FSE Engineering Holdings Limited
豐盛機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 331

Annual Report 2016-2017

About FSE Engineering Holdings Limited

FSE Engineering Holdings Limited (Hong Kong Stock Code: 331) is one of the leading E&M engineering companies in Hong Kong. We provide a comprehensive range of E&M engineering and environmental engineering services, and have well-established E&M engineering operations in the People's Republic of China and Macau. With an operating history exceeding 40 years, we have developed substantial expertise as an E&M engineering service provider and built up a strong network with renowned clients and main contractors who are often engaged in large-scale projects of major property developers and other blue-chip companies in Hong Kong.

Our Vision

- To be the industry leader in providing efficient, professional and quality E&M engineering services

Our Mission

- To provide comprehensive E&M engineering services with zenith quality and safety
- To deliver our services with innovation and professionalism
- To care for the environment of our stakeholders

Our Core Values

- Teamwork
- Cost-effectiveness
- Relentless quest for success
- Entrepreneurship
- Professionalism
- Continuous improvement

Contents

This annual report is printed on environmental paper
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Financial Highlights

	2017 HK$M	2016 (restated)[i] HK$M	% Change
Revenue:	**3,700.1**	3,471.9	6.6%
Gross profit:	**406.9**	371.9	9.4%
Profit attributable to equity holders:	**173.8**	163.2	6.5%
Basic earnings per share[ii]:	**HK$0.39**	HK$0.43	-9.3%

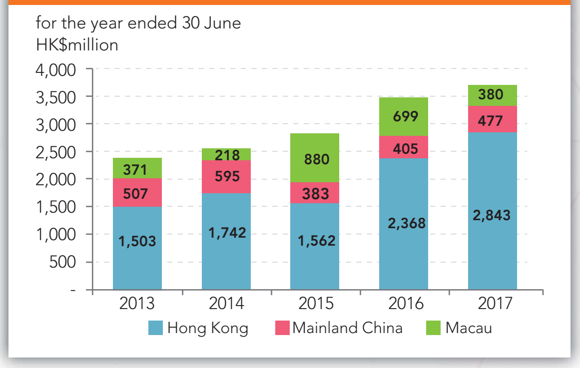
The Board recommended the declaration of a final dividend of HK8.1 cents per share for the year ended 30 June 2017 (2016: HK9.4 cents).

Note (i) Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 2.1(iii) to the consolidated financial statements.

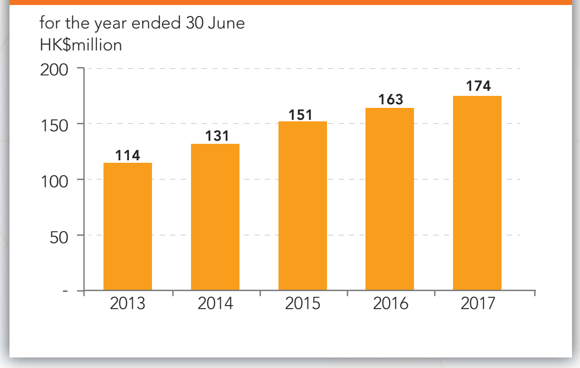
Note (ii) The number of ordinary shares in issue increased from 300,000,000 to 450,000,000 on 10 December 2015 upon the Global Offering of the Company. Hence, the weighted average number of ordinary shares in issue for the year ended 30 June 2016 was 384,016,000. There was no movement in the number of ordinary shares in issue for the year ended 30 June 2017.

Financial Highlights

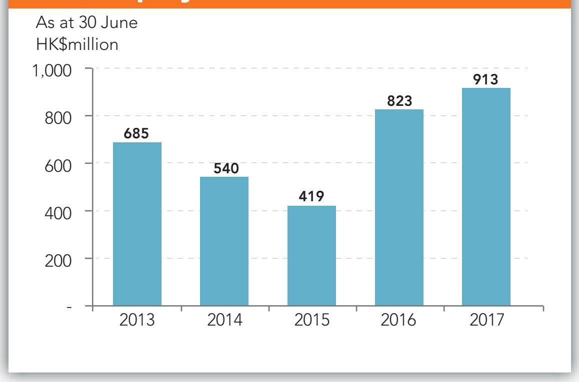
Revenue by region



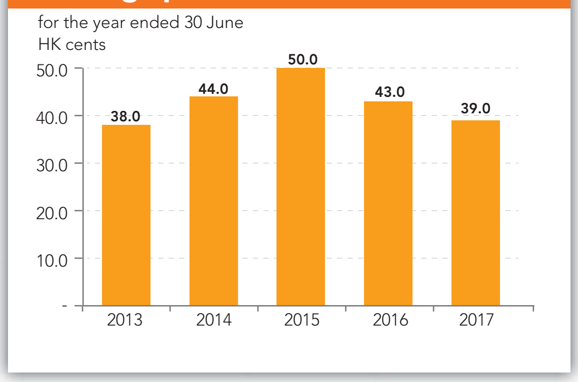
Profit attributable to equity holders



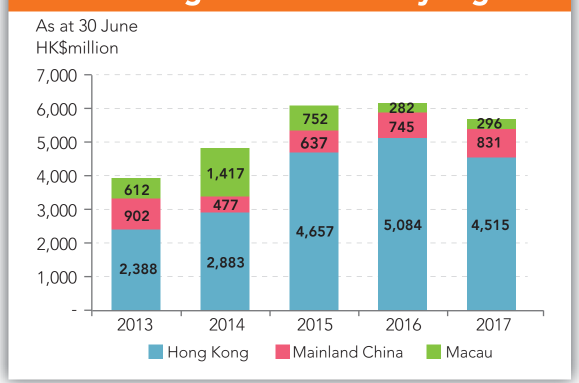
Total equity



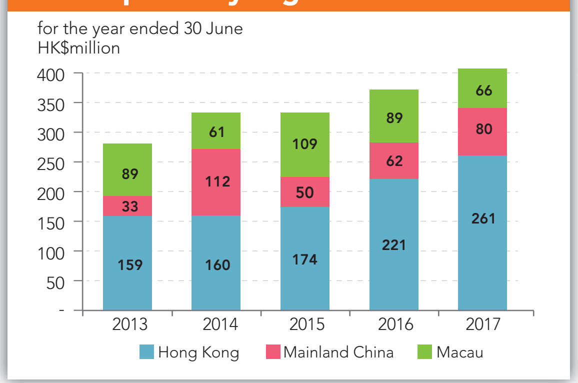
Earnings per share



Outstanding contract sum by region



Gross profit by region



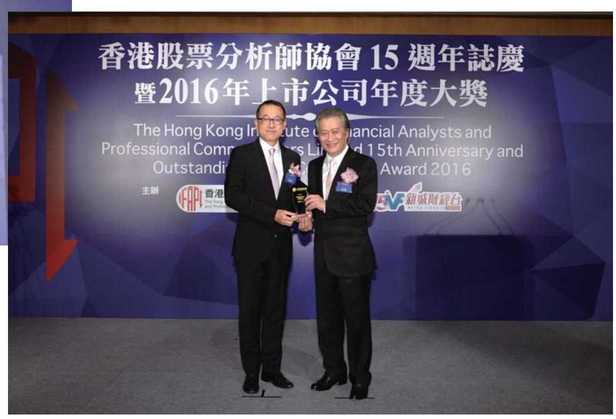
Major Events and Accolades

OCTOBER 2016

- FSE Engineering Holdings Limited (the "Company", together with our subsidiaries, the "Group") have been awarded certificates for recognition as a "Family-Friendly Employer" organised by the Home Affairs Bureau and Family Council.

NOVEMBER 2016

- The Company garnered the IFAPC Outstanding Listed Companies Award 2016 from the Hong Kong Institute of Financial Analysts and Professional Commentators Limited on 29 November 2016.

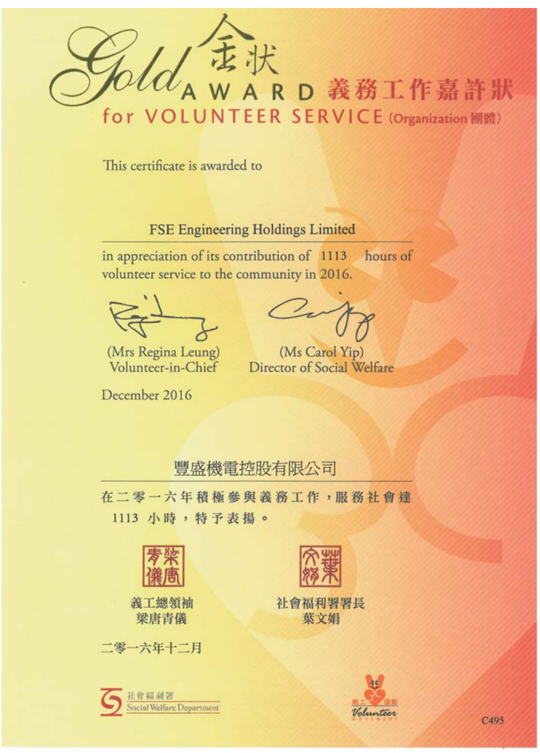


Major Events and Accolades

DECEMBER 2016

- Young's Engineering (Macao) Company Limited received the Caridade Social 2015-16 Award organised by The Youth Committee of Macao Chamber of Commerce and Associação de Jovens Empresários Chineses de Macau in recognition of its outstanding achievements in implementing and promoting community services for the elderly.

- The Group was recognised for its outstanding achievements in implementing and promoting corporate social responsibility both in the Volunteer category and in the Enterprise category at the Seventh Hong Kong Outstanding Corporate Citizenship Awards Programme.



Gold 金狀
AWARD 義務工作嘉許狀
for VOLUNTEER SERVICE (Organization 團體)

This certificate is awarded to

FSE Engineering Holdings Limited

in appreciation of its contribution of 1113 hours of volunteer service to the community in 2016.

(Mrs Regina Leung)
Volunteer-in-Chief

(Ms Carol Yip)
Director of Social Welfare

December 2016

豐盛機電控股有限公司

在二零一六年積極參與義務工作，服務社會達 1113 小時，特予表揚。

義工總領袖
梁唐青儀

社會福利署署長
葉文娟

二零一六年十二月

社會福利署
Social Welfare Department

Volunteer

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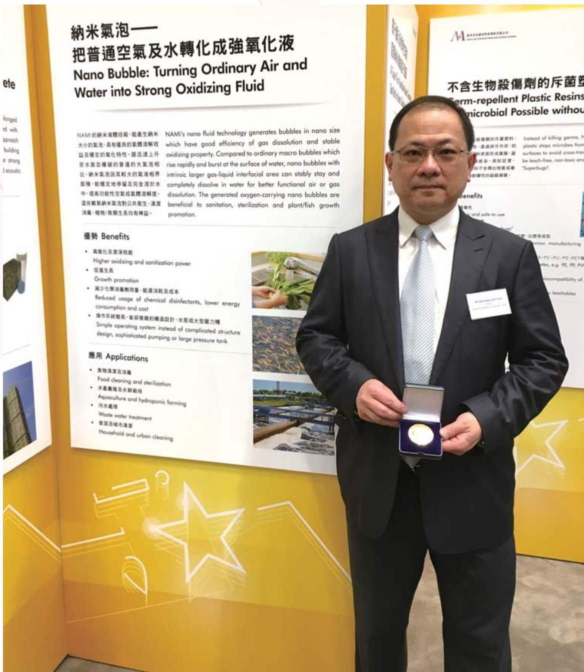
- The Company earned the Gold Award for Volunteer Service (Organisation) from the Social Welfare Department in appreciation of its contribution of over 1,000 hours of volunteer service to the community in 2016.

Major Events and Accolades



MARCH 2017

- The Group has collaborated with Nano and Advanced Materials Institute Limited ("NAMI") to invest and develop nano-bubble technology which turns ordinary air and water into a strong oxidising fluid. The Group garnered a gold medal at the 45th International Exhibition of Inventions of Geneva 2017 for the innovative nano-bubble technology in March 2017.

- The Group's subsidiary, Majestic Engineering Company Limited was honoured with silver award of Building Sites — Subcontractor category in the "Construction Industry Safety Award Scheme 2016/2017" which jointly organised by the Labour Department, the Occupational Safety and Health Council and various organisations within the Hong Kong Government and the construction industry.

Major Events and Accolades

- The Group received the Caring Company Logo and 10 Years Plus Caring Company from The Hong Kong Council of Social Service in recognition of its effort on shouldering corporate social responsibility and its commitment to care for the community.

MAY 2017

- The Group has opened its first retail store in Macau with the trade name "Yau Fai Building Materials", dedicated to selling ceramic tiles imported from Europe and; promoting valued-added services on top of E&M engineering services in Macau.

Chairman's Statement

To Our Shareholders:

On behalf of the board of directors (the "Board") of FSE Engineering Holdings Limited (the "Company", together with our subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 30 June 2017 ("FY2017" or the "Year").

MARKET REVIEW

Looking back at FY2017, the previous multi-polar world economy stabilised and was eventually showing signs of growth. However, while market confidence has picked up, there are challenges and uncertainties prevailing in the global political and economic scenes, like the Brexit negotiations, rising concern about China's economic growth prospects, anticipated balance-sheet shrinkage and interest rate normalisation by the US Federal Reserve, capital outflows from emerging economies, and most recently the still-evolving therefore unclear trade and fiscal policies initiated by the new US President. In the first half of FY2017, while the global economy was still sluggish and geopolitical uncertainties loomed, Hong Kong maintained reasonable economic growth but the operating environment at large for businesses in the city was still difficult. For the Group, having triumphant over challenges, economic and otherwise, over the years, backed by its extensive industry experience, a management team with proven expertise and relentless in its guiding efforts, and boasting a reputation well-appreciated by customers, it managed to achieve commendable growth for the Year. Its profit attributable to equity holders increased by HK$10.6 million, or 6.5%, testifying to its resilience and capability to continuously grow its business. The Board has proposed a final dividend of HK8.1 cents per share for the Year. Including the interim dividend of HK7.4 cents per share for the six months ended 31 December 2016, the total dividend payout for the Year is HK15.5 cents per share, equivalent to a payout ratio of 40.1%.

E&M ENGINEERING

Hong Kong

Since the start of 2017, the Hong Kong Government has unveiled an array of initiatives favourable to the construction and E&M engineering industry. The Government is committed to continuing to rezone sites, stepping up land development and conducting reviews with the aim of optimising land use. In the medium and long term, new development areas and new town extensions are expected to translate into over 8.6 million square metres of industrial and commercial floor areas and over 220,000 residential units. According to latest estimates of the Construction Industry Council, the average E&M construction works expenditure for fiscal year 2017/18 will be over HK$20.0 billion for the public sector and over HK$28.0 billion for the private sector. Presuming there would not be prolonged debates by the HKSAR legislature on infrastructure projects, new public works could kick off as scheduled, and an upswing in infrastructure, public housing and private housing projects could be expected, which would in turn help drive healthier growth of the construction, E&M engineering and environmental engineering industries. To make sure it is ready to take on the various infrastructure projects in the pipeline and also the plans for hospital development and the Kai Tak Sports Park set to begin in Hong Kong, the Group will strive to maintain a stable and professional E&M team with capabilities in areas including Building Information Modelling (BIM) technology that can enhance engineering designs and work quality that meet the requirements of those projects. These efforts plus the backing of a strong balance sheet are going to fortify our presence and leadership in this pillar industry of the city.

Chairman's Statement

Mainland China

Adopting prudent and neutral monetary policy, the Chinese government has found a good balance between containing financial risks and maintaining steady economic growth at 6.9% in the second quarter of this year. The country's economic fundamentals have remained benign with consistent growth in industrial production and fixed asset investment. The current regional development focus of the Chinese government is to encourage different tier cities to capitalise on their own strengths and pursue befitting growth pattern with urbanisation as a key driver. At the core of 13th Five-Year Plan, the Chinese government clearly stated that its continuing push for urbanisation will not only be conducive to upgrade of coastal cities, but will also help rejuvenate construction and economic activities in urban as well as rural areas in the central and western regions of the country. This strategic emphasis should encourage rebalancing of the Chinese economy and unleash the enormous demand for housing and related commercial developments, therefore present fresh opportunities to the construction and E&M engineering industry. As the Group is one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China, it has an advantage in forging ties with selected partners to expand its footprint in this crucial market. While optimistic about our prospect in the market, we will remain vigilant and keep a close watch on any possible changes in the economic climate and potential risks that come with business opportunities in this region. The Group will focus on identifying E&M engineering business opportunities in relation to the country's Belt and Road Initiative and 13th Five-Year Plan. As in previous years, the Group will work hard at maintaining its presence in Mainland China, adhering to a disciplined approach in business development.

Macau

As for the Macau market, it has continued to show signs of gradual recovery. In its first Five-Year Development Plan (2016-2020), the Macau SAR Government states its wish to attain a balance between the gaming and non-gaming sectors, giving the city a vividly defined development outlook. The Plan contains such initiatives as developing a new urban zone, promoting development of integrated tourism and reinforcing non-gaming leisure and entertainment provisions, all of which will see Macau's economy becoming more diversified and in turn creating opportunities for the Group.

ENVIRONMENTAL MANAGEMENT SERVICES

Regarding our environmental management services business, growing public awareness of environmental issues is boosting demand for associated environmental engineering services and projects. The Group shall continue to capitalise on this trend and provide customers with total solutions that are energy efficient as well as environmentally friendly.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and business partners for their unwavering support to the Group. I wish to also thank the management team and all fellow staff members for their steadfast support. As always, we are fully committed to assuring the Group's long-term development and shareholders of fair returns.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 22 September 2017

Board of Directors and Senior Management

BOARD OF DIRECTORS

Dr. Cheng Kar Shun, Henry, *GBM, GBS*

Chairman and Non-executive Director

Dr. Cheng, aged 70, was appointed the Chairman and Non-executive Director of the Company in August 2015. Dr. Cheng assumes an advisory role in respect of the overall strategic planning of the Group. Dr. Cheng has substantial corporate management experiences in a wide range of industries and has been assuming management roles in various listed public companies in Hong Kong, including the Chairman and Executive Director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the Chairman and Non-executive Director of New World Department Store China Limited and Newton Resources Ltd, the Vice-Chairman and Non-executive Director of i-CABLE Communications Limited (appointed on 15 September 2017), a Non-executive Director of SJM Holdings Limited, an Independent Non-executive Director of Hang Seng Bank Limited and HKR International Limited. Dr. Cheng is also the Chairman and Managing Director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. Dr. Cheng was the Chairman and Executive Director of International Entertainment Corporation, a listed public company in Hong Kong, up to his resignation on 10 June 2017, and was a Non-executive Director of Lifestyle International Holdings Limited, a public listed company in Hong Kong, up to his retirement on 4 May 2015. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the PRC. Dr. Henry Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the Hong Kong Government in 2001 and 2017 respectively. Dr. Cheng is the brother-in-law of Mr. Doo Wai Hoi, William, who is one of the controlling shareholders of the Company. He is also the uncle of Mr. Doo William Junior Guilherme and the cousin of Mr. Poon Lock Kee, Rocky's spouse.

Mr. Lam Wai Hon, Patrick

Vice-Chairman and Executive Director

Mr. Lam, aged 55, was appointed an Executive Director of the Company, and a member of the Remuneration Committee of the Board in April 2016, and became the Vice-Chairman of the Company in January 2017. He is on the boards of various companies within the Group, and is responsible for the overall strategic planning of the Group. Mr. Lam is currently an Executive Director and the Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. He is also a non-executive director of NWS Holdings Limited, a listed public company in Hong Kong. Mr. Lam was a non-executive director of Wai Kee Holdings Limited up to his resignation on 30 December 2015, the Vice Chairman and a non-executive director of Newton Resources Ltd up to his resignation on 2 January 2016, and a non-executive director of Road King Infrastructure Limited up to his retirement on 18 May 2017, all being public listed companies in Hong Kong. Mr. Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia Advisory Board of the Ivey Business School of Western University, Canada.

Board of Directors and Senior Management

Mr. Poon Lock Kee, Rocky

Chief Executive Officer and Executive Director

Mr. Poon, aged 61, joined the Group in February 1989 and is the Chief Executive Officer and Executive Director of the Company, and a member of each of the Nomination Committee and the Remuneration Committee of the Board. He also sits on the boards of various companies within the Group. He is primarily responsible for overseeing daily operational management and business performance of the Group and leading our E&M engineering business units in Hong Kong, Macau and the PRC. Mr. Poon is a member of the American Society of Mechanical Engineers, a Chartered Engineer of the Engineering Council in the United Kingdom, and a fellow of both the Chartered Institution of Building Services Engineers in the United Kingdom and the Hong Kong Institute of Engineers. He is also the President of the Macau Air-Conditioning & Refrigeration Chamber of Commerce, the President of the Hong Kong E&M Contractors' Association Limited and the 9th Council — Vice President (2017–2020) Macau Construction Association. Mr. Poon was appointed as a member of the Appeal Board Panel by the Secretary for the Environment of Hong Kong to hear appeals lodged pursuant to the Electricity Ordinance. Mr. Poon is Vice President of the Hong Kong Federation of Electrical & Mechanical Contractors Limited, a Committee Member of both the Eleventh Chinese People's Political Consultative Conference in Shaoguan City of the PRC (中國人民政治協商會議韶關市第十一屆委員會) and the Fifth Chinese People's Political Consultative Conference in Shanghai Pudong New Area of the PRC (中國人民政治協商會議上海市浦東新區第五屆委員會), a Deputy Chairman of the Shaoguan Overseas Friendship Association (Hong Kong & Macau Region) (韶關海外聯誼會理事會副會長(港澳)), and a member of the 5th Trust Committee of the Henry Fok Foundation (澳門霍英東基金會第五屆信託委員會委員). Mr. Poon is the cousin-in-law of Dr. Cheng Kar Shun, Henry and Mr. Doo William Junior Guilherme's mother.

