Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of electrical and mechanical 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, cleaning and management of waste disposal services, recycling and environmental disposal services and provision of laundry services in Hong Kong. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands ("FSE Holdings"). The directors consider Mr. Doo Wai Hoi, William to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder").

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

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 25 February 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2018 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 2018, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The significant accounting policies applied are consistent with those set out in the annual report for the year ended 30 June 2018, except for the adoption of new standards as described below.

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

For the six months ended 31 December 2018, the Group adopted the following new standards, amendments to existing standards and interpretation which are effective for the accounting periods beginning on or after 1 January 2018 and relevant to the Group's operations:

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

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

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

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

(I) 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 classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss) after initial recognition, and
- those to be measured subsequently at amortised cost after initial recognition.

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

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

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

(i) Measurement

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

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

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

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

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

(I) HKFRS 9 "Financial Instruments" *(Continued)*

(i) Measurement (Continued)

(1) Debt instruments

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

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

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

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

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

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

(I) HKFRS 9 "Financial Instruments" *(Continued)*

(i) Measurement (Continued)

(2) Equity instruments

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

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

The application of HKFRS 9 does not have significant impact on the classification and measurement of its financial assets.

(ii) Impairment

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

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

- actual or expected significant adverse changes in external credit rating of the debtors
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower

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

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

(I) HKFRS 9 "Financial Instruments" *(Continued)*

(ii) Impairment (Continued)

- significant increases in credit risk on other financial instruments of the same borrower

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

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

HKFRS 15 issued by the HKICPA is effective for annual accounting periods beginning or after 1 January 2018.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

From 1 July 2018 onwards, the Group has adopted the following accounting policies on revenue.

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

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

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

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

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

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

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

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

(II) HKFRS 15, "Revenue from Contracts with Customers" *(Continued)*

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

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

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

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

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

(i) Engineering contracts

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

(ii) Service fee income

Maintenance service fees and consultancy fees are recognised over time when services are rendered. Revenue from the provision and management of cleaning and waste disposal services, provision of recycling and environmental services, laundry services and pest control services are recognised over time when the services are rendered.

(iii) Sales of goods

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

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

The impact of the application of HKFRS 15 has been disclosed in Note 3.

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

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

The following new standards, amendments, interpretations and improvements to existing standards, that are relevant to the Group's operations, have been issued but not yet effective for the Group's financial year beginning on 1 July 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associate and Joint Ventures	1 January 2019
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
Annual Improvements	2015 – 2017 Cycle	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 of the above pronouncements to the Group and considered that there will not be any substantial changes to the Group's accounting policies and presentation of its consolidated financial statements, except for HKFRS 16 as described below:

HKFRS 16, "Leases"

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

The Group conducted preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of lease assets and lease liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses.

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

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

HKFRS 16, "Leases" *(Continued)*

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$80.5 million. This will result in the recognition of an asset and a liability for future payments, and the Group expects there will not be any material effect on the profit or loss.

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

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

(c) Application of merger accounting for business combinations under common control by the Group

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

The acquisition was considered as a business combination under common control as FSGL and the Target Group are both ultimately controlled by FSE Holdings Limited. The acquisition of the Target Group was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. Accordingly, the acquired Target Group was included in the condensed consolidated financial statements from the beginning of the earliest period presented as if the Target Group acquired had always been part of the Group. As a result, the Group has restated its comparative amounts of the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 31 December 2017 by including the financial results of the Target Group and eliminated its transactions with the Target Group, as if the acquisition had been completed on the earliest date being presented, i.e. 1 July 2017.

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

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

(c) Application of merger accounting for business combinations under common control by the Group *(Continued)*

The following are reconciliations of the effects arising from the accounting of common control combination in accordance with AG 5 on the Group's consolidated income statements and consolidated statements of comprehensive income in connection with the Target Group for the period ended 31 December 2017.

