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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue increased to approximately HK$1,609.3 million for the six months ended 31 December 2015, representing an increase of approximately 17.1% as compared with approximately HK$1,374.9 million for the same period in 2014.

- Gross profit increased to approximately HK$189.1 million for the six months ended 31 December 2015, representing an increase of approximately 15.0% as compared with approximately HK$164.5 million for the same period in 2014.

- Gross profit margin slightly decreased by approximately 0.2 percentage points to approximately 11.8% for the six months ended 31 December 2015, as compared with approximately 12.0% for the same period in 2014.

- Profit attributable to shareholders of the Company increased to approximately HK$74.6 million for the six months ended 31 December 2015 after taking into account of the one-off non-recurring listing expenses of approximately HK$16.8 million incurred during the period, representing an increase of 0.7% as compared with a profit attributable to shareholders of the Company of approximately HK$74.1 million for the same period in 2014. Without the impact of the one-off non-recurring listing expenses, our profit attributable to shareholders would have increased by approximately 23.3% to approximately HK$91.4 million for the six months ended 31 December 2015, as compared with approximately HK$74.1 million for the same period in 2014.

- Net profit margin decreased by approximately 0.8 percentage points to approximately 4.6% for the six months ended 31 December 2015, as compared with that of approximately 5.4% for the same period in 2014. Without the impact of the one-off non-recurring listing expenses, our net profit margin would have increased by approximately 0.3 percentage points to approximately 5.7% for the six months ended 31 December 2015, as compared with approximately 5.4% for the same period in 2014.

- Basic earnings per share for the six months ended 31 December 2015 decreased to approximately HK23.4 cents as compared with that of approximately HK24.7 cents for the six months ended 31 December 2014.

- The Board recommended the declaration of an interim dividend of HK5.0 cents per share for the six months ended 31 December 2015.

The board of directors (the "Board") of FSE Engineering Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the six months ended 31st December	
	Note	**2015**	2014
		HK$'000	HK$'000
Revenue	2	**1,609,317**	1,374,882
Cost of sales		**(1,420,208)**	(1,210,403)
Gross profit		**189,109**	164,479
Other income/gains, net	3	**195**	526
General and administrative expenses		**(110,423)**	(88,706)
Operating profit	4	**78,881**	76,299
Finance income		**5,101**	8,701
Profit before income tax		**83,982**	85,000
Income tax expenses	5	**(9,382)**	(10,874)
Profit for the period attributable to equity holders of the Company		**74,600**	74,126
Earnings per share for profit attributable to equity holder of the Company during the period (expressed in HK$ per share)			
- basic and diluted	6	**0.23**	0.25
Dividends	7	**22,500**	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	For the six months ended 31st December	
	2015	2014
	HK$'000	HK$'000
Profit for the period	**74,600**	74,126
Other comprehensive income:		
Items that will not be reclassified to condensed consolidated income statement:		
Revaluation loss on property, plant and equipment	**(6,538)**	-
Deferred income tax on revaluation loss on property, plant and equipment	**1,040**	-
	(5,498)	-
Item that may be subsequently reclassified to condensed consolidated income statement:		
Currency translation differences	**(16,375)**	(72)
Other comprehensive income, net of tax	**(21,873)**	(72)
Total comprehensive income for the period and attributable to equity holders of the Company	**52,727**	74,054

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	Note	**At 31st December 2015 HK$'000**	At 30th June 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**166,205**	172,582
Land use rights		**23,520**	24,075
Intangible assets		**35,506**	35,691
Deferred income tax assets		**6,920**	268
		232,151	232,616
Current assets			
Inventories		**17,981**	18,074
Amounts due from customers for contract works		**166,731**	113,818
Trade and other receivables	8	**672,606**	674,558
Cash and bank balances		**1,074,791**	612,526
		1,932,109	1,418,976
Total assets		**2,164,260**	1,651,592
EQUITY			
Share capital		**45,000**	30,000
Reserves		**790,378**	466,162
Shareholder's funds		**835,378**	496,162

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED (CONTINUED)

	Note	At 31st December 2015 HK$'000	At 30th June 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**38,849**	36,879
Current liabilities			
Amounts due to customers for contract works		**750,579**	487,977
Trade and other payables	9	**521,555**	614,384
Taxation payable		**17,899**	16,190
		1,290,033	1,118,551
Total liabilities		**1,328,882**	1,155,430
Total equity and liabilities		**2,164,260**	1,651,592
Net current assets		**642,076**	300,425
Total assets less current liabilities		**874,227**	533,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 December 2015