Mr. Doo William Junior Guilherme

Executive Director

Mr. Doo Junior, aged 43, joined the Group in June 2014 and is an Executive Director of the Company and a member of the Nomination Committee of the Board. He also sits on the boards of various companies within the Group, and is primarily responsible for the overall strategic planning, overseeing business development and major management decisions for the Group. Mr. Doo Junior is also an Executive Director and Deputy Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Doo Junior is a solicitor admitted in Hong Kong and is currently a non-practising solicitor in England and Wales. Mr. Doo Junior is a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference in Beijing of the PRC and has been a committee member of the Disciplinary Panel of The Hong Kong Institute of Certified Public Accountants and an adjudicator of The Immigration Tribunal. Prior to joining the Group, Mr. Doo Junior had legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Mr. Doo Junior is also a Non-executive Director of NWS Holdings Limited, a listed public company in Hong Kong that is principally engaged in the investment in and operation and management of infrastructural projects and services. Mr. Doo Junior is the nephew of Dr. Cheng Kar Shun, Henry and his mother is the cousin of Mr. Poon Lock Kee, Rocky's spouse.

Board of Directors and Senior Management

Mr. Lee Kwok Bong

Executive Director

Mr. Lee, aged 46, joined the Group in July 2010 and is an Executive Director of the Company. He is also on the boards of various companies within the Group. Mr. Lee is primarily responsible for the overall finance operation of the Group. He has been the Chief Financial Officer of FSE Holdings Limited, a controlling shareholder of the Company, since August 2010. Mr. Lee also acts as the Joint Company Secretary of the Company and assists in the supervision of corporate secretarial matters for the Group.

Mr. Lee holds a Bachelor's degree in Business Administration in Accounting, a Master of Science degree in Finance and a Bachelor's degree in Chinese Legal System. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a member and a Chartered Global Management Accountant of the American Institute of Certified Public Accountants. Mr. Lee has over 20 years of experience in auditing, financial management, accounting and corporate governance in Hong Kong and the PRC.

Mr. Soon Kweong Wah

Executive Director

Mr. Soon, aged 58, joined the Group in May 1983 and is an Executive Director of the Company and Chairman of the Risk Management Committee of the Board. Mr. Soon also sits on the boards of various companies within the Group, and is primarily responsible for the overall operational management and business performance control of the Group's E&M engineering installation business in Hong Kong, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for this business unit.

Mr. Soon holds a Bachelor's degree in engineering and a Master's degree in engineering from the University of Hong Kong. He also holds a Master's degree in finance from The City University of Hong Kong and an Executive Master of Business Administration degree in management from the Richard Ivey School of Business (Asia) (now known as Ivey Business School), the University of Western Ontario (also known as Western University) in Canada. Mr. Soon has over 30 years of experience in the building services sector and installation of construction industries, and has handled various renowned engineering and construction projects of the Group in Hong Kong, Macau and the PRC.

Mr. Soon is an active member of various academic institutions and external associations. He is a chartered engineer of the Engineering Council in the United Kingdom, a registered professional engineer in building services and electrical engineering of the Hong Kong Engineers Registration Board, and a fellow member of the Hong Kong Institution of Engineers, where he also served as the appointed member of its Building Services Discipline Advisory Panel from 2011 to 2017. Mr. Soon was the Chairman of the Chartered Institution of Building Services Engineers (Hong Kong Branch) from 2007 to 2008 and is now a fellow member of the institution.

Mr. Wong Kwok Kin, Andrew

Non-executive Director

Mr. Wong, aged 71, joined the Group in January 1998, and was appointed the Vice-Chairman and Executive Director of the Company in August 2015. He was then re-designated as Non-executive Director of the Company in January 2017. He is also an Executive Director and the Vice Chairman of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Wong has over 30 years of substantial corporate management experiences in the hospitality and the service industries, and has obtained extensive achievements in financial control, human resources administration and business development. He was an Executive Director of several subsidiaries and affiliates of the New World group of companies, which are principally engaged in the businesses of duty-free liquor and tobacco concessions, E&M engineering, environmental facility services, property management and the provision of communication, cleaning and laundry and security services.

Board of Directors and Senior Management

Mr. Kwong Che Keung, Gordon

Independent Non-executive Director

Mr. Kwong, aged 68, was appointed an Independent Non-executive Director of the Company and the Chairman of the Audit Committee of the Board in November 2015. Mr. Kwong is also an Independent Non-executive Director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited, NWS Holdings Limited and OP Financial Investments Limited. He is also an Independent Non-executive Director of Piraeus Port Authority S.A., a listed public company in Athens, Greece. He was an Independent Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited) up to his retirement on 25 May 2017 and an Independent Non-executive Director of CITIC Telecom International Holdings Limited up to his retirement on 1 June 2017, both being listed public companies in Hong Kong. Mr. Kwong graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1972 and was qualified as a Chartered Accountant in the Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) from 1984 to 1998 and an independent member of the Council of the Stock Exchange from 1992 to 1997, during which he had acted as the convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Hui Chiu Chung, Stephen, *J.P.*

Independent Non-executive Director

Mr. Hui, aged 70, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Board in November 2015. Mr. Hui has 46 years of experience in the securities and investment industry. He had for years been serving as a member and Second Vice-chairman of Council of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee and GEM Listing Committee of the Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a government appointed Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited. Mr. Hui is a member of Hengqin New Area Development Advisory Committee, and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. He was also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference from 2006 to 2016. Mr. Hui is also an Independent Non-executive Director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China South City Holdings Limited, Gemdale Properties and Investment Corporation Limited, Lifestyle International Holdings Limited, SINOPEC Engineering (Group) Co., Ltd and Zhuhai Holdings Investment Group Limited. He is also a Non-executive Director of Luk Fook Holdings (International) Limited, also a listed public company in Hong Kong. Mr. Hui is a fellow of The Hong Kong Institute of Directors and a senior fellow of the Hong Kong Securities and Investment Institute.

Board of Directors and Senior Management

Mr. Lee Kwan Hung

Independent Non-executive Director

Mr. Lee, aged 52, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Board in November 2015. Mr. Lee is also an Independent Non-executive Director of a number of listed public companies in Hong Kong, including Asia Cassava Resources Holdings Limited, China BlueChemical Ltd., China Goldjoy Group Limited, Embry Holdings Limited, Futong Technology Development Holdings Limited, Landsea Green Properties Co., Ltd., NetDragon Websoft Holdings Limited, Newton Resources Ltd, Red Star Macalline Group Corporation Ltd., Ten Pao Group Holdings Limited and Tenfu (Cayman) Holdings Company Limited. He obtained a Bachelor of Laws (Honours) degree from the University of Hong Kong in 1988 and was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. He was a partner of Woo, Kwan, Lee & Lo and is currently a consultant of Howse Williams Bowers. Mr. Lee was successively a manager and a senior manager of the Listing Division of the Stock Exchange from December 1992 to April 1994.

Dr. Tong Yuk Lun, Paul

Independent Non-executive Director

Dr. Tong, aged 76, was appointed an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board in April 2016. Dr. Tong holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from the University of Hong Kong, and a Doctor of Philosophy degree from the Victoria University of Manchester. Dr. Tong is a member of the Institute of Civil Engineers, London and the Hong Kong Institution of Engineers, and has solid and extensive experience in the construction industry. Dr. Tong is a director of BTS Group Holdings Public Co. Ltd., a company listed on the Stock Exchange of Thailand.

SENIOR MANAGEMENT

Mr. Chan Ju Wai

Mr. Chan, aged 49, is the Chief Financial Officer and Joint Company Secretary of the Company. Mr. Chan is also a director of two subsidiaries of the Company established in the PRC. Mr. Chan is principally responsible for overseeing our Group's financial management, treasury, information technology, legal and corporate governance functions.

Mr. Chan holds a Master's degree with distinction in accountancy from the Lingnan University in Hong Kong and a Master's degree with credit in Business Administration from the University of Sunderland in the United Kingdom. Mr. Chan is currently a member of the Institute of Public Accountants in Australia, the Institute of Certified Management Accountants in Australia and the IT Accountants Association in Hong Kong. He was also inducted as a member of the Lingnan University Chapter of Beta Gamma Sigma, the international honor society for collegiate schools of business.

Mr. Chan has more than 20 years' professional experience in auditing, finance and accounting in an international accounting firm, multi-national and listed companies. Mr. Chan joined the Group in May 2001 and has been a financial controller in the E&M engineering business for over 15 years.

Board of Directors and Senior Management

Mr. Chan Tat Chi

Mr. Chan, aged 59, is the General Manager of the Tender and Subletting Department of the Company and a director of a subsidiary of the Company and has been actively involved in the tender, procurement and subletting of the Group. He joined the Group in June 1983 and has over 34 years' experience in the E&M engineering business in Hong Kong.

Mr. Chan obtained the Associateship in Electrical Engineering from Hong Kong Polytechnic University in November 1981 and has been admitted as Member of the Hong Kong Institution of Engineers since June 1991. He is also registered with the Electrical and Mechanical Services Department of Hong Kong as a registered electrical worker, and is a chartered engineer of The Engineering Council in the United Kingdom and a member of the Chartered Institute of Building Services Engineers in the United Kingdom.

Mr. Cheung Chi Wai

Mr. Cheung, aged 53, joined the Group in 1989 and is the General Manager of the E&M maintenance section. He is mainly responsible for the overall management and business performance control of Group's E&M maintenance business in both Hong Kong and Macau, as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Cheung has over 33 years' experience in the E&M engineering business in Hong Kong.

Mr. Cheung obtained a Bachelor's degree in Building Services Engineering and a Master's degree in Fire and Safety Engineering from The Hong Kong Polytechnic University. He is currently a member of The Hong Kong Institution of Engineers, a member of Chartered Institution of Building Services Engineers, a fellow member of Society of Operations Engineers, a chartered environmentalist of Society of the Environment, a member of Institution of Fire Engineers, a registered energy assessor of Electrical and Mechanical Services Department and a registered professional engineer of Engineers Registration Board, Hong Kong. Besides, Mr. Cheung is a registered ventilation contractor and a registered licence plumber in Hong Kong.

Mr. Cheung Kwok Heng

Mr. Cheung, aged 57, joined the Group in September 1987 and is the General Manager of the building material and retail business section of the Group, taking charge of the Group's trading of building material businesses. Mr. Cheung has over 30 years' experience in the E&M engineering business in Hong Kong.

Mr. Cheung holds a Higher Diploma in Electrical Engineering from Hong Kong Polytechnic University and a Master Degree in Business Administrative (Executive) from City University of Hong Kong, and has been admitted as Member of the Hong Kong Institution of Engineers since May 1995. He is registered with the Electrical and Mechanical Services Department of Hong Kong as a registered electrical worker. He is also a Registered Professional Engineer (Building Services) in "Engineers Registration Board" of Hong Kong, a chartered engineer of The Engineering Council in the United Kingdom, a corporate member of the Chartered Institution of Building Services Engineers from the United Kingdom and was the Chair for the committee of the Chartered Institution of Building Services Engineers Hong Kong branch in the session 2013/2014.

Board of Directors and Senior Management

Ms. Cheung Lut Yi, Connie

Ms. Cheung, aged 54, joined the Group in April 1991 and is the General Manager of the Human Resources Department of the Company. Ms. Cheung is mainly responsible for the human resources management and administration affairs of the Group in the Hong Kong, Macau and PRC regions.

Ms. Cheung obtained a Diploma in Business Management from The Hong Kong Polytechnic University in September 1990 and a Bachelor's degree in Business Administration from the Royal Melbourne Institute of Technology University in Australia in September 2003. She has over 27 years' experience in human resources management and administration. Ms. Cheung is a professional member of the Hong Kong Institute of Human Resources Management.

Ms. Leung Kit Ping, Teresa

Ms. Leung, aged 61, joined the Group in August 1995 and is the Deputy General Manager of the Finance Department of the Company. She has over 30 years' experience in accounting and financial management, treasury and working capital management of E&M engineering businesses. Prior to joining the Group, she had worked in an international accounting firm.

Mr. Wong Po Shing

Mr. Wong, aged 67, joined the Group in April 1979 and is a director of certain major subsidiaries of the Company. He is responsible for the Group's overall project administration and business marketing.

Mr. Wong obtained a Bachelor of Science degree with major in mechanical engineering from the National Taiwan University in June 1975. He has over 30 years' experience in the E&M engineering business in Hong Kong. Mr. Wong was also a member of the American Society of Heating, Refrigerating and Air-conditioning Engineers, Inc. and The Australian Institute of Refrigeration, Air Conditioning and Heating respectively.

Mr. Wong Shu Hung

Mr. Wong, aged 66, joined the Group in October 1986 and is the General Manager of the E&M Engineering section. Mr. Wong is mainly responsible for the operation and management of E&M engineering, and supervision of the contracts managers, project managers and engineers.

Mr. Wong obtained a Bachelor's degree in Mechanical Engineering from National Cheng Kung University, Taiwan and a Master of Science Degree in Heat Transfer Engineering from the Imperial College of Science and Technology. He has over 40 years' experience in the E&M engineering business in Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance the corporate value of the Group. The Company has applied the principles of the corporate governance code (the "Corporate Governance Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to its corporate governance structure and practices in the manner as described in this report. Throughout the Year, the Company had complied with all the code provisions set out in the Corporate Governance Code, with the exception of code provision E.1.2.

Code provision E.1.2 requires the chairman of the board to attend annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the board of directors of the Company (the "Board"), was unable to attend the annual general meeting of the Company (the "2016 AGM") held on 30 November 2016 due to other important engagement. Mr. Wong Kwok Kin, Andrew, the then Vice-Chairman of the Board, who took the chair of the 2016 AGM, together with members of the Board who attended the 2016 AGM, were of sufficient caliber for answering questions at the 2016 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

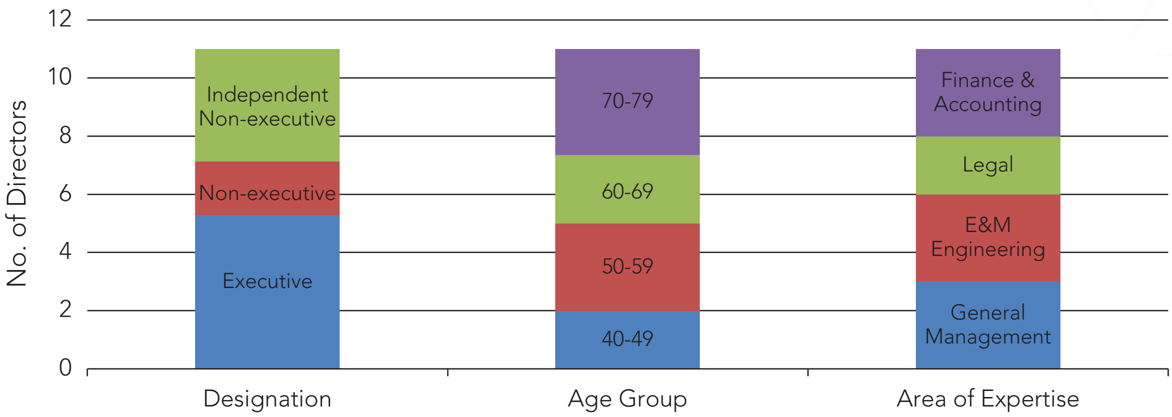
The Company has adopted its own Securities Dealing Code, with terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code for dealing in securities of the Company by its directors (the "Directors"). All Directors confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Securities Dealing Code adopted by the Company throughout the Year.

BOARD OF DIRECTORS

Composition and responsibilities

The Board has adopted a policy which recognises and embraces the benefits of a Board that possess a balance of skills, knowledge, professional experience, expertise and diversity of perspectives appropriate to the requirement of the businesses of the Group. All Board appointments are based on meritocracy and considered with due regard for the benefits of diversity on the Board.

The Board currently comprises 11 Directors, including two Non-executive Directors, five Executive Directors and four Independent Non-executive Directors. An analysis of the current Board composition is set out in the following chart:



The names, biographical details and relationship amongst them, if any, are set out on pages 10 to 14 in the section "Board of Directors and Senior Management".

Corporate Governance Report

While the Board is collectively responsible for the management and operations of the Company, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions.

Corporate governance functions

The Board is collectively responsible for performing the corporate governance duties which have been formalised into written terms of reference approved by the Board, including but not limited to developing, reviewing and monitoring the Group's policies, systems and practices in relation to its corporate governance and compliance with legal and regulatory requirements. The Board has reviewed the disclosures in this Corporate Governance Report.

Independence of Independent Non-executive Directors

The Company has assessed the independence of all Independent Non-executive Directors and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement.

Directors' continuous professional development

Directors are encouraged to participate in continuous professional development. A record of participation in various professional development programs provided by each Director is kept by the Legal and Company Secretarial Department. Based on the details so provided, a summary of training received by the Directors for the Year is set out as follows:

	Giving talks or attending seminars/ conferences/ forums	**Reading journals and updates on relevant rules and regulations and the Company's industry**
Non-executive Director		
Dr. Cheng Kar Shun, Henry *(Chairman)*	✓	✓
Mr. Wong Kwok Kin, Andrew	✓	✓
Executive Directors		
Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*	✓	✓
Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*	✓	✓
Mr. Doo William Junior Guilherme	✓	✓
Mr. Lee Kwok Bong	✓	✓
Mr. Soon Kweong Wah	✓	✓
Independent Non-executive Directors		
Mr. Kwong Che Keung, Gordon	✓	✓
Mr. Hui Chiu Chung, Stephen	✓	✓
Mr. Lee Kwan Hung	✓	✓
Dr. Tong Yuk Lun, Paul	–	✓

ROLES OF CHAIRMAN, VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Cheng Kar Shun, Henry, the Non-executive Chairman, leads the Board and ensures that the Board works effectively. Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman and Mr. Poon Lock Kee, Rocky, the Chief Executive Officer jointly manage the Company's day-to-day businesses and implement major strategies and policies of the Company. The positions of the Chairman, the Vice-Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including Independent Non-executive Directors) serve the relevant function of bringing independent views and judgement for the Board's deliberation and decisions. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has signed a letter of appointment with the Company for a fixed term of one year, subject to retirement by rotation in accordance with the Company's articles of association.

BOARD COMMITTEES

The Board is supported by various Board committees, including the Executive Committee, the Audit Committee, the Risk Management Committee, the Remuneration Committee and the Nomination Committee. Each Board committee is provided with sufficient resources to discharge its duties in accordance with its terms of reference adopted by the Board. Other Board committees are established by the Board as and when necessary to take charge of specific tasks.

Executive Committee

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility in handling the day-to-day businesses of the Company, while reserving the authority for the Board to approve, amongst other matters, the Company's long term objectives, changes in capital structure, interim and annual financial statements, dividend policy, and significant operational matters. The Executive Committee meets regularly as and when necessary.

Audit Committee

The Audit Committee was established in November 2015. It currently comprises all the four Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung and Dr. Tong Yuk Lun, Paul, and is chaired by Mr. Kwong Che Keung, Gordon.

The Audit Committee is responsible for the review of the Company's financial information, financial reporting system, risk management and internal control systems. The Committee also oversees the Company's relationship with the external auditors and makes recommendations to the Board on the appointment and reappointment of external auditors.

During the Year, the Audit Committee held two meetings and reviewed, amongst other matters, the Company's audit plans, internal control procedure, financial reporting system, continuing connected transactions, risk management policy and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions. The Committee also reviewed the interim results for the six months ended 31 December 2016 and the annual results for the Year and submitted recommendations to the Board for its approval, and discussed the Reports to the Audit Committee prepared by external auditors relating to accounting issues and major findings in the course of review and audit.

Risk Management Committee

The Risk Management Committee was established in February 2016 under the supervision of the Audit Committee. The Risk Management Committee comprises senior management from different departments and is chaired by Mr. Soon Kweong Wah, an Executive Director. The Risk Management Committee reports to the Audit Committee which supports the Board by monitoring and guiding the activities of the risk management and internal control systems.

During the Year, the Risk Management Committee held five meetings to regularly review, assess and monitor all major risks identified in different departments.

Remuneration Committee

The Remuneration Committee was established in November 2015. It currently comprises three Independent Non-executive Directors and two Executive Directors, namely, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Dr. Tong Yuk Lun, Paul, Mr. Lam Wai Hon, Patrick and Mr. Poon Lock Kee, Rocky, and is chaired by Mr. Hui Chiu Chung, Stephen.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing such policy. Prior to making its recommendations, the Committee consults the Chairman and/or the Chief Executive Officer of the Board. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the Year, the Remuneration Committee held one meeting and reviewed the Company's remuneration policy and structure, including that for the Directors and senior management of the Company. The Committee also reviewed and approved the yearly salary adjustments effective 1 January 2017 and the bonus payment for FY2016.

Nomination Committee

The Nomination Committee was established in November 2015. It currently comprises three Independent Non-executive Directors and two Executive Directors, namely, Mr. Lee Kwan Hung, Mr. Hui Chiu Chung, Stephen, Dr. Tong Yuk Lun, Paul, Mr. Poon Lock Kee, Rocky and Mr. Doo William Junior Guilherme, and is chaired by Mr. Lee Kwan Hung.

The Nomination Committee is responsible for reviewing the structure, size, composition and diversity of the Board regularly and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include but are not limited to identifying individuals suitably qualified to become members of the Board, maintaining a level of diversity of the Board based on its diversity policy to ensure it possesses a balance of skills, knowledge, professional experience, expertise, objectivity and perspectives appropriate to the requirement of the business of the Group, monitoring the succession planning of Directors and assessing the independence of Independent Non-executive Directors.