(i) Effect on the condensed consolidated income statement for the six months ended 31 December 2017 (unaudited):

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	1,763,335	618,931	(508)	2,381,758
Cost of services and sales	(1,556,387)	(537,663)	508	(2,093,542)
Gross profit	206,948	81,268	–	288,216
Other income/gains, net	2,625	386	–	3,011
General and administrative expenses	(112,570)	(40,808)	–	(153,378)
Operating profit	97,003	40,846	–	137,849
Finance income	9,794	147	–	9,941
Finance costs	–	(177)	–	(177)
Profit before income tax	106,797	40,816	–	147,613
Income tax expenses	(20,017)	(6,727)	–	(26,744)
Profit for the period attributable to equity holders of the Company	86,780	34,089	–	120,869
Earnings per share for profit attributable to equity holders of the Company (expressed in HK$)				
— Basic and diluted	0.19	0.08	–	0.27

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

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

(c) Application of merger accounting for business combinations under common control by the Group *(Continued)*

(ii) Effect on the condensed consolidated statement of comprehensive income for the period ended 31 December 2017 (unaudited):

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Acquired Group HK$'000	Consolidated HK$'000
Profit for the period attributable to equity holders of the Company	86,780	34,089	120,869
Other comprehensive income:			
Items that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	8,038	–	8,038
Reclassification of revaluation reserve to profit or loss upon maturity or disposal of available-for-sale financial assets, net of tax	60	–	60
Fair value change of available-for-sale financial assets, net of tax	2	–	2
Item that will not be subsequently reclassified to consolidated income statement:			
Remeasurement gains on long service payment liabilities, net of tax	–	2,121	2,121
Other comprehensive income, net of tax	8,100	2,121	10,221
Total comprehensive income for the period attributable to equity holders of the Company	94,880	36,210	131,090

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

3 CHANGES IN ACCOUNTING POLICIES

As explained in Note 2(a) above, the Group has adopted HKFRS 9 and HKFRS 15 starting from 1 July 2018, which resulted in changes in its accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 9 and HKFRS 15. HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The application of HKFRS 9 does not have significant impact on the classification and measurement of its financial assets. HKFRS 15 replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Presentation of contract assets and liabilities *(Continued)*

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

	As at 31 December 2018		
	Without the adoption of HKFRS 15 HK$'000	Effects of the adoption of HKFRS 15 HK$'000	As reported HK$'000
Condensed consolidated statement of financial position (extract)			
Amounts due from customers for contract works	180,786	(180,786)	–
Contract assets	–	180,786	180,786
Amounts due to customers for contract works	451,642	(451,642)	–
Contract liabilities	–	451,642	451,642

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

Accounting for contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The Group recognises a contract asset for the right to consideration in exchange for goods or services that the Group has transferred to a customer, and the amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the payments from customer exceed the revenue recognised to date, then the Group recognises a contract liability for the difference.

The Group recognises the costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, 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 consolidated financial statements for the year ended 30 June 2018.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2018, except for the new credit risk modelling prescribed by HKFRS 9.

4.2 Fair value estimation

At 31 December 2018, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

5 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 statements, 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 its consolidated financial statements for the year ended 30 June 2018.

6 REVENUE AND SEGMENT INFORMATION

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

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

	For the six months ended 31 December	
	2018	2017 (restated)
	HK$'000	HK$'000
Revenue		
Contracting	**1,597,124**	1,655,883
Maintenance services	**69,599**	61,527
Sales of goods	**44,596**	45,642
Facility services	**580,401**	618,706
Total	**2,291,720**	2,381,758

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

(i) E&M engineering — Provision of engineering services and trading of building materials;

(ii) Environmental management services — Trading of environmental products and provision of related engineering and consultancy services; and

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

The CODM assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses and non-recurring events. In addition, finance income and costs are not allocated to segments.

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowances that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, investment property, land use rights, other intangible assets, deposits for purchase of equipment, deferred income tax assets, inventories, contract assets, 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 2018, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Prior year's corresponding segment information that is presented for comparative purposes has been restated to conform with AG 5 issued by the HKICPA as a result of the acquisition of the Target Group which detailed in Note 2(c).

Capital expenditure comprises mainly additions to property, plant and equipment (Note 12).