1. Basis of preparation and accounting policies

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

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

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

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

(a) Adoption of improvements to existing standards

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

Annual Improvements Project	Annual improvements 2010-2012 cycle
Annual Improvements Project	Annual improvements 2011-2013 cycle

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

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

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

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

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

2. Revenue and segment information

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

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

	For the six months ended 31st December	
	2015	2014
	HK$'000	HK$'000
Turnover		
Contracting	**1,496,053**	1,275,820
Maintenance services	**46,694**	44,205
Sales of goods	**66,570**	54,857
	1,609,317	1,374,882

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

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

(ii) Environmental management services - Trading of environmental products and provision of related engineering and consultancy services.

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

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

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

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

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

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

Capital expenditure comprises mainly additions to land use rights, and property, plant and equipment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Other income/gains, net

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

4. Operating profit

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

5. Income tax expenses

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

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

6. Earnings per share

(a) Basic

For the purpose of computing earnings per share for the six months ended 31 December 2014 and 2015, immediately prior to 10 December 2015 (the "Listing Date"), 300,000,000 ordinary shares of the Company issued and fully paid as at 30th June 2015 were treated as if they had been in issue throughout the relevant period.

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

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

(b) Diluted

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

7. Dividends

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

8. Trade and other receivables

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

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

9. Trade and other payables

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

On 10 December 2015, the shares of FSE Engineering Holdings Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us") have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), which marked a significant milestone for our Group. In view of the immense market development potential in Hong Kong, Mainland China and Macau, the Listing is expected to provide a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to timely capture greater opportunities for future expansion, especially on large-scale prospective projects in the regions in which the Group operates and complement our sustainable business development in the long term.

For the six months ended 31 December 2015 (the "period under review"), the Group has maintained its market position as one of the leading E&M (*electrical and mechanical*) engineering companies in Hong Kong, providing a comprehensive range of E&M engineering and environmental engineering services, and continued to have strong E&M engineering operations in Mainland China and Macau. Coupled with our full range of licenses and qualifications for E&M engineering projects, all of our operations are supported by an integrated management and control system, strong networks of well-established customers and suppliers and an experienced and well-trained workforce, which enable us to secure and undertake integrated E&M engineering projects of the largest scale in Hong Kong, Mainland China and Macau.

Besides, the Group has a strong commitment to creating a greener society. In addition to E&M engineering services, our environmental management service business has continued to provide the Group with a constant income stream through the provision of environmental assessment and improvement services and products to customers to achieve their environmental protection and energy-saving goals.

Leveraging on our competitive strengths described above, the Group has delivered a solid financial performance and recorded a revenue of approximately HK$1,609.3 million for the period under review, representing an increase of approximately HK$234.4 million or 17.1%, compared to approximately HK$1,374.9 million for the same period last year. Profit attributable to shareholders for the period under review was approximately HK$74.6 million (including one-off non-recurring listing expenses of approximately HK$16.8 million), representing an increase of approximately HK$0.5 million or 0.7% as compared to approximately HK$74.1 million for the same period last year. Without the impact of the listing expenses, the Group would have achieved a profit of approximately HK$91.4 million, representing a remarkable increase of HK$17.3 million or 23.3% as compared to approximately HK$74.1 million for the same period last year.

As at 31 December 2015, our projects have encompassed a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition center, hotels, residential properties, universities, hospitals, and public transportation facility buildings with a total outstanding contract sum of approximately HK$6,400.0 million. For the period under review, the Group had been awarded 61 E&M engineering and environmental service projects (with a net contract sum equal to or exceeding HK$1.0 million for each project) with a total net contract sum of approximately HK$1,764.5 million. These projects included major projects (with net contract sum equal to or more than HK$100.0 million for each project) within (1) Hong Kong: a residential and commercial development in Tsueng Kwan O, a public housing development in Sham Shui Po, a residential development in So Kwun Wat and a government office complex in Yau Ma Tei; and (2) the People's Republic of China (the "PRC"): a hotel development at Wuhan. The Group had also submitted tenders for 298 E&M and environmental service projects (with a contract sum equal to or exceeding HK$1.0 million for each project, if awarded) with a total tender sum of approximately HK$6,630.3 million.