During the Year, the Nomination Committee held two meetings and reviewed the structure, size, composition of the Board with due consideration to the appropriate balance of skill and experience required by the Company. It also assessed and confirmed the independence of all the four Independent Non-executive Directors having regard to the criteria as set out in Rule 3.13 of the Listing Rules, and recommended to the Board the nomination of Mr. Wong Kwok Kin, Andrew ("Mr. Wong"), Mr. Lam Wai Hon, Patrick ("Mr. Lam"), Mr. Doo William Junior Guilherme, Mr. Lee Kwok Bong, and Dr. Tong Yuk Lun, Paul for reappointment as Directors by the shareholders at the 2016 AGM. The Committee also reviewed and approved the re-designation of Mr. Lam as Vice-Chairman of the Board, and Mr. Wong from Executive Director to Non-executive Director effective 1 January 2017.

Attendance of meetings

The attendance records of the Directors at Board meetings, committee meetings and general meetings of the Company during the Year are as follows:

	Number of meetings attended/eligible to attend							
	Board Meeting	Executive Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2016 AGM	Extraordinary General Meeting
Non-executive Director								
Dr. Cheng Kar Shun, Henry	2/6	–	–	–	–	–	0/1	0/2
Mr. Wong Kwok Kin, Andrew	6/6	2/2(1)	–	–	–	–	1/1	2/2
Executive Directors								
Mr. Lam Wai Hon, Patrick	6/6	11/12	–	–	1/1	–	1/1	2/2
Mr. Poon Lock Kee, Rocky	6/6	12/12	–	–	1/1	2/2	1/1	2/2
Mr. Doo William Junior Guilherme	6/6	11/12	–	–	–	2/2	1/1	1/2
Mr. Lee Kwok Bong	6/6	11/12	–	–	–	–	1/1	2/2
Mr. Soon Kweong Wah	6/6	11/12	–	5/5	–	–	1/1	2/2
Independent Non-executive Directors								
Mr. Kwong Che Keung, Gordon	5/6	–	2/2	–	–	–	1/1	2/2
Mr. Hui Chiu Chung, Stephen	6/6	–	2/2	–	1/1	2/2	1/1	2/2
Mr. Lee Kwan Hung	6/6	–	2/2	–	1/1	2/2	1/1	2/2
Dr. Tong Yuk Lun, Paul	6/6	–	2/2	–	1/1	2/2	1/1	2/2

Note:

(1) Mr. Wong Kwok Kin, Andrew was re-designated as a Non-executive Director with effect from 1 January 2017 and accordingly, ceased to be a member of the Executive Committee on the same date.

AUDITORS' REMUNERATION

During the Year, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	Fee paid/payable for the year ended 30 June 2017 HK$'000	2016 HK$'000
Audit services	**3,992**	4,923
Non-audit services*	**887**	3,980
Total	**4,879**	8,903

* Non-audit services include tax advisory, acting as the reporting accountant of the Group in relation to its listing on the Main Board of the Stock Exchange and other related services.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports of the Company and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for the preparation of financial statements of each financial period.

The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the external auditor in relation to the financial statements.

Annual report and financial statements

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Accounting policies

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. With effective from 1 July 2016, the Group changed to adopt the cost model to account for leasehold land and buildings instead of the revaluation model because cost model is more common accounting practice adopted by market players. Please see "Change in accounting policy" in the Management Discussion and Analysis section for more information. Save as disclosed herein this report, the Company has consistently applied the appropriate accounting policies in the preparation of the financial statements.

Accounting records

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Safeguarding assets

The Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this annual report. The Board therefore has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditors, are stated in the Independent Auditor's Report on pages 67 to 71 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the maintenance of sound risk management and internal control systems within the Group and reviewing their effectiveness.

The Board has entrusted the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board conducts review of the Group's risk management and internal control systems semi-annually. During the Year, the review covered the aspects of financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the Group's risk management and internal control systems are effective and adequate for their purposes.

A whistleblowing policy has also been adopted by the Board and is implemented in the Company's website and the intranet, which allows the Group's staff members and related third parties to raise concerns, in confidence, about misconducts, malpractices or irregularities in any matters related to the Group.

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Internal Audit Department, the senior executive in charge of which reports directly to the Audit Committee and is provided with unrestricted access to all information on the Group's assets, records and personnel in the course of audit. All Directors are informed of the findings of internal audit assignments. During the Year, the Internal Audit Department carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, examination of risk-related documentation, conducting interviews with employees as well as internal control self-assessment questionnaires. It has also conducted special audit on individual operation units.

The senior executive in charge of the Internal Audit Department attended all Audit Committee meetings to explain the internal audit findings and respond to queries from members of the Audit Committee.

Risk management

A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of the risks faced by the Group. Chaired by an Executive Director, the Risk Management Committee takes the lead in the effective implementation of the risk management policy by all divisions and business units of the Group. Risk assessment and evaluation are an integral part of the annual planning process. Each division/business unit of the Group is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented.

The Group emphasises the building of company culture around risk awareness. Workshops are organised for management staff to ensure proper appreciation, implementation and evaluation of risk management and corporate governance requirements. Risk registers are regularly updated and continuous follow-up actions are taken by management and reported to the Board at least annually.

The Group's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Group. Risk management is integral to all aspects of the Group's activities and is the responsibility of all staff members.

The Group's risk appetite is communicated to all level of staff through "Risk Management Manual". Department heads and project leaders have a particular responsibility to evaluate their risk environment faced by their daily operations. They need to update the risk register and report to the Risk Management Committee for the risks identified. Action plans to control the risks to an acceptable level will be developed and results will be monitored and reported to the Risk Management Committee regularly.

The Group's risk appetite will be reviewed annually or whenever there is a significant change to the Group's operating environment.

Through the above process, the Board has maintained an effective risk management system which enables the Group to respond to significant risks in attaining its strategic objectives.

Risk factors

The Group's business, financial condition and results of operations are subject to a number of risks. The risk factors set out below are those that could affect the Group's business, financial condition and results of operations materially different from expectations or historical results. Any of the following risks, as well as other risks and uncertainties that are not yet identified or risks that are currently considered as immaterial, may materially and adversely affect the Group in the future.

Global economy and government policy

The construction market in Hong Kong, Macau and Mainland China are largely influenced by the local government policies, as well as global and regional economic trend. The property markets in Hong Kong and Mainland China have witnessed volatility in recent years. The filibustering in the Legislative Council in Hong Kong has delayed the award of new public works contracts and consequently disrupted the regular progress of public works expenditure in the previous years and the years to come. New developments in casino-related projects in Macau are significantly slow down. China's economic growth is likely to stay on the downward trend and dragging down with the over-supply of residential properties in Mainland China. Any significant drop in the level of economic growth in these regions could adversely affect the Group's financial results of operations.

Labour shortage

Due to aging workforce and less young people joining the construction market, Hong Kong construction industry is facing severe labour shortage which is expected to continue for years. This may affect the Group's ability to sustain a stable workforce to complete the projects in time. As a result, labour costs have been increasing in the past few years; and may keep in the rising trend. Labour shortage may therefore affect the Group's business and results of operations.

Currency fluctuations

The results of the Group are presented in Hong Kong dollars. As part of the Group's business was carried out in Mainland China, part of the Group's assets and liabilities are denominated in Renminbi ("RMB"). Therefore, the Group is exposed to RMB fluctuations on translation of net assets of subsidiaries in Mainland China and may have an impact on the Group's financial performance.

Material fluctuations

The Group's major business is in the E&M engineering segment of the construction market. The Group requires to procure a vast amount of building materials into the works. These building materials are subject to a high volatility of price in raw materials, particularly steel and copper. The Group's business and results may be affected by the price fluctuation in the building materials.

Safety and personal injuries

Site construction activities involve different kinds of safety risks such as working at height, operation of machinery, electrical system and appliances, lifting of heavy objects, etc. Failure of implementing safety measures may result in personal injuries or even fatality. As a result, the Group may face litigation claims and suspension of tendering from public works for certain periods, resulting in a large impact on the Group's business opportunity.

Delays and latent defects

The Group's business involves working in uncertain site conditions, such as ground conditions, confined spaces and adverse weather. The Group is also responsible for material and labour quality. Any delay due to site conditions, late material delivery or poor installation quality may incur additional costs to the Group including any damages recoverable from other parties. In addition, the Group remains liable for latent defects for years and bear the associated costs despite the projects had been completed and occupied. The Group's business and operation results may be adversely affected.

Environmental concerns

The Group is required to comply with increasingly stringent environmental protection laws, regulations and requirements in Hong Kong, Macau and Mainland China. If the Group fails to comply with the applicable laws, the Group may be required to pay fines or take remedial actions, which may cause negative impacts on the costs and operations of the projects. Furthermore, any updates on impending laws may induce additional costs to the Group for compliance; failing which may lead to suspension or ceasing of our relevant licences to operate the Group's business, thus in turn adversely affect the Group's operation and financial results.

JOINT COMPANY SECRETARIES

An Executive Director and the Chief Financial Officer of the Group act as the joint company secretaries of the Company. Each of them has confirmed that he had taken no less than 15 hours of relevant professional training.

SHAREHOLDER AND INVESTOR RELATIONS

The Board established a shareholders' communication policy setting out the principles with the objectives of ensuring that shareholders of the Company and the investing public are provided with ready, equal and timely access to balanced and understandable information of the Group.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents and latest corporate news are available on the Company's website.

The Company maintains an ongoing active dialogue with institutional shareholders. The Executive Directors and senior management of the Group are closely involved in promoting investor relations. Meetings and briefings with financial analysts and investors are conducted by the Chief Executive Officer, Executive Directors and senior management of the Group.

A Manual on Disclosure on Inside Information is in place giving guidance on the managing, protection and proper disclosure of information that has not already been made public. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene a general meeting (the "EGM") other than an annual general meeting of the Company are subject to the Company's articles of association, the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and applicable legislation and regulation:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition (the "Requisition"), not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.

(2) The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

(3) The Requisition may consist of several documents in like form which may be sent to the Board or the joint company secretaries of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) at the Company's head office in Hong Kong or through email at info@fseng.com.hk.

(4) The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

(5) If the Directors are required under paragraph (1) above to call an EGM and fail to do so pursuant to paragraph (4), the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or through email at is-enquiries@hk.tricorglobal.com.

Shareholders may at any time raise any enquiry in respect of the Company at the Company's head office in Hong Kong or through email at info@fseng.com.hk.

Procedures for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's head office in Hong Kong.

The request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Board will determine in its discretion whether to include the Proposal in the agenda for the Company's general meeting.

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the Year and up to the date of this annual report, the Company has not made any changes to its memorandum and articles of association. An up-to-date version of the memorandum and articles of association of the Company is available on both the websites of the Company and the Stock Exchange.

Management Discussion and Analysis

BUSINESS REVIEW

The Group maintained its position as one of the leading E&M (electrical and mechanical) engineering companies in Hong Kong, capable of providing a comprehensive range of E&M engineering and environmental engineering services. It also continued to run strong its E&M engineering operations in Mainland China and Macau. On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group has integrated operating and control procedures, strong networks of well-established customers and suppliers, and an experienced and well-trained workforce to support all of its operations. Thus, it has strong confidence in securing and undertaking integrated E&M engineering projects in Hong Kong, Mainland China and Macau.

In addition, the Group is committed to creating a greener society. To help build a sustainable environment, the Group has been constantly optimising design and exploring innovative methods. At the project level, it incorporates green building principles into application of building services equipment; and adopts green building design, modularisation and prefabrication to reduce energy usage, carbon emissions and construction waste. Furthermore, it invests in innovative construction technologies such as Building Information Modelling (BIM), laser scanning and mobile solutions, in order to help improve its operational efficiency and project management. The Group's environmental management service business, a new growth driver, continues to provide environmental assessment and energy efficient solutions to assist its customers in achieving their environmental protection and energy conservation goals.

Going ahead, the Group will continue to focus on applying its core competencies to raise customer satisfaction and ensure sustainable growth and profitability of its business. It shall continue to give first priority to large-scale projects including design and construction contracts from the government, public infrastructure works, hospital development projects, and public housing and subsidised housing projects, as well as private commercial and residential building projects.

Financial performance

Leveraging its competitive strengths as described above, the Group delivered a solid financial performance and recorded revenue amounting to HK$3,700.1 million for the Year, representing an increase of HK$228.2 million or 6.6%, as compared with HK$3,471.9 million in FY2016. Profit attributable to equity holders for the Year was HK$173.8 million, representing an increase of HK$10.6 million or 6.5 % against HK$163.2 million in FY2016.

As at 30 June 2017, the Group's projects encompassed a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centres, hotels, gaming centres, residential properties, universities, hospitals, airport and public transportation facilities buildings with a total outstanding contract sum of HK$5,600 million. During FY2017, the Group submitted tenders for 677 E&M engineering and environmental services projects (with a contract sum equal to or exceeding HK$1.0 million for each project, if awarded) with a total tender sum of HK$20,880 million.

Management Discussion and Analysis

New contracts awarded

During FY2017, the Group was awarded new contracts with a total value of HK$3,031 million, which include 111 contracts (with a net contract sum equal to or exceeding HK$1.0 million for each project) with a total net contract sum of HK$2,770 million. Among these 111 contracts, eight of them are major projects (with net contract sum equal to or more than HK$100.0 million for each project) as listed below:

Hong Kong:

1. Electrical and Mechanical, Ventilation and Air-conditioning ("MVAC") installation for the Hong Kong International Airport Contract P568 Midfield Apron Development Works at Chek Lap Kok, Lantau Island, New Territories;

2. Plumbing and drainage installation for a proposed residential development for LOHAS Park Package 5 at Site G, Tseung Kwan O Town Lot No. 70, Area 86, Tseung Kwan O, New Territories;

3. Plumbing and drainage installation for a proposed residential development at Site N, Tseung Kwan O Town Lot No. 70 Remaining Portion, LOHAS Park Package 6, Tseung Kwan O, New Territories;

4. Electrical and fire services installation for public rental housing at Pak Tin Estate Phase 7 & 8, Sham Shui Po, Kowloon;

5. Fire services installation for public housing at North West Kowloon Reclamation Site 6 and Fat Tseung Street West, Kowloon;

6. E&M installation for Hong Kong Airlines Aviation Training Centre at Chek Lap Kok, Lantau Island, New Territories;

Macau:

7. Electrical installation for Morpheus Hotel at City of Dreams, Phase 3, Cotai;

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Mainland China:

8. Heating, Ventilation and Air-conditioning ("HVAC") and Electrical installation for the podium of Spring City 66 — a commercial complex development at 15 Dongfeng Dong Road/433 Beijing Road, Panlong District, Kunming.


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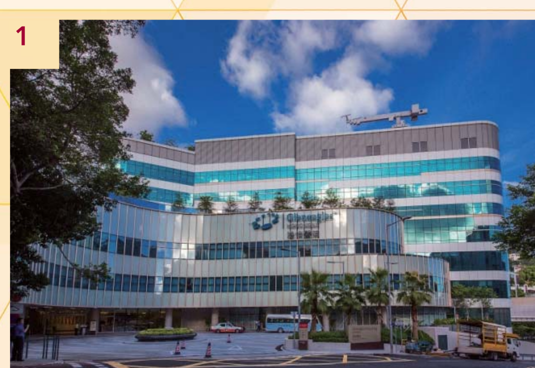
Completed projects

The Group completed several prestigious projects during the Year, including:

Hong Kong:

1. E&M installation for Gleneagles Hong Kong Hospital, Wong Chuk Hang, Hong Kong;

2. Electrical installation for On Tat Estate public housing comprising On Tat Shopping Centre, Yat Tat House, Sin Tat House, Lai Tat House and Chi Tat House at Kwun Tong, Kowloon;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3. Electrical installation for Shui Chuen O Estate public rental housing comprising Mau Chuen House, Lam Chuen House, Shou Chuen House, Chuk Chuen House, Sung Chuen House, Shan Chuen House, Tsun Chuen House and Ling Chuen House at Shatin, New Territories;

4. Plumbing and drainage installation for YUCCIE Square in Yuen Long, New Territories;

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5. Electrical installation for Kerry Hotel in Hung Hom Bay, Kowloon;

6. E&M installation for the Shue Yan University Research Complex at Braemar Hill, North Point, Hong Kong;

Macau:

7. HVAC installation for the Hotel Tower of The Parisian at Cotai;

8. Central chiller plant and sitewide Building Management System, dry fire sitewide, and hotel tower HVAC installation for Wynn Palace Cotai Resort, Cotai;

Mainland China:

9. E&M installation for the renovation of Jing Guang Centre, Beijing;

10. E&M installation for the renovation of public area at Level B1 to B3, carpark and outdoor plaza at Plaza 66, Shanghai.

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Management Discussion and Analysis

Projects on hand

As at 30 June 2017, major outstanding contracts with remaining works valued at more than HK$100.0 million including:

Hong Kong:

1. Design, supply and installation of E&M services for the West Kowloon Government Office in Yau Ma Tei, Kowloon;

2. Electrical, fire services, MVAC and central chiller plant installation for Victoria Dockside in Tsim Sha Tsui, Kowloon;

3. E&M installation for Hong Kong Airlines Aviation Training Centre at Chek Lap Kok, Lantau Island, New Territories;

4. Plumbing and drainage installation for a proposed residential development for LOHAS Park Package 5 at Site G at Tseung Kwan O Town Lot No. 70, Area 86, Tseung Kwan O, New Territories;

5. Plumbing and drainage installation for a proposed residential development at Site N, Tseung Kwan O Town Lot No. 70 Remaining Portion, LOHAS Park Package 6, Tseung Kwan O, New Territories;

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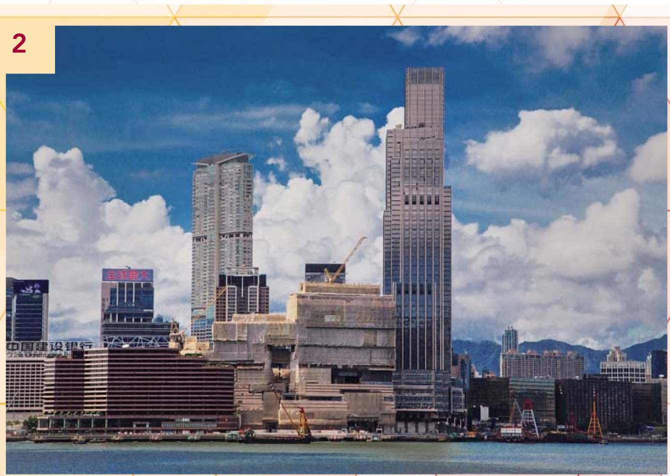

6. Plumbing and drainage installation and fire services installation for Ocean Pride in Tsuen Wan, New Territories;

7. Plumbing and drainage installation for Ocean Supreme in Tsuen Wan, New Territories;

8. Electrical and MVAC installation for the Hong Kong International Airport Contract P568 Midfield Apron Development Works at Chek Lap Kok, Lantau Island, New Territories;

9. Plumbing and drainage installation for Harbour Glory at Oil Street, North Point, Hong Kong;

10. Electrical and fire services installation for a public rental housing at Pak Tin Estate Phase 7 & 8, Sham Shui Po, Kowloon;

11. Fire services installation for a public housing at North West Kowloon Reclamation Site 6 and Fat Tseung Street West, Kowloon;

Macau:

12. Electrical installation for Morpheus Hotel at City of Dreams, Phase 3, Cotai;

Mainland China:

13. HVAC and Electrical installation for the podium of Spring City 66 — a commercial complex development at 15 Dongfeng Dong Road/433 Beijing Road, Panlong District, Kunming.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

In FY2017, the Group's revenue increased by HK$228.2 million or 6.6% to HK$3,700.1 million, mostly attributable to the higher revenue of HK$227.7 million derived from our E&M engineering segment.

The following table presents a breakdown of the Group's revenue by business segments:

	For the year ended 30 June			
	2017	**% of total revenue**	2016	% of total revenue
	HK$'M		HK$'M	
E&M engineering*	**3,646.0**	**98.5%**	3,418.3	98.5%
Environmental management services*	**54.1**	**1.5%**	53.6	1.5%
Total	**3,700.1**	**100.0%**	3,471.9	100.0%

* Segment revenue does not include inter-segment sales.

- *E&M (electrical and mechanical) engineering:* This segment has remained the key turnover driver and contributed 98.5% of the total revenue of the Group (2016: 98.5%). Segmental revenue was up by 6.7% from HK$3,418.3 million to HK$3,646.0 million for the Year, owing mainly to the increase in revenue from the installation division, primarily through significant progress of a number of major E&M projects in Hong Kong. The increase was partly offset by the reduction in contribution from Macau with central chiller plant and sitewide Building Management System, dry fire sitewide and hotel tower HVAC installation for Wynn Palace Cotai Resort ("Wynn Palace") and HVAC installation for the Hotel Tower of The Parisian at Cotai ("The Parisian") which had been substantially completed in FY2016.

- *Environmental management services:* Revenue contribution of this business segment was stable at HK$54.1 million (2016: HK$53.6 million), representing a mild growth of 0.9% as compared with FY2016. Segment revenue from environmental management services for the Year was primarily contributed by water treatment projects and bio-technology installation and maintenance services.

The following table presents a breakdown of our Group's revenue geographically:

	For the year ended 30 June			
	2017	2016	Change	% change
	HK$'M	HK$'M	HK$'M	
Hong Kong	**2,843.1**	2,367.8	475.3	20.1%
Mainland China	**476.8**	405.0	71.8	17.7%
Macau	**380.2**	699.1	(318.9)	(45.6%)
Total	**3,700.1**	3,471.9	228.2	6.6%

Hong Kong: Revenue from Hong Kong increased by HK$475.3 million or 20.1% to HK$2,843.1 million in FY2017. The increase was mainly attributable to the substantial revenue contribution from a number of sizeable installation projects, including E&M installation for Gleneagles Hong Kong Hospital in Wong Chuk Hang, plumbing and drainage installation for Ocean Pride and Ocean Supreme in Tsuen Wan and electrical installation for Bloomsway and Napa in So Kwun Wat, Tuen Mun which made significant progress in FY2017 and lifted Hong Kong's contribution to the Group's total revenue from 68.2% to 76.8%.