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2018

The segment results for the six months ended 31 December 2018 and other segment items included in the condensed consolidated income statement are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External	1,676,109	35,210	580,401	–	2,291,720
Revenue — Internal	910	1,547	1,643	(4,100)	–
Total revenue	1,677,019	36,757	582,044	(4,100)	2,291,720
Timing of revenue recognition					
Over time	1,634,194	34,947	582,044	(4,061)	2,247,124
At a point of time	42,825	1,810	–	(39)	44,596
Total revenue	1,677,019	36,757	582,044	(4,100)	2,291,720
Operating profit before unallocated corporate expenses	106,246	5,057	24,887	–	136,190
Unallocated corporate expenses					(2,175)
Operating profit					134,015
Finance income					2,629
Finance costs					–
Profit before income tax					136,644
Income tax expenses					(23,096)
Profit for the period attributable to equity holders of the Company					113,548
Other items					
Depreciation (Note 12)	6,609	7,102	8,565	–	22,276
Amortisation of land use rights (Note 12)	290	–	–	–	290
Amortisation of other intangible assets (Note 12)	185	–	240	–	425

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2018 *(Continued)*

The segment assets and liabilities as at 31 December 2018 and capital expenditure for the six months ended 31 December 2018 are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Total HK$'000
Segment assets	1,631,287	56,978	458,009	2,146,274
Unallocated assets				266,652
Total assets				2,412,926
Segment liabilities	1,508,316	22,696	194,071	1,725,083
Unallocated liabilities				2,782
Total liabilities				1,727,865
Capital expenditure	2,374	247	3,183	5,804
Unallocated capital expenditure				–
Total capital expenditure				5,804

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2017 and as at 30 June 2018

The segment results for the six months ended 31 December 2017, 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	Facility services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External, as restated	1,729,252	33,800	618,706	–	2,381,758
Revenue — Internal, as restated	237	1,056	225	(1,518)	–
Total revenue	1,729,489	34,856	618,931	(1,518)	2,381,758
Timing of revenue recognition					
Over time	1,684,823	33,853	618,931	(1,491)	2,336,116
At a point of time	44,666	1,003	–	(27)	45,642
Total revenue, as restated	1,729,489	34,856	618,931	(1,518)	2,381,758
Operating profit before unallocated corporate expenses	95,826	3,344	40,846	–	140,016
Unallocated corporate expenses					(2,167)
Operating profit, as restated					137,849
Finance income, as restated					9,941
Finance costs, as restated					(177)
Profit before income tax, as restated					147,613
Income tax expenses, as restated					(26,744)
Profit for the period attributable to equity holders of the Company, as restated					120,869
Other items					
Depreciation, as restated (Note 12)	11,819	1,025	10,895	–	23,739
Amortisation of land use rights (Note 12)	300	–	–	–	300
Amortisation of other intangible assets, as restated (Note 12)	185	–	240	–	425

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2017 and as at 30 June 2018 *(Continued)*

The segment assets and liabilities as at 30 June 2018 and capital expenditure for the six months ended 31 December 2017, as restated, are as follows:

	E&M engineering HK$'000	Environmental management services HK$'000	Facility services HK$'000	Total HK$'000
Segment assets	1,835,604	40,999	421,302	2,297,905
Unallocated assets				269,855
Total assets				2,567,760
Segment liabilities	1,733,265	15,130	179,221	1,927,616
Unallocated liabilities				2,794
Total liabilities				1,930,410
Capital expenditure, as restated	2,487	183	8,981	11,651
Unallocated capital expenditure				–
Total capital expenditure, as restated				11,651

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	
	2018	2017 (restated)
	HK$'000	HK$'000
Revenue		
Hong Kong	**1,863,506**	1,944,927
Mainland China	**371,311**	249,628
Macau	**56,903**	187,203
Total	**2,291,720**	2,381,758

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2017 and as at 30 June 2018 *(Continued)*

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

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
Non-current assets, other than deferred tax assets		
Hong Kong	**430,273**	441,781
Mainland China	**24,742**	25,756
Macau	**30,141**	30,351
Total	**485,156**	497,888

