as 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
新世界百貨集團上海匯雅百貨有限公司	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
新世界嘉業(武漢)有限公司	Note ii
新世界安信(天津)發展有限公司	Note ii
新世界發展(武漢)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.

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	
	2017 HK\$'000	2016 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	59,896	19,593
Other related companies	694,266	903,921
	754,162	923,514
Insurance broking service expenses (Note ii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	16,145	12,446
Rental expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	3,455	4,205
Other related companies	97	132
	3,552	4,337

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.

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	At 31 December 2017 HK\$'000	At 30 June 2017 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	11,288	11,385
Other related companies	77,260	60,015
	88,548	71,400
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	5,028	4,825
Other related companies	106,323	40,180
	111,351	45,005
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	7,156	8,046
Other related companies	177,415	257,003
	184,571	265,049
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	574	1,622
Other related companies	221,395	214,776
	221,969	216,398

(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	
	2017 HK\$'000	2016 HK\$'000
Fees	706	575
Salaries and other emoluments	19,664	17,384
Contributions to defined contribution schemes	868	764
	21,238	18,723

Notes to the Condensed Consolidated Interim Financial Statements

18 CAPITAL COMMITMENTS

	At 31 December 2017 HK\$'000	At 30 June 2017 HK\$'000
Contracted but not provided for	15,987	180

19 SUBSEQUENT EVENT

On 27 February 2018, FSE Facility Services Group Limited ("FSG"), a wholly-owned subsidiary of the Company, as purchaser and FSE Management Company Limited ("FMC"), a fellow subsidiary, as vendor entered into conditional sales and purchase agreement, pursuant to which FMC agreed to sell, and FSG agreed to purchase, the entire issued share capital in Crystal Brilliant Limited and its subsidiaries (the "Target Group") at a cash consideration of HK\$502 million (subject to adjustment, if any). The Target Group is principally engaged in the provision of facility services including cleaning and laundry services. The completion of the transaction is subject to the fulfilment of certain conditions including the independent shareholders' approval. Upon completion of the transaction, the Group will account for it as a business combination under common control.