Mainland China: Revenue from Mainland China increased by 17.7% from HK$405.0 million to HK$476.8 million in FY2017 with its geographical contribution increased from 11.7% to 12.9%. The increase of HK$71.8 million was primarily the revenue contributed by a mixed used commercial building in Shanghai, Jing An District and a shopping mall in Dalian.

Macau: Revenue from Macau decreased by 45.6% to HK$380.2 million in FY2017 with its geographical contribution of the region dropping from 20.1% in FY2016 to 10.3% in FY2017. The decline mainly resulted from the reduction in the revenue contribution from two major projects, namely Wynn Palace and The Parisian which had been substantially completed in FY2016.

Gross profit

The Group's overall gross profit increased by HK$35.0 million or 9.4% to HK$406.9 million in FY2017, whereas the overall gross profit margin remained relatively stable at 11.0% (2016: 10.7%). The increase in gross profit was mainly in line with the overall remarkable growth of the Group's revenue, of which the gross profit derived from our E&M engineering business significantly increased in FY2017 with its segment gross profit margin maintained at 10.7% (2016: 10.5%). The gross profit margin of the environmental management services segment improved from 23.3% to 28.3%, mainly owing to an increase in revenue from water treatment services and bio-technology maintenance services with a relatively higher profit margin. Gross profit in this segment rose to HK$15.3 million in FY2017, representing an increase of HK$2.8 million or 22.4% as compared with FY2016.

The following table presents the breakdown of the Group's gross profit by business segments:

	For the year ended 30 June			
	2017		2016	
	Gross profit HK$'M	**Gross profit margin %**	Gross profit HK$'M	Gross profit margin %
E&M engineering	**391.6**	**10.7**	359.4	10.5
Environmental management services	**15.3**	**28.3**	12.5	23.3
Total	**406.9**	**11.0**	371.9	10.7

Other income/gains, net

The Group did not record other net gains in a material amount for both FY2016 and FY2017, which amounted to HK$0.5 million and HK$3.6 million, respectively. Other net gains in FY2017 mainly included gain on disposal of land use right and property, plant and equipment and net foreign exchange gain.

Finance income

The Group recorded finance income of HK$14.5 million (2016: HK$10.8 million). The increase in finance income, which consisted primarily of the Group's bank interest income of HK$13.4 million, was mainly due to the increase in average principal and the market interest rate on the Group's bank deposit placed in Hong Kong. The Group recorded interest income of HK$1.1 million from new investment in available-for-sale financial assets and financial assets at fair value through profit or loss during FY2017.

General and administrative expenses

In FY2017, the general and administrative expenses of the Group increased by 3.4% to HK$208.5 million as compared with HK$201.6 million in FY2016. The increase of HK$6.9 million was mainly attributable to the additional depreciation charges for newly acquired property and associated leasehold improvement and increase in rental expenses in FY2017, partly offset by the one-off non-recurring listing expenses of HK$16.8 million in last year.

Taxation

The effective tax rate of the Group increased from 10.1% in FY2016 to 19.7% in FY2017. The relatively low effective tax rate in FY2016 resulted from the utilisation of previously unrecognised tax losses of HK$9.2 million mainly for a joint operation project that was non-recurring in FY2017 together with the higher profit contribution from Macau which has relatively lower applicable corporate income tax rate.

Profit attributable to equity holders

As a result of the foregoing, the Group's profit attributable to equity holders for the Year increased by 6.5% or HK$10.6 million from HK$163.2 million in FY2016 to HK$173.8 million in FY2017. The increase was the combined result of higher contracting revenue mostly from our core business segment, which was partly offset by the respective tax charge on the higher operating profit of the Group. The net profit margin of the Group remained stable at 4.7% for FY2016 and FY2017.

Other comprehensive loss

The Group recorded other comprehensive loss of HK$8.5 million in FY2017, comprising mainly the decrease in exchange reserve of HK$9.0 million resulting from the devaluation of the RMB and the reduced currency rate adopted in the accounting translation of RMB-denominated net investments in our Mainland China operations into Hong Kong dollars (the Group's presentation currency) for the purpose of preparing the Company's financial statements, partly offset by the increase in the investment revaluation reserve, net of tax, of HK$0.5 million in relation to the increase in the estimated market price for the Group's available-for-sale financial assets.

Management Discussion and Analysis

Liquidity and financial resources

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 30 June 2017, the Group had total cash and bank balances of HK$978.3 million, of which 55%, 33% and 12% were denominated in Hong Kong dollars, RMB and other currencies respectively (2016: 68%, 28% and 4% respectively). As compared with 30 June 2016, the Group's cash and bank balances decreased by HK$347.6 million from HK$1,325.9 million which was primarily due to the distribution of final dividends of HK$42.3 million for FY2016, interim dividends of HK$33.3 million for FY2017, the acquisition of a property holding group of HK$282.3 million, and net investment in available-for-sale financial assets and other financial assets through profit or loss in sum of HK$98.0 million, partly offset by the increase in net cash inflow from operating activities.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year and did not have any bank borrowings and outstanding borrowings as at 30 June 2017 (2016: Nil). Hence the Group's gearing ratio (being our total borrowings divided by our total equity) was maintained at zero as at 30 June 2017. As at 30 June 2017, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$1,091.0 million (2016: HK$1,119.2 million), of which HK$323.7 million (2016: HK$329.3 million) had been utilised for bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet the needs of its current business operations and capital expenditures.

Foreign currency exposure

The Group operates primarily in Hong Kong, Macau and Mainland China and is not exposed to significant foreign exchange risk. The Group does not have a foreign currency hedging policy and it manages our foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce its exposure to foreign currency risk should the need arises.

As part of the Group's business was carried out in Mainland China, part of its assets and liabilities were also denominated in RMB. The majority of these assets and liabilities have arisen from the net investments in our Mainland China operations, which had net assets of HK$167.8 million as at 30 June 2017. The foreign currency translation of the financial statements in respect of these Mainland China operations from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) will not affect the Group's profit before and after tax, and will be recognised in its other comprehensive income.

During the Year, the fluctuation of the RMB against the Hong Kong dollars was 5.1% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Year).

As at 30 June 2017, if the Hong Kong dollars had strengthened/weakened by another 5.0% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$8.4 million lower/higher.

Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 30 June 2017, the net proceeds of HK$264.5 million received from the Global Offering (referred to in the prospectus issued by the Company on 26 November 2015) were applied as follows:

	Net proceeds from Global Offering HK$'M	Aggregated utilised amount up to 30 June 2017 HK$'M	Unutilised amount HK$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	2.2	79.4
Development of environmental management business	51.0	2.0	49.0
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	–
Staff-related additional expenses	20.0	13.7	6.3
Development and enhancement of design capability	19.3	11.6	7.7
Enhancement of quality testing laboratory	12.2	3.4	8.8
Upgrade of corporate information technology system and software	8.0	3.8	4.2
General working capital	25.0	25.0	–
Total	264.5	109.1	155.4

During FY2017, the Group utilised HK$51.9 million of the net proceeds. The Group held the unutilised net proceeds mainly in short-term deposits or time deposits with licensed banks and authorised financial institutions in Hong Kong.

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2017 (2016: Nil).

Change in accounting policy

In accordance with HKAS 16 Property, Plant and Equipment, leasehold land and buildings can either be accounted for using the cost model or the revaluation model. With effective from 1 July 2016, the Group changed to adopt the cost model to account for leasehold land and buildings instead of the revaluation model because cost model is more common accounting practice adopted by market players. This voluntary change in accounting policy has enabled the Group to provide reliable and more relevant information on the financial statements about its performance and financial position. The impact of such change is primarily to restate the leasehold land and buildings of the Group to their historical cost. Under the new accounting policy, the total equity of the Group as at 30 June 2016 is restated from HK$901.2 million to HK$822.8 million whereas profit attributable to the equity holders for the year ended 30 June 2016 is restated from HK$161.1 million to HK$163.2 million. Details of the change and the respective financial effect are set out in Note 2.1(iii) of the Consolidated Financial Statements.

Management Discussion and Analysis

Major transaction

On 5 October 2016, a conditional sale and purchase agreement (the "S&P Agreement") was entered into between Catchy Investments Limited (the "Vendor", a wholly-owned subsidiary of New World Development Company Limited) and Fortunate House Limited (the "Purchaser", a wholly-owned subsidiary of the Company) whereby the Purchaser agreed to purchase and the Vendor agreed to sell the entire issued share capital of Optimum Result Holdings Limited (the "Target") together with the unsecured non-interest bearing shareholder's loan owing from the Target to the Vendor amounting to HK$153.1 million (the "Sale Loan") for an aggregate consideration of HK$285.0 million (the "Consideration"), subject to adjustment. The principal business of the Target is investment holding, with its investment in Ocean Front Investments Limited ("Ocean Front") as its sole investment. The principal business of Ocean Front is property holding, with a property located at 17th Floor of Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong (the "Property") as its major asset. HK$28.5 million, representing 10% of the Consideration was paid in cash upon signing of the S&P Agreement. The acquisition under the S&P Agreement was approved by the independent shareholders at the extraordinary general meeting of the Company held on 30 November 2016. Completion of the S&P Agreement took place on 9 January 2017 upon which the remaining 90% of the Consideration amounting to HK$249.3 million (after an adjustment of HK$7.2 million with reference to the unaudited consolidated net tangible asset value of the Target and its subsidiary excluding the value of the Property and the Sale Loan) was paid in cash. A final cash payment of the Consideration of HK$3.1 million was made on 7 March 2017 with reference to the unaudited consolidated net tangible asset value of the Target and its subsidiary excluding the value of the Property and the Sale Loan as at the completion date.

Upon completion, each of the Target and Ocean Front became a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of each of them have been consolidated in the financial statements of the Company for the Year. The Property is currently being utilised as office premises of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Managing environmental, social and governance ("ESG") risks is essential to ensuring the long-term growth of the Group. Led by our Executive Director, the Group's management committee oversees the implementation of our Integrated Management System ("IMS"). The IMS combines three international management system standards — ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System — providing the effective and efficient monitoring and management of ESG-related matters.

A report on the ESG aspects is being prepared with reference to Appendix 27 Environmental, Social and Governance Reporting Guide to the Listing Rules and will be published on the Company's and the Stock Exchange's websites in November 2017.

Discussion on Environmental Policies and Performance

Our Group's E&M engineering operations may not make a significant impact on the environment, yet we recognise our responsibility to contribute to a greener future and minimise the limited environmental effects arising from our operations. To track our environmental performance, we have implemented the ISO 14001 Environmental Management System, a core component of our IMS. This system enables us to identify and manage the environmental issues associated with our operations through a continuous improvement cycle. The identified environmental issues are recorded in the Environmental Aspect Register through which we can take appropriate actions in a timely manner and keep track of improvements over time.

We constantly seek opportunities to reduce energy consumption and greenhouse gas ("GHG") emissions throughout all stages of engineering operations — from design and installation to operation and maintenance. For instance, we have deployed modularisation and pre-fabrication techniques and incorporated green features in our projects to align with green building principles. The Group continues to raise the environmental awareness of employees by sharing energy-saving tips and encouraging behavioural changes. We have also introduced and implemented Green Office Guidelines for head offices, work sites, workshops and plant rooms to provide practical guidance for employees on waste management and energy conservation.

The Group has devoted considerable effort to waste management and has introduced protocols and procedures for handling various types of waste throughout our operations. For instance, we have recently launched a solid waste reduction programme to reduce the disposal of scrap pipe sections generated in our prefabricated workshop in Fanling. We also encourage our employees to mindfully utilise paper, and, to further reduce paper waste in our operations, we have extended our waste reduction policy to cover our site offices and workshops.

We have also continued our support of community-driven environmental programmes and initiatives. During the Year, we once again participated in "Biz-Green Dress Day" for Hong Kong Green Building Week 2016, and "Earth Hour 2016" organised by World Wide Fund (WWF) Hong Kong. Demonstrating the commitment of our employees to behavioural change and green living, our staff members have actively participated in The Community Chest GREEN DAY and "No Air Con Night" organised by Green Sense.

Account of Key Relationships with Employees, Customers and Suppliers

Employees

The Group is committed to providing a fair, respectful, and harmonious workplace free of harassment or discrimination in any form. It offers competitive remuneration packages as well as other fringe benefits corresponding to employees' performance, experience and job duties. To effectively manage and evaluate performance, we have a fair and open performance appraisal process in place for annual assessments which also serves as an engagement channel between employees and management.

A healthy work-life balance is crucial to advancing the productivity of our employees. We support this philosophy through various staff engagement activities such as photography, pottery crafting, baking pastries, sports and outdoor activities. To contribute to the Group's efficiency in talent management, we have clear and transparent procedures governing staff recruitment and dismissal, training and development, performance reviews and promotion. Our commitment to the continued professional development of our employees is also upheld through various programmes and initiatives such as the Training and Education Subsidy Scheme and Project Management Procedures Training for engineers.

As a component of our IMS, the Group has implemented the OHSAS 18001 Occupational Health and Safety Management System. This integrated system guides our employees to assess, mitigate and control relevant health and safety risks throughout project lifecycles. A number of safety-related initiatives and measures have been put in place to safeguard the health and safety of our employees. We also organise safety training sessions on a regular basis to ensure that the established safety instructions with operational details are clearly communicated to our employees as well as our subcontractors' workers. To increase the safety awareness of our employees, we arrange regular lunch box meetings with on-site supervisors to draw their attention to possible risks, and use a mobile instant messaging application to deliver safety-related information to on-site workers.

To share the Group's safety culture with our subcontractors, regular safety training is arranged to refresh their knowledge on safety in the workplace. A safety award scheme was also established to recognise subcontractors with sound performance in health and safety management. Due to our continued efforts, we are pleased to report that there were no work-related fatalities during the Year.

Customers

To constantly provide efficient, professional and quality E&M engineering services to our customers, we have included the ISO 9001 Quality Management System as part of our IMS, along with sets of guidelines established by each department to ensure compliance and accountability. Periodic audits are carried out to identify potential risks and defects in our installations, thereby ensuring the quality of our service. In cases where any quality or safety concerns arise, an extensive investigation is carried out to identify the underlying causes and develop measures to prevent the recurrence of defects.

Suppliers and Subcontractors

The Group recognises the positive influence we have on our suppliers and subcontractors. To select suppliers and subcontractors who share our beliefs in sustainable practices, a procurement procedure is in place to assess project experience as well as safety performance and financial conditions. To be included on our Group's approved vendor list, suppliers and subcontractors must meet the set criteria and submit project references and relevant documentation. We have also established a comprehensive system to assess the suitability and performance of existing suppliers and subcontractors on an annual basis to ensure the quality and consistency of our service. Substandard suppliers and subcontractors are suspended or removed from our approved vendor list.

Compliance Status with Relevant Laws and Regulations That Have a Significant Impact on the Business

During the Year, there were no reported cases of non-compliance with relevant laws and regulations that have had a significant impact on business regarding the environment, health and safety, labour standards, and data privacy. However, in response to two minor safety non-compliance cases which were reported, we have immediately followed up and taken corrective actions to ensure safety compliance.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had a total of 1,655 employees (2016: 1,662). Staff cost for the Year, including salaries and benefits, was HK$553.0 million (2016: HK$547.8 million). The decrease in the Group's total headcount is mainly due to the reduction in the number of employees in Macau upon the completion of major E&M engineering projects during the Year.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored training to its employees with the aim of promoting upward mobility within its organisation and fostering employee loyalty. Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

The Company maintained a share option scheme during the Year, which aims at providing incentives to the eligible participants (including the employees of the Group) to contribute to the Group and enables us to recruit high-caliber employees and attract human resources that are valuable to the Group. Details of the share option scheme are set out under the "Report of the Directors" section below.

All of the employees of the Group in Hong Kong have joined a mandatory provident fund scheme. The scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong). The Group has complied with the relevant laws and regulations, and the relevant contributions have been made by the Group in accordance with the relevant laws and regulations.

Management Discussion and Analysis

OUTLOOK

Overview

Based on its market leadership and buttressed by a proven track record, a well-established customer network and ample financial reserves, the Group will be able to continuously seek acquisition opportunities and engage competent professional talent to help it explore new market opportunities and expand geographical coverage in Hong Kong, Macau and Mainland China.

The Group will stay focused on applying its core competencies to raise customer satisfaction and ensure the sustainable growth and profitability of its business. The Board is confident that the Group, through its unwavering efforts, can maximise shareholders' value, enhance its corporate image as well as its position in the E&M engineering industry.

Currently, the E&M engineering segment in Hong Kong, which accounts for over 50% of the Group's total revenue and gross profit, remains the core business of the Group. However, while proud of its performance in this segment in Hong Kong, the Group is striving to bolster its market presence in other regions.

ELV Business

Regarding the ELV (extra low voltage) business, with more property developers adopting advanced technologies in their projects to enhance building sustainability and energy control, the segment presents good opportunities to generate business revenues and profit. In early 2016, the Group set up an ELV division which can complement the work of the E&M engineering segment and provide valued customers in the property development one-stop ELV service solutions — from concept development to design to commissioning.

Holding the Security Company Licence (Type III) governed by the Security and Guarding Services Industry Authority (SGSIA) under the Security Bureau, the Group can carry out Installation, Maintenance, Repairing and Design of Security Systems. The Group is also on the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Broadcast Reception Installation (BRI) and Burglar Alarm and Security Installation (BAS) for public works.

Since the establishment of the new ELV division, the Group has secured six new projects including a residential project on Sai Yuen Lane, an office development project at King's Road and an Aviation Training Centre at Chek Lap Kok.

Looking ahead, the Group will keep working with vendors to customise those systems according to the specific needs of customers, using advanced technologies such as intelligent IP/IT-based systems. The Group believes that with a highly qualified and experienced staff and sound project management skills, it can fulfill its commitment of delivering quality and professional services to all its valued customers.

E&M engineering segment

1. Hong Kong

As the Hong Kong Government has unveiled a series of new policies and initiatives in the public and infrastructure projects, the construction industry accounted for 4.7% of Hong Kong's total gross domestic profit in both 2015 and 2016. According to the construction expenditure forecast provided by the Construction Industry Council, E&M construction works expenditure will amount to over HK$20 billion for the public sector and over HK$28 billion for the private sector over the next few years. Projects in these two sectors will together create a large number of jobs, particularly crucial for Hong Kong in times of economic uncertainty.

Long-term Housing Strategy

The long-term housing strategy of the Hong Kong Government, as stated in the 2017 Policy Address, aims at continuing its ongoing efforts in increasing the land and housing supply. According to the government projection, 460,000 residential flats will be provided in the next decade including 200,000 public housing units, 80,000 subsidised-sale units, and 180,000 private housing units.

As at 2016, the proposed major public housing developments include those developments at Lin Cheung Road in Sham Shui Po, Queen's Hill in Fanling, Diamond Hill and Anderson Road in Sau Mau Ping. The proposed major subsidised-sale housing developments include those developments at Diamond Hill, Ping Shan in Yuen Long and Sham Shui Po.

For private residential developments, according to the preliminary assessment of known to have or soon to be started on disposed sites as at June 2017, it is projected that the private sector will provide a historically high record of about 98,000 units in the coming three to four years. The proposed major private housing developments include those developments at Kai Tak area, Pak Shek in Ma On Shan, Pak Shek Kok in Taipo and Ap Lei Chau, together with railway property developments including LOHAS Park Station, Tai Wai Station, Wong Chuk Hang Station, Ho Man Tin Station, Kam Sheung Road Station, etc.

New Development Frontiers

In addition, the Hong Kong Government is pushing full steam ahead with the new development areas and the extension of new towns, including Kwu Tung North, Fanling North, Tung Chung, Hung Shui Kiu and Yuen Long South, and will examine the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes.

Other Public Facilities & Infrastructure Developments

To prepare for the challenges brought by the aging population, the Hong Kong Government earmarked HK$200 billion last year for a ten-year hospital development plan covering, among others, the redevelopment of Queen Mary Hospital, Kwong Wah Hospital, United Christian Hospital and Kwai Chung Hospital, construction of a new acute hospital at the Kai Tak Development Area and the redevelopment or expansion of various hospitals such as the Tuen Mun Hospital Operating Block, Prince of Wales Hospital, North District Hospital, Princess Margaret Hospital and Grantham Hospital. The above projects will together provide 5,000 additional public hospital beds and 94 new surgical theatres in the next ten years. In addition, the Hong Kong Government has decided to finance construction of a Chinese medicine hospital in Tseung Kwan O in 2018/19.

To promote sport in the community and maintain Hong Kong as a centre for major international sporting events, the Hong Kong Government will spend a total of HK$20 billion in the coming five years to launch 26 projects to develop new or improve existing sports and recreation facilities. Besides, the Kai Tak Sports Park, the largest sport project with an investment over HK$30 billion, is expected to be completed in 2022/2023.

Apart from the above, construction of the Shatin to Central Link, investment in the West Kowloon Cultural District, urban renewal redevelopment projects, the Kai Tak Development Area including a multipurpose sports park together with residential, commercial and hotel developments, expansion of convention and exhibition venues in Wanchai, construction of a third runway at the Hong Kong International Airport and expansion of the existing Terminal 2 at the airport into a full-service processing terminal, the Lantau development projects associated with the Hong Kong-Zhuhai-Macao Bridge, and the "Energising Kowloon East" Initiative as a smart city pilot area (including Kwun Tong redevelopment and the revitalisation of industrial buildings) will definitely help boost the construction industry in Hong Kong in the coming decade.