7 OTHER INCOME/GAINS, NET

	For the six months ended 31 December	
	2018	2017 (restated)
	HK$'000	HK$'000
Rental income	**1,264**	–
Ex-gratia payment from the government for retirement of motor vehicles	**87**	327
Exchange (losses)/gains, net	**(906)**	3,929
(Loss)/gain on disposal of property, plant and equipment, net	**(8)**	59
Fair value loss on financial assets at fair value through profit or loss	**–**	(1,443)
Loss on maturity of available-for-sale financial assets	**–**	(72)
Sundries	**241**	211
Total	**678**	3,011

8 OPERATING PROFIT

	Notes	For the six months ended 31 December 2018 HK$'000	2017 (restated) HK$'000
Operating profit is stated after charging/(crediting):			
Cost of inventories sold		**27,727**	25,783
Raw materials and consumables used		**532,514**	431,004
Subcontracting fees		**815,549**	903,691
Provision for inventories		**351**	234
Reversal of impairment loss on trade receivables		**(627)**	(730)
Impairment loss on receivables		**3,198**	–
Depreciation of property, plant and equipment	12	**22,084**	23,739
Depreciation of investment property	12	**192**	–
Amortisation of land use rights	12	**290**	300
Amortisation of other intangible assets	12	**425**	425
Operating lease rental for land and buildings		**23,575**	18,715
Less: Operating lease rental capitalised under contracts in progress		**(1,602)**	(2,065)
Staff costs (including directors' emoluments)			
Salaries and allowances		**614,386**	672,092
Pension costs on defined contribution schemes		**27,749**	28,892
(Less)/add: Staff costs (capitalised) released under contracts in progress		**(18,734)**	18,339

9 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2018	2017 (restated)
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**20,042**	14,371
Mainland China taxation	**2,260**	9,124
Macau taxation	**(2,033)**	1,969
Deferred income tax expense	**2,827**	1,280
Total	**23,096**	26,744

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 2017 and 2018.

10 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 31 December 2018 and 2017.

	For the six months ended 31 December	
	2018	2017 (restated)
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**113,548**	120,869
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**0.25**	0.27

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2018 and 2017, the diluted earnings per share equals the basic earnings per share.

11 DIVIDEND

At a meeting held on 25 February 2019, the Board has resolved to declare an interim dividend of HK10.1 cents (2017: HK$7.8 cents) per ordinary share for the six months ended 31 December 2018, equivalent to a total amount of HK$45.45 million (2017: HK$35.10 million). The interim dividend will be paid in cash.

12 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, LAND USE RIGHTS AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment HK$'000	Investment property HK$'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				
As previously reported	382,754	–	21,655	34,951
Acquisition of the Acquired Group	113,113	–	–	16,556
As restated	495,867	–	21,655	51,507
Exchange differences	250	–	235	–
Additions, as restated	11,651	–	–	915
Disposals, as restated	(14)	–	–	–
Depreciation and amortisation charges, as restated	(23,739)	–	(300)	(425)
Closing net book value as at 31 December 2017, as restated	484,015	–	21,590	51,997
Six months ended 31 December 2018				
Opening net book value as at 1 July 2018	**412,242**	**11,620**	**21,230**	**52,796**
Exchange differences	**(206)**	**–**	**(214)**	**–**
Additions	**5,804**	**–**	**–**	**–**
Disposals	**(33)**	**–**	**–**	**–**
Depreciation and amortisation charges	**(22,084)**	**(192)**	**(290)**	**(425)**
Closing net book value as at 31 December 2018	**395,723**	**11,428**	**20,726**	**52,371**

13 TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
Trade receivables		
Third parties	**431,003**	328,571
Related companies (Note 18(c))	**146,951**	116,195
	577,954	444,766
Less: Provision for impairment		
Third parties	**(7,321)**	(4,899)
	570,633	439,867
Retention receivables		
Third parties	**137,657**	125,263
Related companies (Note 18(c))	**231,109**	251,208
	368,766	376,471
Accrued contract revenue	**153,010**	378,197
Other receivables and prepayments	**84,727**	84,412
Total	**1,177,136**	1,278,947

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

Expected credit losses

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

13 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, net of provision for impairment, is as follows:

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
Current to 90 days	**544,124**	413,893
91–180 days	**19,274**	17,856
Over 180 days	**7,235**	8,118
Total	**570,633**	439,867