Looming Challenges

Of course, the construction engineering sectors in Hong Kong are also facing a multitude of problems and serious challenges. According to the forecast, there will be a severe labour shortage of skilled workers in the E&M engineering services industry over the next few years, which, coupled with the aging workforce, are going to push up labour wages and hence construction cost. The filibustering in the Legislative Council has delayed the award of new public works contracts, which adds to the rising construction cost. The Group has thus strived to maintain a relatively stable workforce and retain loyal staff members so as to preserve its competitiveness.

Maintenance Services

As reflected in the statistics available, there are currently over 60% of the buildings including 1,700 commercial buildings, 1,600 industrial buildings and 24,000 residential buildings aged over 20 years in Hong Kong. Thus, the maintenance section of the Group's E&M engineering services envisages a growing demand for the term maintenance contracts from different prestigious commercial and residential buildings, hospitals, the public sector and educational institutions seeking the service of quality contractors to help them maintain their properties in the best possible shape. The Group expects an increase in revenue from fitting-out works, system upgrade and replacement works following the implementation of the Mandatory Building Inspection Scheme ("MBI Scheme"). Large-scale alteration and addition and system retrofit works are also set to provide favourable returns to the maintenance section.

More than half (55%) of Hong Kong's total annual energy end-use is in the form of electricity consumption and buildings take up about 90% of our total electricity consumption. It is imperative to reduce the use of electricity in buildings to help us combat climate change. Following the implementation of the Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong), Electrical and Mechanical Services Department (EMSD) is also actively pursuing the cost-effective program of "Retro-commissioning" to develop a scientific based optimisation scheme and make continuous improvement to further encourage energy conservation works in existing buildings. The Group expects favourable returns from the system upgrade and replacement works to improve energy saving for building owners and the industry.

Building Material Trading

The Group's Building Material Trading section has also generated stable income. The Group offers a wide variety of tiles imported from Europe to its customers at four retail stores in Hong Kong and one in Macau. It also supplies E&M engineering equipment and products including cast iron and stainless steel pipes and fittings, various gauges, building automation systems, heating elements, ventilation and air-conditioning parts, heat exchangers, filters, smoke and gas sensors, etc. All of these supplied building materials are sourced from a large number of suppliers in the US, Europe, South East Asia and Mainland China in accordance with the related distribution agreements or purchase orders that the Group has entered into with the suppliers.

Way Forward

Moving forward, the Group will continue to focus on capturing large-scale projects including design and construction contracts from the government, public infrastructure works, hospital development projects, public rental and subsidised housing projects, and private commercial and residential building projects. The Group also targets to secure more term maintenance contracts and alteration and addition works in the maintenance service market.

2. Macau

For the six months ended 30 June 2017, the Macau gaming market with 39 casinos generated total half-yearly gross revenues of MOP126 billion, about five times that of Las Vegas. As a result, the construction and E&M engineering sectors in Macau performed very well in the past few years. However, with several sizable casino projects completed in 2017 and the flagging tourism and the gaming industry, the construction and engineering sectors in Macau are expected to go through a stage of consolidation.

Nevertheless, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the robust demand for public and private residential housing, the development of Galaxy Macau Phase 3 and 4 (about a HK$43 billion investment), and the construction of the Islands District Medical Complex are expected to create emerging business opportunities for the Group in the coming few years.

Ongoing Housing and Tourism Development

The Macau SAR Government has launched its first Five-year Development Plan and initiated the reclamation project for New Urban Zone Area A and the Zhuhai-Macao man-made islands in association with the Hong Kong-Zhuhai-Macao Bridge, which are expected to provide land for 28,000 public housing units and 4,000 private housing units. Conductive to the growth of its tourism industry, the city projected that it will be able to offer 44,000 hotel rooms by 2019 versus 36,000 hotel rooms (located in 107 hotels and guesthouses, with 32 five-star hotels offering 22,000 rooms) in May 2017.

Reinforcing Leadership in Gaming and Tourism

The positioning of Macau as a world exemplary tourism and leisure center addresses that region's need for adequate economic diversification and sustainable development. The Macau SAR Government is expected to keep track of the pace of development of the gaming industry, and at the same time actively foster growth of integrated tourism in the city by reinforcing its non-gaming offers.

3. **Mainland China**

Affected by the global economic slowdown and the over-supply of residential properties in Mainland China, China's economic growth is likely to stay on the downward trend and dragging down with the property construction market. For this market, the Group has followed a disciplined business development approach focusing on the provision of E&M services to major property developments of Hong Kong and foreign investors. Apart from the two core bases in Beijing and Shanghai, the Group has also established a presence in other first- and second-tier cities in Mainland China such as Tianjin, Dalian, Shenyang, Chengdu, Wuhan, Changsha and Nanjing.

"One Belt, One Road" Initiative

In the 1990s and 2000s, the Group completed several projects in Southeast Asia including Singapore, Thailand, Malaysia, Vietnam, the Philippines, etc. In the advent of China's "One Belt, One Road" initiative elaborated in her 13th Five-Year Plan, the Group is actively seeking to participate in related construction and infrastructure projects backed by the Asian Infrastructure Investment Bank (AIIB) in ten member states of Association of Southeast Asia Nations (ASEAN).

Guangdong Pilot Free Trade Zones

In addition, the three rapidly developing Guangdong Pilot Free Trade Zones — Hengqin, Qianhai and Nansha will bring in new business opportunities to the Group.

Project Management Services

In recent years, the Group has been providing project management services in Mainland China to an international exhibition centre development in Shenyang, two high-rise building complexes in Tianjin and Guangzhou, and one commercial building in Beijing. The Group firmly believes that due to its high market recognition and armed with strong value-added E&M project management expertise in the areas of, among others, integrated services coordination, coordinated services drawing production, Building Information Modelling (BIM) techniques, project planning, quality assurance and system testing and commissioning, the Group will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in Mainland China. Leveraging its abundant E&M installation experience in Mainland China, the Group plans to extend our E&M project management services to cover also high-end projects in Mainland China so as to generate an additional stable source of income.

Environmental management services

Increasing public awareness of the importance of a clean environment has fuelled the demand for environmental engineering services and products. The 2017 Policy Address for Hong Kong highlights the Hong Kong Government's determination to promote energy efficiency and development of renewable energy for buildings. "Going green" is an obvious trend to the Group spurring a demand to provide customers with total solutions for energy saving and the use of renewable energy and environmentally-friendly technologies.

The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) enacted in 2012 continues to support the business development of our environmental consultancy services. Our seawater and fresh water treatment and odour removal products such as electro-chlorination and biotech deodorisation systems respectively bring steady growth to our environmental management services segment.

Laboratory Services

With the growing public demand for better water quality, strict water control drives the market demand for water quality testing services of our laboratory. Through relentless effort, our laboratory has been accredited by the Hong Kong Accreditation Service under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) since 2015, and can provide testing for fresh water inside service, fresh water for the Quality Water Supply Scheme, fresh water cooling tower scheme, air quality laboratory analysis, environmental monitoring and baseline monitoring and waste water monitoring. The Group continues to invest in state-of-the-art instruments and offers clients reliable analytical testing services including physical, non-metallic, trace metals and microbiological analyses. For instance, to address the enhancement measures launched by the Water Supplies Department including testing for heavy metals in drinking water prompted by the earlier incident of excessive lead found in drinking water, our laboratory uses a highly sensitive ICP-MS system to detect trace levels of heavy metals in tap water samples. The laboratory service thus complements the work of the E&M engineering and environmental management services segments.

Waste Management

Public attention is also drawn to waste management and disposal as it has been announced that municipal solid waste charging will be launched in Hong Kong in the second half of 2019 at the earliest with the aim to alleviate the tremendous pressure on landfills. Meanwhile food waste represents the major constituent of municipal solid waste used for landfill in Hong Kong, therefore reducing food waste disposal is essential for effective waste management. The Group has an automated odour-free food waste processor available in a wide range of sizes to provide a total solution in converting food waste into environmentally-safe water effluent.

Nano-bubble Technology

Furthermore, the Group is actively working with strategic partners and vendors to invest in strengthening our technological capabilities with a focus on air and water treatment, and to evaluate possible investment in a web-based building energy management system. During the Year, the Group had collaborated with NAMI to invest and develop nano-bubble technology which converts ordinary air and water into a strong oxidising fluid. The nano-bubble effect in treated fluid is an environmental-friendly and cost-effective technology that can save energy and consumption in cleaning and sterilisation. In addition, the Group and NAMI garnered a gold medal at the 45th International Exhibition of Inventions of Geneva 2017 for the innovative nano-bubble technology in March 2017.

Conclusion

In conclusion, as the Group can provide a comprehensive range of E&M engineering and environmental engineering services and run well-established E&M engineering operations in Hong Kong, Mainland China and Macau, it is ready to grasp the ample business opportunities that the different above-mentioned infrastructure and large-scale projects are expected to bring. We will endeavour to maintain a strong financial position to stay poised for new investment as well as exploring for alternative business opportunities as and when they arise.

Report of the Directors

The Directors have pleasure to submit their report together with the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 31 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 8 to 9 and "Management Discussion and Analysis" on pages 28 to 46. Description of the principal risks and uncertainties facing the Group are set out in the "Corporate Governance Report" under the paragraphs headed "Risk Management and Internal Control" on pages 23 to 26. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Management and Discussion and Analysis" on pages 28 to 46 of this annual report.

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 30 June 2017 are set out in the financial statements on pages 72 to 138.

The Directors have resolved to recommend a final dividend of HK8.1 cents per share for the Year (2016: HK9.4 cents) to the shareholders whose names appear on the register of members of the Company on 8 December 2017. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 15 December 2017. Together with the interim dividend of HK7.4 cents per share (2016: HK5.0 cents) paid in March 2017, total distribution of dividend by the Company for the Year will thus be HK15.5 cents per share (2016: HK14.4 cents), representing a dividend payout ratio of 40.1% (2016: 39.7%).

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2017, the Company's reserves available for distribution amounted to HK$613.3 million (2016: HK$694.4 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK$2,118,000 (2016: HK$1,259,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 24 to the financial statements.

Report of the Directors

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 139.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 60.6% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 39.0%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 10.9% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.8%.

During the Year, the NWS Group (as defined in the paragraph headed "Connected Transactions" below) was the Group's largest customer while the NWCL Group (as defined in the paragraph headed "Connected Transactions" below) was one of the five largest customers of the Group. Both the NWS Group and the NWCL Group are the family businesses of Dr. Cheng Kar Shun, Henry, the Chairman and Non-executive Director of the Company. Save as disclosed above, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued shares) has an interest in the share capital of any of those customers or suppliers disclosed in the above paragraph.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

Non-executive Director

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Wong Kwok Kin, Andrew (re-designated from Executive Director with effect from 1 January 2017)

Executive Directors

Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*
Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*
Mr. Doo William Junior Guilherme
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung
Dr. Tong Yuk Lun, Paul

In accordance with article 105 of the Company's articles of association, Dr. Cheng Kar Shun, Henry, Mr. Poon Lock Kee, Rocky, Mr. Soon Kweong Wah and Mr. Lee Kwan Hung shall retire as Directors by rotation at the forthcoming annual general meeting, and all being eligible, offer themselves for re-election as Directors.

DIRECTORS *(Continued)*

The Company has received an annual confirmation from each of the Independent Non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 10 to 14.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and material related party transactions are set out on pages 54 to 65 and note 29 to the financial statements respectively.

Save for the above and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, no Director had been recorded as having interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of associations and subject to the applicable laws, the Directors shall be indemnified out of the Company's assets from and against all actions, costs, charges, losses, damages and expenses which they may incur in the execution of their duties, except for those incurred through their own fraud or dishonesty. The above indemnity provision was in force during the course of the Year and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

Long position in ordinary shares of associated corporation — FSE Holdings Limited

Name	Capacity/nature of interest	Number of shares	Percentage of shareholding[6]
Dr. Cheng Kar Shun, Henry	Beneficial interest	90,000,000[1]	18%
Mr. Lam Wai Hon, Patrick	Interest of controlled corporation	10,000,000[2]	2%
Mr. Doo William Junior Guilherme	Interest of controlled corporations	45,000,000[3]	9%
Mr. Lee Kwok Bong	Interest of controlled corporation	5,000,000[4]	1%
Mr. Wong Kwok Kin, Andrew	Interest of controlled corporation	35,000,000[5]	7%

Notes:

1. The shares are held by Chow Tai Fook Nominee Limited ("CTF Nominee") for Dr. Cheng Kar Shun, Henry.

2. The shares are held by Equal Merit Holdings Limited ("Equal Merit"), the entire issued share capital of which is solely and beneficially owned by Mr. Lam Wai Hon, Patrick.

3. The shares are held by Master Empire Group Limited ("Master Empire") as to 25,000,000 shares and Supreme Win Enterprises Limited ("Supreme Win Enterprises") as to 20,000,000 shares, the entire issued share capital of each of which is solely and beneficially owned by Mr. Doo William Junior Guilherme.

4. The shares are held by Lagoon Treasure Limited ("Lagoon Treasure"), the entire issued share capital of which is solely and beneficially owned by Mr. Lee Kwok Bong.

5. The shares are held by Frontier Star Limited ("Frontier Star"), the entire issued share capital of which is solely and beneficially owned by Mr. Wong Kwok Kin, Andrew.

6. The percentage of shareholding is calculated on the basis of 500,000,000 shares in issue as at 30 June 2017.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in ordinary shares of the Company (the "Shares")

Name	Capacity/nature of interest	Number of shares	Percentage of shareholding[4]
FSE Holdings Limited	Beneficial interest	337,500,000[1]	75%
Sino Spring Global Limited ("Sino Spring")	Interest of controlled corporation	337,500,000[1]&[2]	75%
Mr. Doo Wai Hoi, William ("Mr. Doo")	Interest of controlled corporation	337,500,000[1]&[2]	75%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo")	Interest of spouse	337,500,000[1]&[2]&[3]	75%

Notes:

1. FSE Holdings Limited is beneficially owned as to 63% by Sino Spring, 18% by Dr. Cheng Kar Shun, Henry (through CTF Nominee), 7% by Frontier Star, 5% by Master Empire, 4% by Supreme Win Enterprises, 2% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all Shares held by FSE Holdings Limited.

2. Sino Spring is an investment holding company wholly owned by Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is deemed to be interested in all Shares in which Sino Spring is interested.

3. Mrs. Doo is the spouse of Mr. Doo and is therefore taken to be interested in all Shares in which Mr. Doo is interested by virtue of Part XV of the SFO.

4. The percentage of shareholding is calculated on the basis of 450,000,000 Shares in issue as at 30 June 2017.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 June 2017.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 20 November 2015. Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

(i) Purposes of the Scheme

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company or any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

SHARE OPTION SCHEME *(Continued)*

(iii) Maximum number of Shares available for issue

The total number of Shares available for issue under the Scheme is 45,000,000 Shares, representing 10.00% of the Company's issued share capital at the date of this report.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

(v) Time of acceptance

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

(vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

(vii) Consideration for the option

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(viii) Subscription price for the Shares

The subscription price for the Shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

(ix) Period of the Scheme

The Scheme will remain in force for a period of 10 years commencing from 20 November 2015 being the date of its adoption.

No options had been granted under the Scheme since its adoption.

CONNECTED TRANSACTIONS

Connected persons of the Company

Dr. Cheng Kar Shun, Henry, the Chairman and Non-executive Director of the Company, is our connected person. The NWD Group, the NWS Group, the NWDS Group, the NWCL Group and the CTFJ Group (as respectively defined below), our long standing customers, are the family businesses of Dr. Cheng Kar Shun, Henry. To echo the policy of the Stock Exchange to enhance minority shareholders' protection, we have treated members of each of these groups of companies as our connected persons under Chapter 14A of the Listing Rules.

In the above paragraph and as appeared in this section:

"NWD Group"(1)	means New World Development Company Limited ("NWD"), the issued shares of which are listed on the Stock Exchange (stock code: 17), together with its subsidiaries from time to time but excluding the NWCL Group, the NWDS Group and the NWS Group;
"NWS Group"	means NWS Holdings Limited ("NWS"), the issued shares of which are listed on the Stock Exchange (stock code: 659), together with its subsidiaries from time to time but excluding the NWCL Group, the NWD Group and the NWDS Group;
"NWDS Group"	means New World Department Store China Limited ("NWDS"), the issued shares of which are listed on the Stock Exchange (stock code: 825), together with its subsidiaries from time to time but excluding the NWCL Group, the NWD Group and the NWS Group;
"NWCL Group"(1)	means New World China Land Limited ("NWCL"), together with its subsidiaries from time to time but excluding the NWD Group, the NWDS Group and the NWS Group; and
"CTFJ Group"	means Chow Tai Fook Jewellery Group Limited ("CTFJ"), the issued shares of which are listed on the Stock Exchange (stock code: 1929), together with its subsidiaries and associates from time to time but excluding the NWCL Group, the NWD Group, the NWDS Group and the NWS Group.

Mr. Doo is a controlling shareholder of the Company holding 75% of the total issued share capital of the Company. Fung Seng Enterprises Limited is a company wholly-owned by Mr. Doo. Fung Seng Enterprises Limited and its subsidiaries from time to time (the "Fung Seng Group"(2)) are therefore our connected persons under Chapter 14A of the Listing Rules.

The Doo's Associates Group(2) are companies, other than members of the Group and the Fung Seng Group, in which Mr. Doo, his "immediate family members" and "family members" (as defined in the Listing Rules), individually or together, are entitled to exercise or control the exercise of 30% or more of the voting power at their respective general meetings or to control the composition of a majority of their respective boards of directors and the subsidiaries of such companies. Members of the Doo's Associates Group are therefore our connected persons under Chapter 14A of the Listing Rules.

Notes:

(1) NWCL has become a wholly-owned subsidiary of NWD after the completion of privatisation on 3 August 2016. As such, the Group's transactions with the NWCL Group have been grouped under the Group's transactions with the NWD Group with effect from 1 July 2017 and for the purpose of paragraph (9)(a) below, the NWD Group includes the NWCL Group.

(2) In view of the fact that the Fung Seng Group is wholly owned by Mr. Doo and hence can be part of the Doo's Associates Group. To better administer all transactions between the Group and the Doo's Associates Group as a whole, the Group's transactions with the Fung Seng Group have been grouped under the Group's transactions with the Doo's Associates Group with effect from 1 July 2017 and for the purpose of paragraph (9)(e) below, the Doo's Associates Group includes the Fung Seng Group.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions ("CCTs")

The Company has entered into the following transactions during the Year and up to the date of this report with one or more the above connected persons which constituted connected transaction (paragraph (8) below) or continuing connected transactions (paragraphs (1) to (7) and (9) below) of the Company.

(1) CCTs between the Group and the NWD Group (the "NWD CCTs")

The NWD Group, which is principally engaged in property development, infrastructure operations, hotel operations and telecommunication services, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the NWD CCTs, the Company entered into an agreement (the "NWD Master Services Agreement") with NWD on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWD on 11 April 2014 in relation to the NWD CCTs on the one hand and other transactions between the NWD Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWD CCTs under the NWD Master Services Agreement were various transactions between the NWD Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) and environmental services to the NWD Group; and
- the provision of property leasing services by the NWD Group to the Group for the leasing of office premises, car parking spaces or other business purposes to the Group.

The NWD Master Services Agreement provided a master framework agreement to streamline the NWD CCTs by providing a master framework of terms upon and to which the individual agreement for each NWD CCT entered into and subject. In essence, the NWD CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWD Master Services Agreement was for a fixed term commencing from the date of the NWD Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWD Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	58,200	65,000
Paid/payable by the Group	–	600

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(2) CCTs between the Group and the NWS Group (the "NWS CCTs")

The NWS Group, which is principally engaged in (i) the investment in and/or operation of facilities, construction, transport and strategic investments; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the NWS CCTs, the Company entered into an agreement (the "NWS Master Services Agreement") with NWS on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWS on 11 April 2014 in relation to the NWS CCTs on the one hand and other transactions between the NWS Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWS CCTs under the NWS Master Services Agreement were various transactions between the NWS Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) and environmental services to the NWS Group; and

- the provision of builder's work services by the NWS Group to the Group.

The NWS Master Services Agreement provided a master framework agreement to streamline the NWS CCTs by providing a master framework of terms upon and to which the individual agreement for each NWS CCT entered into and subject. In essence, the NWS CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWS Master Services Agreement was for a fixed term commencing from the date of the NWS Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWS Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	1,434,387	1,600,000

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(3) CCTs between the Group and the NWDS Group (the "NWDS CCTs")

The NWDS Group, which is principally engaged in department store operations, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the NWDS CCTs, the Company entered into an agreement (the "NWDS Master Services Agreement") with NWDS on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWDS on 11 April 2014 in relation to the NWDS CCTs on the one hand and other transactions between the NWDS Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWDS CCTs under the NWDS Master Services Agreement were various transactions between the NWDS Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) to the NWDS Group; and

- the provision of property leasing services by the NWDS Group to the Group for the leasing of office premises to the Group.

The NWDS Master Services Agreement provided a master framework agreement to streamline the NWDS CCTs by providing a master framework of terms upon and to which the individual agreement for each NWDS CCT entered into and subject. In essence, the NWDS CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWDS Master Services Agreement was for a fixed term commencing from the date of the NWDS Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWDS Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	6,403	20,000
Paid/payable by the Group	162	200

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(4) CCTs between the Group and the NWCL Group (the "NWCL CCTs")

The NWCL Group, which is principally engaged in property development, property related investment as well as rental and hotel operations, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors.

To streamline the NWCL CCTs, the Company entered into an agreement (the "NWCL Master Services Agreement") with NWCL on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWCL on 30 June 2014 in relation to the NWCL CCTs on the one hand and other transactions between the NWCL Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWCL CCTs under the NWCL Master Services Agreement were various transactions between the NWCL Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) to the NWCL Group; and

- the provision of property leasing services by the NWCL Group to the Group for the leasing of office premises to the Group.