14 CASH AND BANK BALANCES

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
Time deposits with original maturities within three months	**250,303**	78,474
Other cash at banks and on hand	**271,580**	329,087
Total	**521,883**	407,561

15 SHARE CAPITAL

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

	Number of shares	**HK$'000**
Ordinary shares, authorised:		
As at 30 June 2018 and 31 December 2018	**1,000,000,000**	**100,000**
Ordinary shares, issued and fully paid:		
As at 30 June 2018 and 31 December 2018	**450,000,000**	**45,000**

16 TRADE AND OTHER PAYABLES

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
Trade payables		
Third parties	**249,906**	277,258
Related companies (Note 18(c))	**88**	147
	249,994	277,405
Bills payable		
Third parties	**9,118**	–
Retention payables		
Third parties	**243,008**	237,290
Accrued expenses	**166,271**	198,882
Provision for contracting costs	**467,624**	578,139
Other creditors and accruals	**60,535**	51,607
Total	**1,196,550**	1,343,323

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

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
1 – 90 days	**224,074**	274,934
91 – 180 days	**3,215**	1,232
Over 180 days	**22,705**	1,239
Total	**249,994**	277,405

17 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	For the six months ended 31 December 2018 HK$'000	2017 (restated) HK$'000
Profit before income tax		**136,644**	147,613
Finance income		**(2,629)**	(9,941)
Finance costs		**–**	177
Loss/(gain) on disposal of property, plant and equipment	7	**8**	(59)
Fair value loss on financial assets at fair value through profit or loss	7	**–**	1,443
Loss on disposal of available-for-sale financial assets upon maturity	7	**–**	72
Impairment loss on receivables		**3,198**	–
Reversal of impairment loss on trade receivables	8	**(627)**	(730)
Depreciation of property, plant and equipment	12	**22,084**	23,739
Depreciation of investment property	12	**192**	–
Amortisation of land use rights	12	**290**	300
Amortisation of other intangible assets	12	**425**	425
Provision for inventories		**351**	234
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		**1,623**	1,440
Benefit paid		**(793)**	(678)
Unrealised exchange differences		**(2,486)**	(3,440)
Operating cash flows before changes in working capital		**158,280**	160,595
Change in working capital:			
Inventories		**(10,707)**	(8,969)
Net contract liabilities		**132,606**	–
Net amounts due to customers for contract works		**–**	(248,839)
Trade and other receivables		**87,292**	(85,202)
Trade and other payables		**(133,165)**	139,081
Cash generated from/(used in) operations		**234,306**	(43,334)

(b) Movement of cash and cash equivalents from 31 December 2017 to 1 July 2018

The balance of cash and cash equivalents decreased from HK$892.4 million as at 31 December 2017 to HK$407.6 million as at 1 July 2018 primarily due to the settlement of cash consideration amounting to HK$515.8 million for the acquisition of the Target Group which was completed on 11 April 2018. Details of the acquisition have been disclosed in Note 2(c).

(c) Exchange differences

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

18 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 2017 and 2018.

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

Name	Relationship
FSE Management Company Limited	Note i
Beamland Ltd	Note i
DMI Development Limited	Note i
Fast Solution Limited	Note i
General Security (H.K.) Limited	Note i
Hong Kong Island Landscape Company Limited	Note i
International Property Management Limited	Note i
Kenbase Engineering Limited	Note i
Kiu Lok Service Management Company Limited	Note i
KOHO Facility Management Limited	Note i
Nova Insurance Consultants Limited	Note i
Nova Risk Services Holdings Limited	Note i
Onglory International Limited	Note i
Paramatta Estate Management Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Success Ocean Limited	Note i
Urban Management Services Limited	Note i
Urban Property Management Limited	Note i
Urban-Wellborn Property Management Limited	Note i
上海新尚賢坊房地產發展有限公司	Note i
上海豐昌物業管理有限公司	Note i
ACE Island Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Anway Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Bright Link Engineering Limited	Note ii
Build King Construction Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
CIF Solution Limited	Note ii
Citybus Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Ever Light Limited	Note ii