The NWCL Master Services Agreement provided a master framework agreement to streamline the NWCL CCTs by providing a master framework of terms upon and to which the individual agreement for each NWCL CCT entered into and subject. In essence, the NWCL CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWCL Master Services Agreement was for a fixed term commencing from the date of the NWCL Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWCL Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	168,660	210,000
Paid/payable by the Group	82	800

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(5) CCTs between the Group and the CTFJ Group (the "CTFJ CCTs")

The CTFJ Group, which is principally engaged in the design, production and marketing to sale of luxury and high-end luxury jewellery products, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as its subcontractors.

To streamline the CTFJ CCTs, the Company entered into an agreement (the "CTFJ Master Services Agreement") with CTFJ on 20 November 2015.

The CTFJ CCTs under the CTFJ Master Services Agreement were various transactions between the CTFJ Group and the Group in relation to the provision of the Group's E&M engineering services (including building materials trading services) to the CTFJ Group.

The CTFJ Master Services Agreement provided a master framework agreement to streamline the CTFJ CCTs by providing a master framework of terms upon and to which the individual agreement for each CTFJ CCT entered into and subject. In essence, the CTFJ CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The CTFJ Master Services Agreement was for a fixed term commencing from the date of the CTFJ Master Services Agreement and up to 30 June 2018, and was terminated and replaced by the New CTFJ Master Services Agreement (as defined in paragraph (9)(d) below) with effect from 1 July 2017.

During the Year, the transaction amounts under the CTFJ Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	34,562	61,000

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(6) CCTs between the Group and the Doo's Associates Group (the "Doo's Associates CCTs")

The Doo's Associates Group, which is principally engaged in cleaning, insurance consultancy and brokerage, landscaping, laundry, property and facility management, security and guarding, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the Doo's Associates CCTs, the Company entered into an agreement (the "Doo's Associates Master Services Agreement") with FSE Management Company Limited on 20 November 2015.

The Doo's Associates CCTs under the Doo's Associates Master Services Agreement were various transactions between the Doo's Associates Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) and environmental services to the Doo's Associates Group; and

- the provision of property leasing services and sundry services including cleaning and landscaping, laundry, property and facility management, security and guarding services by the Doo's Associates Group to the Group.

The Doo's Associates Master Services Agreement provided a master framework agreement to streamline the Doo's Associates CCTs by providing a master framework of terms upon and to which the individual agreement for each Doo's Associates CCT entered into and subject. In essence, the Doo's Associates CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The Doo's Associates Master Services Agreement was for a fixed term commencing from the date of the Doo's Associates Master Services Agreement and up to 30 June 2018, and was terminated and replaced by the New Doo's Associates Master Services Agreement (as defined in paragraph (9)(e) below) with effect from 1 July 2017.

During the Year, the transaction amounts under the Doo's Associates Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	56,708	60,000
Paid/payable by the Group	4,432	5,000

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(7) CCTs between the Group and the Fung Seng Group (the "Fung Seng CCTs")

To streamline the Fung Seng CCTs, the Company entered into an agreement (the "Fung Seng Master Services Agreement") with Fung Seng on 20 November 2015.

The Fung Seng CCTs were various transactions in relation to the provision of property leasing services by the Fung Seng Group to the Group for the leasing of warehouses and ancillary offices and car parking spaces to the Group.

The Fung Seng Master Services Agreement provided a master framework agreement to streamline the Fung Seng CCTs by providing a master framework of terms upon and to which the individual agreement for each Fung Seng CCT entered into and subject. In essence, the Fung Seng CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The Fung Seng Master Services Agreement was for a fixed term commencing from the date of the Fung Seng Master Services Agreement and up to 30 June 2018, and was terminated and replaced by the New Doo's Associates Master Services Agreement (as defined in paragraph (9)(e) below) with effect from 1 July 2017.

During the Year, the transaction amounts under the Fung Seng Master Services Agreement are summarised as follows:

Categories	**Approximate total transaction amounts** HK$'000	**Annual cap** HK$'000
Paid/payable by the Group	4,549	5,000

(8) Acquisition of property holding group

On 5 October 2016, a conditional sale and purchase agreement (the "S&P Agreement") was entered into between Catchy Investments Limited (the "Vendor", a wholly-owned subsidiary of NWD and Fortunate House Limited (the "Purchaser", a wholly-owned subsidiary of the Company). For details of the transaction, please refer to "Major transaction" in the Management Discussion and Analysis section which is set out on page 38.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(9) New master services agreements for NWD CCTs, NWS CCTs, NWDS CCTs, CTFJ CCTs and Doo's Associates CCTs

On 10 April 2017, in view of the expiry of the NWD Master Services Agreement, the NWS Master Services Agreement and the NWDS Master Services Agreement in June 2017, and to tally the term of the CTFJ Master Services Agreement and the Doo's Associates Master Services Agreement, both of which shall expire in June 2018, five new master services agreements were entered into by the Company with details as follows:

(a) a new master services agreement entered into between NWD and the Company (the "New NWD Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT is to be entered into and subject.

The NWD CCTs under the New NWD Master Services Agreement include various transactions between the NWD Group and the Group in relation to:

- the provision of, by the Group to the NWD Group, E&M engineering and environmental services, and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

- the provision of, by the NWD Group to the Group, rental services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a new master services agreement entered into between NWS and the Company (the "New NWS Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT is to be entered into and subject.

The NWS CCTs under the New NWS Master Services Agreement include various transactions between the NWS Group and the Group in relation to:

- the provision of, by the Group to the NWS Group, E&M engineering and environmental services, and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

- the provision of, by the NWS Group to the Group, contracting services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(9) New master services agreements for NWD CCTs, NWS CCTs, NWDS CCTs, CTFJ CCTs and Doo's Associates CCTs *(Continued)*

(c) a new master services agreement entered into between NWDS and the Company (the "New NWDS Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each NWDS CCT is to be entered into and subject.

The NWDS CCTs under the New NWDS Master Services Agreement include various transactions between the NWDS Group and the Group in relation to:

- the provision of, by the Group to the NWDS Group, E&M engineering and environmental services, and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

- the provision of, by the NWDS Group to the Group, rental services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

(d) a new master services agreement entered into between CTFJ and the Company (the "New CTFJ Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT is to be entered into and subject.

The CTFJ CCTs under the New CTFJ Master Services Agreement include various transactions between the CTFJ Group and the Group in relation to:

- the provision of, by the Group to the CTFJ Group, E&M engineering and environmental services, and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions (CCTs") *(Continued)*

(9) New master services agreements for NWD CCTs, NWS CCTs, NWDS CCTs, CTFJ CCTs and Doo's Associates CCTs *(Continued)*

(e) a new master services agreement entered into between FSE Management Company Limited ("FSE Management") and the Company (the "New Doo's Associate Group Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each Doo's Associates CCT is to be entered into and subject.

The Doo's Associates CCTs under the New Doo's Associates Master Services Agreement include various transactions between the Doo's Associates Group and the Group in relation to:

- the provision of, by the Group to the Doo's Associates Group, E&M engineering and environmental services, and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

- the provision of, by the Doo's Associates Group to the Group, rental services and sundry services, and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the New NWD Master Services Agreement, the New NWS Master Services Agreement, the New NWDS Master Services Agreement, the New CTFJ Master Services Agreement and the New Doo's Associates Agreement collectively, the "New Master Services Agreements")

The New Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 25 May 2017. Each of the New Master Services Agreements has an initial term of three years commencing from 1 July 2017 and ending on 30 June 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of each of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of such initial term or any subsequently renewed term.

CONNECTED TRANSACTIONS *(Continued)*

Annual Review of CCTs

The CCTs mentioned in paragraphs (1) to (7) above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) according to the relevant agreement governing the respective transactions on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the Company's prospectus dated 26 November 2015.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions made during the Year is disclosed in note 29 to the financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

FSE Holdings Limited, Sino Spring and Mr. Doo, each a controlling shareholder of the Company (collectively, the "Controlling Shareholders"), have entered into a deed of non-compete undertaking (the "Deed"), under which they have given non-compete undertakings (the "Non-compete Undertakings") in favour of the Company (for itself and as trustee for and on behalf of each of our subsidiaries), pursuant to which they have, among other matters, irrevocably undertaken not to engage in any business (other than those of the Group) which, directly or indirectly, compete or may compete with the businesses of the Group.

Our Controlling Shareholders have provided to the Company a written confirmation confirming that, since the Listing Date, they have complied with the undertakings contained in the Deed and there is no matter in relation to their compliance with or enforcement of the Deed that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company. Our Independent Non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with our Controlling Shareholders and reviewed the written confirmation from the Controlling Shareholders and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed had not been complied with by our Controlling Shareholders during the Year.

Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements for the Year have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 22 September 2017

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of FSE Engineering Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of FSE Engineering Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 138, which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of the contracting work Refer to Note 4.1 in the critical accounting estimates and judgements in the consolidated financial statements. The Group recognises its contracting revenue according to the percentage of completion of individual contracting work. The Group has recognised HK$3,470,516,000 contracting revenue in relation to contracting work for the year ended 30 June 2017. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. Management is required to exercise significant judgement in their review and revision of the estimates of the completeness and accuracy of the total contract revenue, total contract costs and actual costs incurred for each contract as the contract progresses, based on past experience and market circumstances, especially in relation to change in estimates of revenue and costs arising from variation orders, litigation and claims with the customers and sub-contractors. The eventual realisation of these estimates are inherently uncertain, subject to the outcome of negotiations with the customers and sub-contractors. Any revision of the total contract revenue, total contract costs and actual costs incurred, which determined the percentage of completion, would affect the contracting revenue recognition and may result in material adjustments to margin, which can be both positive and negative.	Our audit procedures in relation to revenue recognition of the contracting work included the following: — Tested the operating effectiveness of key controls operated by the Group about the estimation of the total contract revenue, total contract costs and actual costs incurred; — Checked, on a sample basis, the contractual terms of the work and variation orders in order to understand their work nature and contractual relationships with the customers; checked correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract revenue, especially the estimates of revenue arising from variation orders and claims; — Checked, on a sample basis, to correspondences, such as agreed documents or communication evidence, with the sub-contractors, and legal advice obtained from internal or external legal counsel to evaluate the reasonableness of management's assessment of budgeted total contract costs and actual costs incurred, especially the estimates of costs relating to variation orders, litigation and claims; and — Selected contracts, on a sample basis, to perform interview with the project directors and assessed whether or not these estimates showed any evidence of management bias. We found the management's estimations and judgements on the revenue recognition in respect of contracting work to be supportable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 September 2017

Consolidated Income Statement

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 (restated)* HK$'000
Revenue	5	**3,700,133**	3,471,907
Cost of sales		**(3,293,192)**	(3,099,991)
Gross profit		**406,941**	371,916
Other income/gains, net	6	**3,577**	494
General and administrative expenses		**(208,483)**	(201,607)
Operating profit	7	**202,035**	170,803
Finance income	10	**14,501**	10,841
Profit before income tax		**216,536**	181,644
Income tax expenses	11	**(42,740)**	(18,433)
Profit attributable to equity holders of the Company		**173,796**	163,211
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK$ per share) — basic and diluted	12	**0.39**	0.43

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 2.1(iii) to the consolidated financial statements.

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016 (restated)*
	HK$'000	HK$'000
Profit for the year	**173,796**	163,211
Other comprehensive income:		
Item that may be subsequently reclassified to consolidated income statement:		
Currency translation differences	**(9,027)**	(23,571)
Fair value change of available-for-sale financial assets	**596**	–
Deferred tax on fair value change of available-for-sale financial assets	**(98)**	–
Other comprehensive income, net of tax	**(8,529)**	(23,571)
Total comprehensive income for the year and attributable to equity holders of the Company	**165,267**	139,640

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 2.1(iii) to the consolidated financial statements.

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	As at 30 June 2017 HK$'000	2016 (restated)* HK$'000	As at 1 July 2015 (restated)* HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	**382,754**	94,414	81,256
Land use rights	15	**21,655**	23,087	24,075
Intangible assets	16	**34,951**	35,321	35,691
Deferred income tax assets	17	**11,725**	4,581	268
Available-for-sale financial assets	18	**47,654**	–	–
		498,739	157,403	141,290
Current assets				
Inventories	19	**23,034**	17,733	18,074
Amounts due from customers for contract works	20	**141,678**	317,082	113,818
Trade and other receivables	21	**830,792**	842,276	674,558
Financial assets at fair value through profit or loss	22	**31,489**	–	–
Available-for-sale financial assets	18	**20,327**	–	–
Cash and bank balances	23	**978,322**	1,325,926	612,526
		2,025,642	2,503,017	1,418,976
Total assets		**2,524,381**	2,660,420	1,560,266
EQUITY				
Share capital	24	**45,000**	45,000	30,000
Reserves	25	**867,508**	777,841	389,194
Total equity		**912,508**	822,841	419,194
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	17	**17,493**	29,817	22,521
Current liabilities				
Amounts due to customers for contract works	20	**417,597**	1,138,368	487,977
Trade and other payables	26	**1,125,626**	654,923	614,384
Taxation payable		**51,157**	14,471	16,190
		1,594,380	1,807,762	1,118,551
Total liabilities		**1,611,873**	1,837,579	1,141,072
Total equity and liabilities		**2,524,381**	2,660,420	1,560,266
Net current assets		**431,262**	695,255	300,425
Total assets less current liabilities		**930,001**	852,658	441,715

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 2.1(iii) to the consolidated financial statements.

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

The financial statements on pages 72 to 138 were approved by the Board of Directors on 22 September 2017 and were signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital HK$'000	Reserves HK$'000	Total HK$'000
At 1 July 2016, as previously reported	**45,000**	**856,168**	**901,168**
Impact of change in accounting policy (Note 2.1(iii))	**–**	**(78,327)**	**(78,327)**
At 1 July 2016, as restated	**45,000**	**777,841**	**822,841**
Profit for the year	**–**	**173,796**	**173,796**
Other comprehensive income:			
Fair value change of available-for-sale financial assets, net of tax	**–**	**498**	**498**
Currency translation differences	**–**	**(9,027)**	**(9,027)**
Total comprehensive income	**–**	**165,267**	**165,267**
Transactions with owners:			
Dividends (Note 13)	**–**	**(75,600)**	**(75,600)**
At 30 June 2017	**45,000**	**867,508**	**912,508**
At 1 July 2015, as previously reported	30,000	466,162	496,162
Impact of change in accounting policy (Note 2.1(iii))	–	(76,968)	(76,968)
At 1 July 2015, as restated	30,000	389,194	419,194
Profit for the year, as restated	–	163,211	163,211
Other comprehensive income, as restated:			
Currency translation differences, as restated	–	(23,571)	(23,571)
Total comprehensive income, as restated	–	139,640	139,640
Transactions with owners:			
Issuance of shares	15,000	271,507	286,507
Dividends (Note 13)	–	(22,500)	(22,500)
	15,000	249,007	264,007
At 30 June 2016, as restated	45,000	777,841	822,841

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	155,613	528,811
Hong Kong profits tax paid		(8,980)	(5,363)
Mainland China and Macau income tax paid		(16,667)	(14,548)
Net cash generated from operating activities		129,966	508,900
Cash flows from investing activities			
Purchase of property, plant and equipment		(33,433)	(25,347)
Proceeds from disposal of land use right and property, plant and equipment		2,760	270
Decrease/(increase) in time deposits — original maturities over three months		42,000	(52,000)
Purchase of available-for-sale financial assets		(95,372)	–
Proceeds from disposal of available-for-sale financial assets		28,492	–
Purchase of financial assets at fair value through profit or loss		(31,112)	–
Net cash outflow on acquisition of a subsidiary	28(c)	(282,011)	–
Interest received		14,501	10,841
Net cash used in investing activities		(354,175)	(66,236)
Cash flows from financing activities			
Dividends paid		(75,600)	(22,500)
Listing expenses paid		–	(40,986)
Gross proceeds from initial public offering of shares		–	309,375
Net cash (used in)/generated from financing activities		(75,600)	245,889
Net (decrease)/increase in cash and cash equivalents during the year		(299,809)	688,553
Cash and cash equivalents at beginning of year		1,273,926	612,526
Exchange differences	28(b)	(5,795)	(27,153)
Cash and cash equivalents at end of year		968,322	1,273,926
Analysis of balances of cash and cash equivalents			
Cash and bank balances		978,322	1,325,926
Time deposits — original maturities over three months		(10,000)	(52,000)
Cash and cash equivalents		968,322	1,273,926

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

1.1 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, the Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of mechanical and engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands ("FSE Holdings"). The directors consider Mr. Doo Wai Hoi, William to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder").

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors of the Company (the "Board") on 22 September 2017.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

2.1 Basis of preparation *(Continued)*

(i) Amendments and improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2016

The following amendments and improvements to existing standards, that are relevant to the Group's operation, are mandatory for the financial year of the Group beginning on 1 July 2016:

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

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

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

The following new standards and amendments and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year of the Group beginning on 1 July 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 7 Amendment	Disclosure initiative	1 January 2017
HKAS 12 Amendment	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 12 Amendment	Disclosure of interest in other entities	1 January 2017
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC) — Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

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

2.1 Basis of preparation *(Continued)*

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

The Group has already commenced an assessment of the related 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, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39, which is based on the change in credit quality of financial assets since initial recognition.

Upon adoption of HKFRS 9, the Group will adopt an expected credit losses impairment model and the requirement on disclosure changes. Furthermore, it will have possible change in classification of the Group's financial instruments but the measurement will likely remain unchanged. Other than these, adoption of HKFRS 9 is currently not expected to have a material impact on the financial information of the Group.

HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 "Revenue from contracts with customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue when control of a good or service transfers to a customer.

Based on preliminary assessment conducted, the Group does not expect the adoption of HKFRS 15 would have a material impact other than presenting more disclosures.

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

2.1 Basis of preparation *(Continued)*

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

HKFRS 16, "Leases"

HKFRS 16 "Leases" 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 consolidated statements of financial position for lessees. The Group is a lessee of certain land and buildings 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 must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment 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 standard will affect primarily the accounting for Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK$44,342,000, see note 27. The adoption of HKFRS 16 will likely result in the recognition of an asset and a liability for future lease payments and this will affect the Group's result.

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

In accordance with HKAS 16 "Property, Plant and Equipment", leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its leasehold land and buildings using the revaluation model in previous years. With effective from 1 July 2016, the Group stated its leasehold land and buildings at cost less accumulated depreciation and any impairment losses, because cost model is more common accounting practice adopted by market players. In the opinion of the directors, this change in the accounting policy enables the Group to provide reliable and more relevant information on the financial statements about its performance and financial position.

As a result of the adoption of the cost model under HKAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2016 and 1 July 2015, and the results for the year ended 30 June 2016.

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

2.1 Basis of preparation *(Continued)*

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

(a) Effect on the consolidated income statement for the year ended 30 June 2016:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
Revenue	3,471,907	–	3,471,907
Cost of sales	(3,099,991)	–	(3,099,991)
Gross profit	371,916	–	371,916
Other income/gains, net	494	–	494
General and administrative expenses	(204,124)	2,517	(201,607)
Operating profit	168,286	2,517	170,803
Finance income	10,841	–	10,841
Profit before income tax	179,127	2,517	181,644
Income tax expenses	(18,056)	(377)	(18,433)
Profit attributable to equity holders of the Company	161,071	2,140	163,211
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK$ per share) — basic and diluted	0.42	0.01	0.43

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

2.1 Basis of preparation *(Continued)*

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

(b) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2016:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
Profit for the year	161,071	2,140	163,211
Other comprehensive income:			
Items that will not be reclassified to consolidated income statement:			
Revaluation gain on property, plant and equipment	4,212	(4,212)	–
Deferred income tax on revaluation gain on property, plant and equipment	(687)	687	–
	3,525	(3,525)	–
Item that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	(23,597)	26	(23,571)
Other comprehensive income, net of tax	(20,072)	(3,499)	(23,571)
Total comprehensive income for the year and attributable to equity holders of the Company	140,999	(1,359)	139,640

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

2.1 Basis of preparation *(Continued)*

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

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

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

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

2.1 Basis of preparation *(Continued)*

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

(d) Effect on the consolidated statement of financial position as at 1 July 2015:

	As previously reported HK$'000	Effect of adopting cost model under HKAS 16 HK$'000	As restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	172,582	(91,326)	81,256
Land use rights	24,075	–	24,075
Intangible assets	35,691	–	35,691
Deferred income tax assets	268	–	268
	232,616	(91,326)	141,290
Current assets			
Inventories	18,074	–	18,074
Amounts due from customers for contract works	113,818	–	113,818
Trade and other receivables	674,558	–	674,558
Cash and bank balances	612,526	–	612,526
	1,418,976	–	1,418,976
Total assets	1,651,592	(91,326)	1,560,266
EQUITY			
Share capital	30,000	–	30,000
Reserves	466,162	(76,968)	389,194
Total equity	496,162	(76,968)	419,194
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	36,879	(14,358)	22,521
Current liabilities			
Amounts due to customers for contract works	487,977	–	487,977
Trade and other payables	614,384	–	614,384
Taxation payable	16,190	–	16,190
	1,118,551	–	1,118,551
Total liabilities	1,155,430	(14,358)	1,141,072
Total equity and liabilities	1,651,592	(91,326)	1,560,266
Net current assets	300,425	–	300,425
Total assets less current liabilities	533,041	(91,326)	441,715

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

2.2 Consolidation

(i) Subsidiaries

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

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

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

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

2.2 Consolidation *(Continued)*

(ii) Disposal of subsidiaries

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

(iii) Separate financial statements

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

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

2.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor has rather than the legal structure of the joint arrangement.