18 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
Grand Hyatt Hong Kong	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Head Step Ltd T/A Pentahotel HK Kowloon	Note ii
HH — CW Joint Venture	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
HK Convention & Exhibition Centre	Note ii
Hong Kong Golf & Tennis Academy Management Co., Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hyatt Regency Hong Kong	Note ii
K11 Concepts Limited	Note ii
K11 Select Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Marriott Properties (International) Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World First Bus Services Limited	Note ii
New World Harbourview Hotel Co Limited	Note ii
New World Hotel Management Limited	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Limited	Note ii
New World Telecommunications Limited	Note ii
New World TMT Ltd	Note ii
New World Tower Company Ltd	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Pentahotel Hong Kong	Note ii
Pridemax Ltd	Note ii
Renaissance Harbour View Hotel HK	Note ii
Seaworthy Investment Limited	Note ii
Sky Connection Limited	Note ii

18 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
Space Enterprises Limited	Note ii
The Automall Limited	Note ii
The Dynasty Club Limited	Note ii
Ultimate Vantage Limited	Note ii
Urbran Parking Ltd	Note ii
Vibro (HK) Ltd	Note ii
Vibro Construction Company Limited	Note ii
Wise City Investment Limited	Note ii
上海三聯物業發展有限公司	Note ii
大連僑樂物業服務有限公司	Note ii
天津新世界百貨有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
北京京廣中心有限公司	Note ii
北京崇文。新世界房地產發展有限公司	Note ii
北京祥和物業管理有限公司	Note ii
北京新策項目管理諮詢服務有限公司	Note ii
北京僑樂房地產管理服務有限公司	Note ii
新世界協中建築有限公司	Note ii
深圳拓勁房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
新世界（瀋陽）房地產開發有限公司	Note ii
新世界發展（武漢）有限公司	Note ii
新世界嘉業（武漢）有限公司	Note ii
新世界（中國）地產投資有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廣州市新禦房地產開發有限公司	Note ii
廣州新世界地產策劃有限公司	Note ii
鄭州新世界百貨有限公司	Note ii

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.

18 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transaction with related parties

	For the six months ended 31 December	
	2018	2017 (restated)
	HK$'000	HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**36,791**	59,896
Other related companies (Note ii)	**765,328**	694,266
Total	**802,119**	754,162
Facility service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**82,882**	77,806
Other related companies (Note ii)	**58,970**	51,734
Total	**141,852**	129,540
Insurance broking service expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**17,341**	17,243

18 RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended 31 December	
	2018	2017 (restated)
	HK$'000	HK$'000
Rental expenses (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**9,960**	3,455
Other related companies (Note ii)	**890**	938
Total	**10,850**	4,393
IT secondment fee to a related company (Note v)	**–**	360
Miscellaneous service fees (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**470**	1,663
Other related companies (Note ii)	**77**	768
Total	**547**	2,431

Notes:

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

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

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

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

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

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

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

(viii) As at 31 December 2018, the Group had banking facilities amounting to HK$201.8 million (30 June 2018: HK$242.1 million) guaranteed by a related company.

18 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December 2018 HK$'000	As at 30 June 2018 HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**43,782**	40,261
Other related companies (Note i)	**103,169**	75,934
Total	**146,951**	116,195
Contract assets		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**2,763**	7,045
Other related companies (Note i)	**27,297**	114,960
Total	**30,060**	122,005
Contract liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**11,102**	7,690
Other related companies (Note i)	**266,827**	297,062
Total	**277,929**	304,752
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**868**	1,917
Other related companies (Note i)	**230,241**	249,291
Total	**231,109**	251,208
Trade payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**73**	147
Other related companies (Note i)	**15**	–
Total	**88**	147

Note:

(i) These related companies are companies of which the key management personnel are close members of the family of the Ultimate Controlling Shareholder (Mr. Doo Wai Hoi, William).

18 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	
	2018	2017 (restated)
	HK$'000	HK$'000
Fees	**734**	706
Salaries and other emoluments	**25,313**	22,371
Contributions to defined contribution schemes	**1,161**	981
Total	**27,208**	24,058

19 CAPITAL COMMITMENTS

	As at 31 December 2018	As at 30 June 2018
	HK$'000	HK$'000
Contracted but not provided for	**9,662**	1,331