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures including other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.3 Joint arrangements *(Continued)*

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

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

2.5 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

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

2.5 Foreign currencies *(Continued)*

(iv) Disposal of foreign operation and partial disposal

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

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

2.6 Intangible assets

(i) Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks and brand names

Separately acquired trademarks and brand names are shown at historical cost. Trademarks and brand names acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 10 years.

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

2.7 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.14).

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "other income/gains, net" in the consolidated income statement.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in-first-out or weighted average basis for different type and nature of inventories. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

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

2.9 Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 2.19, less provision for anticipated losses and progress payments received and receivable. Cost comprises materials, direct labour and overheads attributable to bringing the work in progress to its present condition.

Gross amount due from customers for contract work for all contracts in progress represents costs incurred plus recognised profits (less recognised losses) which exceed progress billings. Progress billings not yet paid by customers and retention are included under current assets.

Gross amount due to customers for contract work for all contracts in progress represents progress billings which exceed costs incurred plus recognised profits (less recognised losses).

2.10 Financial assets

Classification

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

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

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

(b) *Loans and receivables*

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

(c) *Available-for-sale financial assets*

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

Recognition and measurement

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

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

2.10 Financial assets *(Continued)*

Recognition and measurement *(Continued)*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other income/gains, net" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

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

2.11 Impairment of financial assets *(Continued)*

(b) Assets classified as available-for-sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement. See Note 2.11 for a description of Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

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

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

2.17 Contingent liabilities and contingent assets

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

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

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

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

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of consolidated statement of financial position in the countries where the Group and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

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

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

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

2.18 Current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Outside basis differences

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

(iii) Offsetting

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

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is stated net of returns, rebates and discounts, allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Engineering contracts

Revenue from engineering service contracts is recognised using the percentage of completion method when the outcome of contracts can be estimated reliably and it is probable that the contract will be profitable. Revenue from engineering service contracts is measured by reference to the proportion of costs incurred for work performed to the date of the statement of financial position as compared to the estimated total costs to completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

(ii) Service fee income

Maintenance service fee and consultancy fee are recognised when services are rendered.

(iii) Sales of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

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

2.19 Revenue recognition *(Continued)*

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plan

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution schemes

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme and employee pension schemes established by municipal government in Mainland China, are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.22 Land use rights

The up-front payments made for the land use rights are expensed in consolidated income statement on a straight-line basis over the period of the rights or where there is impairment, the impairment is recognised in consolidated income statement.

2.23 Dividend distribution

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

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

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

(i) Credit risk

The credit risk of the Group mainly arises from trade and other receivables and deposits with banks and financial institutions.

Management regularly assess credit risk for amounts receivable from related companies by reviewing financial statements of related companies on a regular basis to minimise credit risk.

Deposits are mainly placed with high-credit-quality financial institutions. In respect of credit exposures to customers, the Group has policies in place to assess credit history of customers and carries out follow-up actions on overdue amounts to minimise the credit risk exposure. The Group and the Company have no significant concentrations of credit risk as they have a large number of customers.

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

(ii) Liquidity risk

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

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000
At 30 June 2017		
Trade and other payables, excluding accrued employee benefits	**1,049,953**	**–**
At 30 June 2016		
Trade and other payables, excluding accrued employee benefits	577,608	–

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank balances. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include cash deposits.

The Group's interest rate risk concentrates on fluctuations of HIBOR as the Group's interest-bearing assets are mainly Hong Kong dollar denominated.

Interest bearing financial assets are mainly subject to an interest re-pricing risk of 6 months or below.

As at 30 June 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year before income tax would have been HK$1.6 million higher/lower respectively.

As at 30 June 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year before income tax would have been HK$2.2 million higher/lower respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual end of the reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit for the period sensitivities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iv) Foreign exchange risk

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

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

As at 30 June 2017 and 2016, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, there would have insignificant impact on the Group's profit for the year before income tax.

At 30 June 2017, the Group had net monetary assets denominated in United States dollar of HK$190.6 million (2016: HK$1.5 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

(v) Price risk

The Group is exposed to price risk because the Group held listed securities of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and consolidated income statement respectively. The performance of the Group's investment in listed securities are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

At 30 June 2017, if the price of listed securities, classified as available-for-sale financial assets and financial assets at fair value through profit or loss (notes 18 and 22) had been 1% higher with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK$0.3 million and HK$0.7 million higher respectively.

If the price of the above-mentioned listed securities had been 1% lower with all other variables held constant, the Group's profit for the year would have been HK$0.3 million lower and investment revaluation reserve would have been HK$0.7 million lower and resulted in a negative investment revaluation reserve of HK$0.2 million. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

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 as at 30 June 2017:

	Level 1
	HK$'000
Assets	
Financial assets at fair value through profit or loss	31,489
Available-for-sale financial assets	67,981
	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 years ended 30 June 2017.

At 30 June 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 instruments requiring disclosure of fair value measurement by level on fair value measurement hierarchy.

3.3 Capital risk management

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Estimation of revenue and costs of contracting work

The Group recognises its contract revenue according to the percentage of completion of the individual contract of contracting work. The management estimates the percentage of completion of contracting work based on total costs incurred over total budgeted cost. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 16.

4.3 Foreseeable losses in respect of contracting work

The management estimates the amount of foreseeable losses of contracting work based on the management budgets prepared for the work. Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

4.4 Income taxes

The Group is subject to income tax in Hong Kong, Macau and Mainland China. Judgement is required in determining the provision for taxation in these jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

4.5 Depreciation of property, plant and equipment

The expected useful lives and residual values of property, plant and equipment are determined by the management based on the internal accounting guidelines and industrial practices of similar property, plant and equipment. Management will revise the depreciation charges where useful lives and residual values are different to previously estimated.

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 service income, environmental management services income and income from trading of building materials. An analysis of the Group's revenue is as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Contracting	**3,470,516**	3,256,173
Maintenance services	**114,285**	98,796
Sales of goods	**115,332**	116,938
	3,700,133	3,471,907

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

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

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

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

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance 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 purpose unless the segment is engaged in financing activities.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

As at 30 June 2017, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operation of the operating segments.

Prior year corresponding segment information that is presented for comparative purposes has been restated to conform to changes adopted in the current year.

Capital expenditure comprises mainly additions to property, plant and equipment (Note 14).

(a) As at and for the year ended 30 June 2017

The segment results for the year ended 30 June 2017 and other segment items included in the 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	3,646,040	54,093	–	3,700,133
Revenue — internal	9	11,966	(11,975)	–
Total revenue				3,700,133
Operating profit before unallocated corporate expenses	202,284	5,302	–	207,586
Unallocated corporate expenses				(5,551)
Operating profit				202,035
Finance income (Note 10)				14,501
Profit before income tax				216,536
Income tax expenses				(42,740)
Profit for the year				173,796
Other items				
Depreciation (Note 14)	23,939	2,124	–	26,063
Amortisation of intangible assets (Note 16)	370	–	–	370
Amortisation of land use rights (Note 15)	582	–	–	582

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 30 June 2017 *(Continued)*

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			2,524,381
Segment liabilities	1,596,093	12,877	1,608,970
Unallocated liabilities			2,903
Total liabilities			1,611,873
Capital expenditure	32,408	1,025	33,433
Unallocated capital expenditure			–
Total capital expenditure			33,433

(b) As at and for the year ended 30 June 2016 (restated)

The segment results for the year ended 30 June 2016, as restated, and other segment items included in the 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	3,418,320	53,587	–	3,471,907
Revenue — internal	–	4,106	(4,106)	–
Total revenue				3,471,907
Operating profit before unallocated corporate expenses, as restated	187,596	3,963	–	191,559
Unallocated corporate expenses				(20,756)
Operating profit, as restated				170,803
Finance income (Note 10)				10,841
Profit before income tax, as restated				181,644
Income tax expenses, as restated				(18,433)
Profit for the year, as restated				163,211
Other items				
Depreciation, as restated (Note 14)	9,634	2,106	–	11,740
Amortisation of intangible assets (Note 16)	370	–	–	370
Amortisation of land use rights (Note 15)	615	–	–	615

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 30 June 2016 (restated) *(Continued)*

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

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

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:

	2017 HK$'000	2016 HK$'000
Revenue		
Hong Kong	**2,843,076**	2,367,739
Mainland China	**476,794**	405,029
Macau	**380,263**	699,139
	3,700,133	3,471,907

The analysis of the Group's major customer, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	2017 HK$'000	2016 HK$'000
Customer A	**1,444,498**	1,365,411

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The revenues contributed by the above major customer are mainly attributable to the E&M engineering segment in Hong Kong and Mainland China.

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

	2017 **HK$'000**	2016 (restated) HK$'000
Non-current assets, other than deferred tax assets		
Hong Kong	**430,481**	94,319
Mainland China	**25,572**	27,293
Macau	**30,961**	31,210
	487,014	152,822

6 OTHER INCOME/GAINS, NET

	2017 **HK$'000**	2016 HK$'000
Exchange gain, net	**2,361**	144
Gain on disposal of land use right and property, plant and equipment, net	**510**	122
Fair value gain on financial assets at fair value through profit or loss	**377**	–
Sundries	**329**	228
	3,577	494

7 OPERATING PROFIT

	2017 HK$'000	2016 (restated) HK$'000
Operating profit is stated after charging/(crediting):		
Changes in inventories of finished goods and work in progress	**64,951**	70,072
Raw materials and consumables used	**945,688**	1,002,588
Subcontracting fees	**1,703,730**	1,479,746
Provision for inventories	**2,733**	570
Write back of provision for inventories	**(503)**	(1,302)
Amortisation of land use rights	**582**	615
Amortisation of intangible assets	**370**	370
Depreciation of property, plant and equipment	**26,063**	11,740
Staff costs (including Directors' emoluments) (Notes 8 and 9)		
Salaries and allowances	**529,425**	524,959
Pension cost on defined contribution schemes	**23,566**	22,861
Less: Staff costs capitalised under contracts in progress	**(17,974)**	(16,702)
Operating lease rental for land and buildings	**31,423**	31,924
Less: Operating lease rental capitalised under contracts in progress	**(3,610)**	(5,346)
Reversal of impairment loss on trade receivables	**(45)**	(84)
Listing expenses	**–**	16,765
Auditor's remuneration		
Audit services	**4,280**	5,050
Non-audit services	**1,040**	435

8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK$'000	2016 HK$'000
Salaries, wages and bonuses	**529,425**	524,959
Contributions to defined contribution schemes	**23,566**	22,861
Less: Staff costs capitalised under contracts in progress	**(17,974)**	(16,702)
	535,017	531,118

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2017 HK$'000	2016 HK$'000
Fees	1,281	633
Salaries and other emoluments	14,183	13,481
Contributions to defined contribution schemes	957	738
	16,421	14,852

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) The remuneration of each Director for the year ended 30 June 2017 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Wong Kwok Kin, Andrew	105	900	1,000	–	–	2,005
Poon Lock Kee, Rocky	–	3,313	1,161	–	331	4,805
Lam Wai Hon, Patrick	–	1,651	–	–	203	1,854
Doo William Junior Guilherme	–	1,471	–	–	73	1,544
Lee Kwok Bong	–	1,224	–	–	92	1,316
Soon Kweong Wah	–	2,577	886	–	258	3,721
Cheng Kar Shun, Henry	308	–	–	–	–	308
Kwong Che Keung, Gordon	256	–	–	–	–	256
Hui Chiu Chung, Stephen	204	–	–	–	–	204
Lee Kwan Hung	204	–	–	–	–	204
Tong Yuk Lun, Paul	204	–	–	–	–	204
	1,281	11,136	3,047	–	957	16,421

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

(a) Directors' emoluments *(Continued)*

(ii) The remuneration of each Director for the year ended 30 June 2016 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Wong Kwok Kin, Andrew	–	1,690	–	–	–	1,690
Poon Lock Kee, Rocky	–	3,078	1,133	–	308	4,519
Lam Wai Hon, Patrick	–	750	–	–	38	788
Doo William Junior Guilherme	–	1,429	–	–	71	1,500
Lee Kwok Bong	–	1,100	400	–	83	1,583
Soon Kweong Wah	–	2,376	1,525	–	238	4,139
Cheng Kar Shun, Henry	184	–	–	–	–	184
Kwong Che Keung, Gordon	153	–	–	–	–	153
Hui Chiu Chung, Stephen	123	–	–	–	–	123
Lee Kwan Hung	123	–	–	–	–	123
Tong Yuk Lun, Paul	50	–	–	–	–	50
	633	10,423	3,058	–	738	14,852

Notes:

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

(b) During the year ended 30 June 2017, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

(c) With effect from 1 January 2017, Mr. Wong Kwok Kin, Andrew was re-designated from the position of an Executive Director to a non-executive Director.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

(c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the years ended 30 June 2017 include three directors (2016: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals during the years are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind & bonuses	**5,165**	8,374
Contributions to pension scheme	**178**	416
	5,343	8,790

The emoluments fell within the following bands:

	2017	2016
	Number of individuals	
Emolument bands		
HK$2,500,001–HK$3,000,000	**2**	2
HK$3,000,001–HK$3,500,000	**–**	1

During the year ended 30 June 2017, no emoluments were paid by the Group to any of the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

10 FINANCE INCOME

	2017 HK$'000	2016 HK$'000
Finance income		
Interest from bank deposits	**13,409**	10,841
Interest from available-for-sale financial assets	**960**	–
Interest from financial assets at fair value through profit or loss	**132**	–
	14,501	10,841

11 INCOME TAX EXPENSES

	2017 HK$'000	2016 (restated) HK$'000
Current income tax		
Hong Kong profits tax	17,836	8,387
Mainland China taxation		
— Income tax	13,959	9,942
— Withholding tax	4,025	–
Macau taxation	26,723	1,113
Over-provision in prior years	(358)	(3,992)
Deferred income tax (credit)/expense (Note 17)		
— Income tax	(20,939)	2,983
— Withholding tax	1,494	–
	42,740	18,433

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the year ended 30 June 2017 (2016: 12% to 25%). According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiary companies which are expected to fulfill the aforesaid conditions.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2017 HK$'000	2016 (restated) HK$'000
Profit before income tax	216,536	181,644
Calculated at a tax rate of 16.5% (2016: 16.5%)	35,728	29,971
Effect of different taxation rates in other regions	2,039	64
Income not subject to taxation	(1,950)	(3,974)
Expenses not deductible for taxation purposes	3,121	4,246
Temporary difference not recognised, net	73	(322)
Utilisation of previously unrecognised tax losses	(1,612)	(9,246)
Tax losses not recognised	180	1,686
Withholding tax on undistributed earnings from subsidiaries in Mainland China	5,519	–
Over-provision in prior years	(358)	(3,992)
Income tax expenses	42,740	18,433

12 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 years ended 30 June 2017 and 2016.

	2017 HK$'000	2016 (restated) HK$'000
Profit attributable to owners of the Company	173,796	163,211
Weighted average number of ordinary shares in issue (shares in thousands) (Note (i))	450,000	384,016
Basic earnings per share (HK$)	0.39	0.43

Note (i) The number of ordinary shares in issue increased from 300,000,000 to 450,000,000 on 10 December 2015 upon the Global Offering of the Company. Hence, the weighted average number of ordinary shares in issue for the year ended 30 June 2016 was 384,016,000. There was no movement in the number of ordinary shares in issue for the year ended 30 June 2017.

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2017 and 2016, the diluted earnings per share equals the basic earnings per share.

13 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividend paid of HK7.4 cents (2016: HK5.0 cents) per share	33,300	22,500
Final dividend proposed of HK8.1 cents (2016: HK9.4 cents) per share	36,450	42,300
	69,750	64,800

Note:

At a meeting held on 22 September 2017, the Board recommended a final dividend of HK8.1 cents per share. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2018.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improve-ment HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2017							
Opening net book amount, as previously reported	**36,240**	**123,712**	**16,594**	**1,537**	**7,992**	**1,334**	**187,409**
Impact of change in accounting policy (note 2.1)	**(11,305)**	**(81,690)**	**–**	**–**	**–**	**–**	**(92,995)**
As restated	**24,935**	**42,022**	**16,594**	**1,537**	**7,992**	**1,334**	**94,414**
Additions	**–**	**–**	**24,340**	**589**	**8,166**	**338**	**33,433**
Disposals	**–**	**(251)**	**(1,108)**	**–**	**(62)**	**(65)**	**(1,486)**
Exchange differences	**–**	**(33)**	**(5)**	**–**	**(28)**	**(11)**	**(77)**
Depreciation charge	**–**	**(10,513)**	**(9,449)**	**(543)**	**(4,974)**	**(584)**	**(26,063)**
Acquisition of subsidiaries (note 28)	**–**	**282,533**	**–**	**–**	**–**	**–**	**282,533**
Closing net book value	**24,935**	**313,758**	**30,372**	**1,583**	**11,094**	**1,012**	**382,754**
At 30 June 2017							
Cost	**24,935**	**332,640**	**50,732**	**3,609**	**39,938**	**6,512**	**458,366**
Accumulated depreciation	**–**	**(18,882)**	**(20,360)**	**(2,026)**	**(28,844)**	**(5,500)**	**(75,612)**
Net book value	**24,935**	**313,758**	**30,372**	**1,583**	**11,094**	**1,012**	**382,754**
Year ended 30 June 2016							
Opening net book amount, as previously reported	36,240	124,612	4,598	320	4,509	2,303	172,582
Impact of change in accounting policy (note 2.1)	(11,305)	(80,021)	–	–	–	–	(91,326)
As restated	24,935	44,591	4,598	320	4,509	2,303	81,256
Additions	–	–	16,762	1,651	6,934	–	25,347
Disposals	–	–	(4)	–	(38)	(106)	(148)
Exchange differences	–	(131)	(17)	–	(92)	(61)	(301)
Depreciation charge	–	(2,438)	(4,745)	(434)	(3,321)	(802)	(11,740)
Closing net book value, as restated	24,935	42,022	16,594	1,537	7,992	1,334	94,414
At 30 June 2016							
Cost, as restated	24,935	50,430	31,121	3,020	33,808	6,862	150,176
Accumulated depreciation	–	(8,408)	(14,527)	(1,483)	(25,816)	(5,528)	(55,762)
Net book value, as restated	24,935	42,022	16,594	1,537	7,992	1,334	94,414

Notes:

(a) None of the above property, plant and equipment was pledged as security as at 30 June 2017 (2016: None).

15 LAND USE RIGHTS

	HK$'000
Year ended 30 June 2017	
Opening net book value	**23,087**
Exchange differences	**(86)**
Amortisation	**(582)**
Disposal	**(764)**
Closing net book value	**21,655**
At 30 June 2017	
Cost	**23,537**
Accumulated amortisation	**(1,882)**
Net book value	**21,655**
Year ended 30 June 2016	
Opening net book value	24,075
Exchange differences	(373)
Amortisation	(615)
Closing net book value	23,087
At 30 June 2016	
Cost	24,507
Accumulated amortisation	(1,420)
Net book value	23,087

16 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and brand names HK$'000	Total HK$'000
Year ended 30 June 2017			
Opening net book value	**33,841**	**1,480**	**35,321**
Amortisation	**–**	**(370)**	**(370)**
Closing net book value	**33,841**	**1,110**	**34,951**
At 30 June 2017			
Cost	**38,512**	**12,100**	**50,612**
Accumulated amortisation	**–**	**(3,710)**	**(3,710)**
Accumulated impairment	**(4,671)**	**(7,280)**	**(11,951)**
Net book value	**33,841**	**1,110**	**34,951**
Year ended 30 June 2016			
Opening net book value	33,841	1,850	35,691
Amortisation	–	(370)	(370)
Closing net book value	33,841	1,480	35,321
At 30 June 2016			
Cost	38,512	12,100	50,612
Accumulated amortisation	–	(3,340)	(3,340)
Accumulated impairment	(4,671)	(7,280)	(11,951)
Net book value	33,841	1,480	35,321

(a) Impairment tests for goodwill

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

The goodwill is allocated to the group of CGUs in the E&M engineering segment.

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growths rates are stated as below. Cash flows beyond the five-year period are extrapolated using zero growth rates. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

16 INTANGIBLE ASSETS *(Continued)*

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

The key assumptions used for value-in-use calculations are as follows:

Group of CGUs in relation to the E&M engineering segment:

	2017	2016
Gross margin	**9.5–9.7%**	9.4–9.8%
Growth rate	**5%**	5%
Discount rate	**14%**	14%

These assumptions have been used for the analysis of the group of CGUs within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2017 (2016: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

17 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	As at 30 June		As at 1 July
	2017	2016	2015
		(restated)	(restated)
	HK$'000	HK$'000	HK$'000
Deferred income tax assets	**11,725**	4,581	268
Deferred income tax liabilities	**(17,493)**	(29,817)	(22,521)
	(5,768)	(25,236)	(22,253)

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after more than twelve months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
As at 1 July 2015	153	115	–	268
Credited to consolidated income statement (note 11)	122	3,946	245	4,313
As at 30 June 2016	275	4,061	245	4,581
Credited/(charged) to consolidated income statement (note 11)	191	(221)	8,466	8,436
Acquisition of a subsidiary (note 28(c))	–	122	–	122
As at 30 June 2017	**466**	**3,962**	**8,711**	**13,139**

Deferred income tax liabilities

	Fair value adjustment on trademarks and brand names HK$'000	Revaluation surplus on property, plant and equipment HK$'000	Others HK$'000	Total HK$'000
As at 1 July 2015, as previously reported	(305)	(30,434)	(6,140)	(36,879)
Impact of change in accounting policy	–	30,434	(16,076)	14,358
As restated	(305)	–	(22,216)	(22,521)
Credited/(charged) to consolidated income statement, as restated (note 11)	61	–	(7,357)	(7,296)
As at 30 June 2016, as restated	**(244)**	**–**	**(29,573)**	**(29,817)**
Charged to other comprehensive income	**–**	**–**	**(98)**	**(98)**
Translation difference	**–**	**–**	**(1)**	**(1)**
Credited to consolidated income statement (note 11)	**61**	**–**	**10,948**	**11,009**
As at 30 June 2017	**(183)**	**–**	**(18,724)**	**(18,907)**

As at 30 June 2017, the Group did not recognise deferred income tax assets of HK$14 million (2016: HK$16 million), arising from unused tax losses of HK$85 million (2016: HK$94 million). Except for tax losses of HK$0.4 million as at 30 June 2017 (2016: HK$1 million) which will expire within three years and except for tax losses of HK$3 million as at 30 June 2017 (2016: HK$2 million) which will expire within five years, the remaining tax losses have no expiry date.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Non-current		
Listed securities, at market value	47,654	–
Current		
Listed securities, at market value	20,327	–
	67,981	–

The available-for-sale financial assets are denominated in United States dollars.

19 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	1,509	1,758
Finished goods	21,525	15,975
	23,034	17,733

20 CONTRACTS IN PROGRESS

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	3,633,301	7,565,338
Progress payments received and receivable	(3,909,220)	(8,386,624)
	(275,919)	(821,286)
Representing		
Amounts due from customers for contract works	141,678	317,082
Amounts due to customers for contract works	(417,597)	(1,138,368)
	(275,919)	(821,286)

21 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables		
Third parties	121,525	137,801
Related companies (Note 29(c))	71,400	172,026
	192,925	309,827
Less: provision for impairment		
Third parties	(3,972)	(6,674)
	188,953	303,153
Retention receivables		
Third parties	143,322	160,977
Related companies (Note 29(c))	216,398	188,918
	359,720	349,895
Accrued contract revenue	243,341	160,270
Other receivables and prepayments	38,778	28,958
	830,792	842,276

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.

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:

	2017 HK$'000	2016 HK$'000
Current to 90 days	167,333	280,308
91–180 days	12,264	9,115
Over 180 days	9,356	13,730
	188,953	303,153

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debtor is impaired.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables can be further analysed as follows:

The ageing analysis of the Group's trade receivables that are past due but not impaired is set out in the table below. These relate to a number of independent customers for whom there is no recent history of default.

	2017 HK$'000	2016 HK$'000
1–90 days	**67,338**	192,461
91–180 days	**18,355**	9,115
Over 180 days	**9,356**	13,730
	95,049	215,306

At 30 June 2017, the Group's trade receivables of HK$3,972,000 (2016: HK$6,674,000) were impaired.

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	**646,291**	745,203
Renminbi	**162,295**	58,964
Macau patacas	**21,089**	32,926
United States dollars	**1,117**	83
Others	**–**	5,100
	830,792	842,276

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**6,674**	6,752
Exchange differences	**(1)**	–
Receivables written off during the year	**(2,656)**	–
Reversal of provision during the year	**(45)**	(84)
Provision for the year	**–**	6
At end of year	**3,972**	6,674

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

Other classes within trade and other receivables do not contain material impaired assets.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Current		
Listed securities, at fair value	**31,489**	–

The financial assets at fair value through profit or loss are denominated in United States Dollars.

23 CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Time deposits — original maturities within three months	**808,705**	1,040,908
Time deposits — original maturities over three months	**10,000**	52,000
Other cash at bank and in hand	**159,617**	233,018
	978,322	1,325,926

At 30 June 2017, the effective interest rate on bank deposits is 1.12% per annum (2016: 0.96% per annum).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Renminbi	**319,414**	375,879
Hong Kong dollars	**538,670**	899,433
Macau patacas	**17,350**	36,759
United States dollars	**93,049**	844
Euros	**7,825**	10,598
Others	**2,014**	2,413
	978,322	1,325,926

24 SHARE CAPITAL

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

	Number of shares	HK$'000
Ordinary shares, authorised:		
As at 30 June 2016 and 2017	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2016 and 2017	450,000,000	45,000

25 RESERVES

	Investment revaluation reserve HK$'000	Share premium HK$'000	Merger reserve (Note b) HK$'000	Exchange reserve HK$'000	Property, plant and asset revaluation reserve HK$'000	Statutory reserves (Note a) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2016, as previously reported	**–**	**743,204**	**(146,414)**	**(16,967)**	**76,962**	**21,044**	**178,339**	**856,168**
Impact of change in accounting policy	–	–	–	26	(76,962)	–	(1,391)	(78,327)
As restated	–	743,204	(146,414)	(16,941)	–	21,044	176,948	777,841
Profit for the year	–	–	–	–	–	–	173,796	173,796
Fair value changes of available-for-sale financial assets	596	–	–	–	–	–	–	596
Deferred tax on fair value change on available-for-sale financial assets	(98)	–	–	–	–	–	–	(98)
Dividend	–	–	–	–	–	–	(75,600)	(75,600)
Currency translation differences	–	–	–	(9,027)	–	–	–	(9,027)
Appropriation to statutory reserves	–	–	–	–	–	713	(713)	–
At 30 June 2017	**498**	**743,204**	**(146,414)**	**(25,968)**	**–**	**21,757**	**274,431**	**867,508**
At 1 July 2015, as previously reported	–	471,697	(146,414)	6,630	76,111	17,994	40,144	466,162
Impact of change in accounting policy	–	–	–	–	(76,111)	–	(857)	(76,968)
As restated	–	471,697	(146,414)	6,630	–	17,994	39,287	389,194
Profit for the year, as restated	–	–	–	–	–	–	163,211	163,211
Issuance of shares	–	271,507	–	–	–	–	–	271,507
Dividend	–	–	–	–	–	–	(22,500)	(22,500)
Currency translation differences, as restated	–	–	–	(23,571)	–	–	–	(23,571)
Appropriation to statutory reserves	–	–	–	–	–	3,050	(3,050)	–
At 30 June 2016, as restated	–	743,204	(146,414)	(16,941)	–	21,044	176,948	777,841

25 RESERVES *(Continued)*

Notes:

(a) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 30 June 2017, the board of directors of the PRC companies resolved to appropriate HK$713,000 (2016: HK$3,050,000) from retained earnings to statutory reserves.

(b) Merger reserve arises from the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital.

26 TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables		
Third parties	**62,711**	81,772
	62,711	81,772
Bills payable		
Third parties	**9,355**	6,708
Retention payables		
Third parties	**207,815**	209,125
Related companies (Note 29(c))	**–**	14
	207,815	209,139
Accrued expenses	**91,888**	97,454
Provision for contracting costs	**660,915**	230,633
Other creditors and accruals	**92,942**	29,217
	1,125,626	654,923

The carrying amounts of the balances approximate their fair values.

26 TRADE AND OTHER PAYABLES *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	**853,922**	429,882
Renminbi	**168,734**	171,143
Macau patacas	**93,882**	39,020
United States dollars	**5,152**	2,394
Malaysian ringgits	**16**	6,835
Euros	**3,912**	5,639
Others	**8**	10
	1,125,626	654,923

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:

	2017 HK$'000	2016 HK$'000
1–90 days	**55,094**	79,833
91–180 days	**6,227**	419
Over 180 days	**1,390**	1,520
	62,711	81,772

27 COMMITMENTS

Operating lease commitments

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2017 HK$'000	2016 HK$'000
No later than one year	**25,831**	26,799
Later than one year and no later than five years	**18,511**	19,482
	44,342	46,281

28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 HK$'000	2016 (restated) HK$'000
Profit before income tax	**216,536**	181,644
Interest income	**(14,501)**	(10,841)
Amortisation of land use rights	**582**	615
Amortisation of intangible assets	**370**	370
Depreciation of property, plant and equipment	**26,063**	11,740
Provision for inventories	**2,733**	570
Write back of provision for inventories	**(503)**	(1,302)
Reversal of impairment loss on trade receivables	**(45)**	(84)
Impairment loss on trade and other receivables	**–**	6
Gain on disposal of land use right and property, plant and equipment, net	**(510)**	(122)
Gain on disposal of available-for-sale financial assets	**(68)**	–
Listing expenses	**–**	16,765
Fair value gain on financial assets at fair value through profit or loss	**(377)**	–
Unrealised exchange differences	**(4,612)**	(1,642)
Operating cash flows before changes in working capital	**225,668**	197,719
Changes in working capital:		
— Inventories	**(7,531)**	1,073
— Net amounts due to customers for contract works	**(545,880)**	448,964
— Trade and other receivables	**10,550**	(174,389)
— Trade and other payables	**472,806**	55,444
Cash generated from operations	**155,613**	528,811

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

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

(c) Acquisition of a subsidiary

On 9 January 2017, the Group acquired a property holding group in Hong Kong from Catchy Investments Limited, a wholly-owned subsidiary of New World Development Company Limited and a related company of the Group, at a consideration of HK$282,300,194 which composed of the 100% equity interest in Optimum Result Holdings Limited and its wholly owned subsidiary called Ocean Front Investments Limited in order to acquire additional premises for office use by members of the Group as well as reducing the Group's costs in leasing of office premises in the long run.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Net assets acquired	
Leasehold land and buildings	282,533
Deferred tax assets	122
Deposits and prepayment	281
Cash and bank balances	289
Accrued expenses	(860)
Taxation payable	(65)
Consideration	282,300

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiary:

	HK$'000
Cash paid	(282,300)
Cash and cash equivalent acquired	289
	(282,011)

29 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 30 June 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
FSE Management Company Limited	Note i
International Property Management Limited	Note i
Kiu Lok Service Management Company Limited	Note i
Nova Insurance Consultants Limited	Note i
Urban Property Management Limited	Note i
Fung Seng Enterprises Limited	Note i
DMI Development Limited	Note i
Kenbase Engineering Limited	Note i
Onglory International Limited	Note i
Power Estate Investments Limited	Note i
上海豐昌物業管理有限公司	Note i
上海上實南洋大酒店有限公司	Note i
新豐福貿易(上海)有限公司	Note i
Fung Seng Diamond Co Ltd	Note i
General Security (H.K.) Limited	Note i
New China Laundry Ltd	Note i
Waihong Environmental Services Ltd	Note i
Waihong Pest Control Services Ltd	Note i
Hong Kong Island Landscape Co Ltd	Note i
Great City Developments Co Ltd	Note i
The Dynasty Club Ltd	Note i
NWS Holdings Limited	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Seng Construction Company Limited	Note ii
北京僑樂房地產管理服務有限公司	Note ii
大連僑樂物業服務有限公司	Note ii
AOS Management Ltd	Note ii
Direct Profit Development Ltd	Note ii
Ever Light Limited	Note ii
New World Construction Company Limited	Note ii
Bright Link Engineering Limited	Note ii

29 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
Discovery Park Commercial Services Limited	Note ii
北京祥和物業管理有限公司	Note ii
北京京廣中心有限公司	Note ii
K11 Concepts Limited	Note ii
K11 Select Ltd	Note ii
協興建築(中國)有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南新城新世界物業服務有限公司	Note ii
新世界安信(天津)發展有限公司	Note ii
天津新世界百貨有限公司	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
廣州市新禦房地產開發有限公司	Note ii
East Concept Investments Ltd	Note ii
Chow Tai Fook Jewellery and Watch (HK) Ltd	Note ii
GH Hotel Company Limited (Formerly known as Grand Hyatt Hong Kong Co Ltd)	Note ii
Head Step Ltd T/A Pentahotel HK Kowloon	Note ii
New World Strategic Investment Ltd	Note ii
New World Telecommunications Ltd	Note ii
New World TMT Ltd	Note ii
New World Tower Company Ltd	Note ii
Pridemax Ltd	Note ii
Renaissance Harbour View Hotel HK	Note ii
The Automall Ltd	Note ii
Techni Development Investment Ltd	Note ii
HH — CW Joint Venture	Note ii
ATL Logistics Centre Hong Kong Ltd	Note ii
Broadway-Nassau Investments Ltd	Note ii
Hip Hing Joint Venture	Note ii
HK Convention & Exhibition Centre	Note ii
Vibro (HK) Ltd	Note ii
Vibro Construction Company Limited	Note ii
深圳拓勁房地產開發有限公司	Note ii
新世界發展(武漢)有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii

29 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
Chow Tai Fook Charity Foundation	Note ii
Chow Tai Fook Enterprises Ltd	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Property Management Company Limited	Note ii
NW Project Management Limited	Note ii
鹽城新世界百貨有限公司	Note ii
新世界百貨集團上海匯雅百貨有限公司	Note ii
新世界百貨集團上海匯妍百貨有限公司	Note ii
成都心怡房地產開發有限公司	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
清遠新世界旅遊發展有限公司	Note ii
北京新策項目管理諮詢服務有限公司	Note ii
Hong Kong Golf & Tennis Academy Management Co., Ltd.	Note ii
Victoria Nursery	Note ii
Build King Construction Ltd	Note ii
Hip Hing — Hanison Joint Venture	Note ii
Urbran Parking Ltd	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.

29 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2017.

Related party transactions:

	2017 **HK$'000**	2016 HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**56,708**	40,552
Other related companies	**1,730,284**	1,688,068
	1,786,992	1,728,620

	2017 **HK$'000**	2016 HK$'000
Insurance broking service expenses (Note ii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**17,654**	15,118
Rental expenses (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**8,329**	6,325
Other related companies	**244**	176
	8,573	6,501

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.

29 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2017 HK$'000	2016 HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**11,385**	15,770
Other related companies	**60,015**	156,256
	71,400	172,026
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**4,825**	5,541
Other related companies	**40,180**	205,845
	45,005	211,386
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**8,046**	4,990
Other related companies	**257,003**	652,567
	265,049	657,557
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**1,622**	530
Other related companies	**214,776**	188,388
	216,398	188,918
Retention payables		
Other related companies	**–**	14
Advance received for contract works		
Other related companies	**–**	5,759

29 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:

	2017 **HK$'000**	2016 HK$'000
Fees	**1,281**	633
Salaries and other emoluments	**30,617**	29,119
Contributions to defined contribution schemes	**1,823**	1,520
	33,721	31,272

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

	2017	2016
	Number of individuals	
Emolument bands		
Nil–HK$1,000,000	**5**	6
HK$1,000,001–HK$1,500,000	**3**	–
HK$1,500,001–HK$2,000,000	**7**	6
HK$2,000,001–HK$2,500,000	**1**	1
HK$2,500,001–HK$3,000,000	**2**	2
HK$3,000,001–HK$3,500,000	**–**	1
HK$3,500,001–HK$4,000,000	**1**	–
HK$4,000,001–HK$4,500,000	**–**	1
HK$4,500,001–HK$5,000,000	**1**	1
	20	18

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current asset		
Subsidiaries	**501,697**	501,697
Current assets		
Trade and other receivables	**236**	223
Amounts due from subsidiaries	**428,105**	76,487
Cash and bank balances	**385**	162,549
	428,726	239,259
Total assets	**930,423**	740,956
EQUITY		
Share capital	**45,000**	45,000
Reserves (note (a))	**613,262**	694,413
Total equity	**658,262**	739,413
LIABILITIES		
Current liabilities		
Trade and other payables	**2,603**	1,543
Amounts due to subsidiaries	**269,558**	–
Total liabilities	**272,161**	1,543
Total equity and liabilities	**930,423**	740,956
Net current assets	**156,565**	237,716
Total assets less current liabilities	**658,262**	739,413

The statement of financial position of the Company was approved by the Board of Directors on 22 September 2017 and was signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

	Share premium HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 July 2015	471,697	(5,535)	466,162
Loss for the year	–	(20,756)	(20,756)
Dividend	–	(22,500)	(22,500)
Issuance of shares	271,507	–	271,507
At 30 June 2016	743,204	(48,791)	694,413
At 1 July 2016	743,204	(48,791)	694,413
Loss for the year	–	(5,551)	(5,551)
Dividend	–	(75,600)	(75,600)
At 30 June 2017	**743,204**	**(129,942)**	**613,262**

31 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS

The following is a list of the principal subsidiaries and joint operations as at 30 June 2017:

Company name	Place of incorporation or establishment/ principal place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2017	2016	Principal activities
Directly owned subsidiaries:					
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK$1 each paid up to HK$50,000,000	**100**	100	Investment holding
FSE Environmental Technologies Limited	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each paid up to US$1	**100**	100	Investment holding
Building Material Supplies Limited	British Virgin Islands/ Hong Kong	100,000 shares of HK$1 each paid up to HK$1	**100**	100	Investment holding
Indirectly owned subsidiaries:					
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 shares paid up to HK$100	**100**	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 shares paid up to HK$100,000	**100**	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares paid up to HK$10,100,000	**100**	100	Trading of equipment and materials

31 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS *(Continued)*

Company name	Place of incorporation or establishment/ principal place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2017	2016	Principal activities
Indirectly owned subsidiaries: (Continued)					
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	**100**	100	Trading of environmental products and the provision of related engineering and consultancy services
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares paid up to HK$10,000,020	**100**	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Services (Macao) Limited	Macau	MOP25,000	**100**	100	Mechanical and electrical engineering
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 shares paid up to HK$10,000	**100**	100	Provision of testing and calibration services
Joneson Environmental Technologies Limited	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares paid up to HK$570,000	**100**	100	Trading, building maintenance, chemical engineering
Majestic Engineering Company Limited	Hong Kong	30,000 shares paid up to HK$30,000,000	**100**	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited	Macau	MOP25,000	**100**	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 shares paid up to HK$2,000,000	**100**	100	Plumbing engineering services

31 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS *(Continued)*

Company name	Place of incorporation or establishment/ principal place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2017	2016	Principal activities
Indirectly owned subsidiaries: (Continued)					
Trident Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares paid up to HK$50,000,000	100	100	Provision of mechanical and electrical engineering services
Young's Engineering Company Limited	Hong Kong	4,000,000 shares paid up to HK$40,000,000	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering
新創機電工程有限公司[(1)]	Mainland China[(2)]	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司	Mainland China[(2)]	US$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程(上海)有限公司	Mainland China[(2)]	RMB15,000,000	100	100	Mechanical and electrical engineering
Yau Fai Building Material Supplies (Macao) Limited	Macau	MOP25,000	100	–	Trading and supply of building materials
Lucky Bridge Investments Limited	Hong Kong	USD1	100	–	Investment in trading securities
Ocean Front Investments Limited	Hong Kong	HK$1	100	–	Property holding

Company name	Place of incorporation or establishment/ principal place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group As at 30 June 2017	2016	Principal activities
Joint operations:					
BSY Joint Venture	Hong Kong	Not applicable	**33**	33	Mechanical and electrical engineering
Hong Kong District Cooling DHY Joint Venture	Hong Kong	Not applicable	**25**	25	Mechanical and electrical engineering

(1) This subsidiary changed its name to 豐盛機電工程有限公司 on 14 August 2017.

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

Five-year Financial Summary

RESULTS

	For the year ended 30 June				
	2013(i)	2014(i)	2015 (restated)	2016 (restated)	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
REVENUE	2,380,584	2,555,017	2,825,107	3,471,907	**3,700,133**
PROFIT FOR THE YEAR	113,732	131,200	151,368	163,211	**173,796**
Attributable to:					
— Equity holder	113,691	131,200	151,368	163,211	**173,796**
— Non-controlling interests	41	–	–	–	**–**

ASSETS, LIABILITIES AND EQUITY

	As at 30 June				
	2013(i)	2014(i)	2015 (restated)	2016 (restated)	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	1,822,494	1,931,239	1,560,266	2,660,420	**2,524,381**
TOTAL LIABILITIES	(1,137,052)	(1,391,693)	(1,141,072)	(1,837,579)	**(1,611,873)**
TOTAL EQUITY	685,442	539,546	419,194	822,841	**912,508**

FINANCIAL INFORMATION PER SHARE

	As at 30 June				
	2013(i)	2014(i)	2015 (restated)	2016 (restated)	**2017**
EARNINGS (HK$)	0.38	0.44	0.50	0.43	**0.39**
NET ASSETS (HK$)	2.12	1.68	1.28	2.05	**1.95**

KEY RATIO

	As at 30 June				
	2013(i)	2014(i)	2015 (restated)	2016 (restated)	**2017**
CURRENT RATIO (times)	1.3	1.3	1.3	1.4	**1.3**
GEARING RATIO	1.1%	23.4%	0%	0%	**0%**
RETURN ON ASSETS	6.2%	6.8%	9.7%	6.1%	**6.9%**
RETURN ON EQUITY	16.7%	24.3%	36.1%	19.8%	**19.0%**

Note (i): For presentation purpose, these information were not restated in respect of the change in the accounting policy of leasehold land and buildings. Details of the change and the respective financial effect for the year ended 30 June 2015 and FY2016 are set out in Note 2.1(iii).

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Wong Kwok Kin, Andrew (re-designated from Executive Director with effect from 1 January 2017)

Executive Directors

Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*
Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*
Mr. Doo William Junior Guilherme
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung
Dr. Tong Yuk Lun, Paul

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung
Dr. Tong Yuk Lun, Paul

REMUNERATION COMMITTEE

Mr. Hui Chiu Chung, Stephen *(Chairman)*
Mr. Lee Kwan Hung
Dr. Tong Yuk Lun, Paul
Mr. Lam Wai Hon, Patrick
Mr. Poon Lock Kee, Rocky

NOMINATION COMMITTEE

Mr. Lee Kwan Hung *(Chairman)*
Mr. Hui Chiu Chung, Stephen
Dr. Tong Yuk Lun, Paul
Mr. Poon Lock Kee, Rocky
Mr. Doo William Junior Guilherme

JOINT COMPANY SECRETARIES

Mr. Lee Kwok Bong
Mr. Chan Ju Wai

AUDITOR

PricewaterhouseCoopers
22/F Prince's Building Central
Hong Kong

COMPLIANCE ADVISER

Halcyon Capital Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
Credit Agricole Corporate and Investment Bank Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
JPMorgan Chase Bank NA, Singapore
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801–810
8th Floor, Chevalier Commercial Centre
No. 8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

331

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