Financial Review

Revenue

During the period under review, the Group's revenue rose by approximately HK$234.4 million or around 17.1% from approximately HK$1,374.9 million to approximately HK$1,609.3 million compared to the same period last year which was mostly attributable to the higher revenue of HK$234.2 million derived from our E&M engineering segment.

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

	For the six months ended 31 December 2015	2014	Change	% change
	HK$'000	HK$'000	HK$'000	
E&M engineering	1,584,884	1,350,694	234,190	17.3%
Environmental management services*	24,433	24,188	245	1.0%
Total	1,609,317	1,374,882	234,435	17.1%

* *Revenue from environmental management services segment is arrived at after elimination of inter-segment sales within the Group.*

- *E&M (electrical and mechanical) engineering:* This segment has remained the key turnover driver and contributed approximately 98.5% of the total revenue of the Group (2014: 98.2%). Segmental revenue rose approximately 17.3% from approximately HK$1,350.7 million to approximately HK$1,584.9 million for the period under review. The increase was mainly attributable to the increase in revenue derived from our installation division as three major installation projects in Hong Kong achieved significant progress and started to contribute a sum of approximately HK$317.8 million turnover in the period under review. The increase was partially offset by the slight decline in revenue contribution from the PRC and the Macau regions.

- *Environmental management services:* During the period under review, revenue contribution of this business segment was stable at approximately HK$24.4 million (2014: HK$24.2 million), representing a mild growth of approximately 1.0% as compared to the same period last year. Segment revenue from environmental management services primarily consists of water treatment projects and bio-technology installation and maintenance services.

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

	For the six months ended 31 December			
	2015	2014	Change	% change
	HK$'000	HK$'000	HK$'000	
Hong Kong	1,041,404	716,613	324,791	45.3%
PRC	167,020	229,177	(62,157)	-27.1%
Macau	400,893	429,092	(28,199)	-6.6%
Total	1,609,317	1,374,882	234,435	17.1%

Hong Kong: Revenue from Hong Kong increased by HK$324.8 million or approximately 45.3% from HK$716.6 million to HK$1,041.4 million for the period under review as compared to the same period last year. The increase was mainly attributable to the substantial turnover contribution from a number of sizeable installation projects which had significant progress during the period under review, including a hotel, service apartments, an office and a shopping arcade complex at Tsim Sha Tsui, a catering facility of an airline company in Chek Lap Kok at Lantau and an university complex and dormitory at Fortress Hill that uplifted Hong Kong's contribution to the Group's total revenue from approximately 52.1% to approximately 64.7%.

PRC: Revenue from the PRC decreased by approximately 27.1% from approximately HK$229.2 million for the six months ended 31 December 2014 to approximately HK$167.0 million for the period under review with its geographical contribution declining from approximately 16.7% to approximately 10.4%. The decrease of approximately HK$62.2 million was the combined effect of the reduced revenue contribution from installation projects mitigated by the increase in project management income during the period under review. The decrease in revenue contribution from installation projects was mainly due to the fact that two major projects, namely a five-star hotel in Nanjing and a five-star hotel in Tangshan, were substantially completed in the corresponding period in last year. Moreover, the relatively sizeable contracts in the PRC awarded, including an office building development and a hotel development in Wuhan, were at an early stage and had yet to contribute revenue from the region for the period under review.

Macau: Revenue from Macau decreased by approximately 6.6% from approximately HK$429.1 million for the six months ended 31 December 2014 to approximately HK$400.9 million for the period under review with the geographical contribution of the region dropping from 31.2% to 24.9%. The slight decline was mostly related to the substantial completion of a five-star hotel and entertainment complex in Cotai (the "Project Cotai Complex"), the single largest revenue-contributing project in last year. The major revenue contributors for the period under review included a five-star hotel and resort development (the "Project Cotai Resort") and a well-known hotel in Cotai, Macau.

Gross profit

The Group's overall gross profit increased HK$24.6 million or 15.0% from approximately HK$164.5 million for the six months ended 31 December 2014 to approximately HK$189.1 million for the period under review, whereas the overall gross profit margin remained stable at approximately 11.8% (31 December 2014: 12.0%). The increase in gross profit was in line with the overall remarkable growth of the Group's revenue, of which a significant increase in gross profit derived from our E&M engineering business was recorded during the period under review with its segment gross profit margin maintained at approximately 11.5% (31 December 2014: 11.7%) . The gross profit margin of the environmental management services segment increased from approximately 25.0% to approximately 26.2%, which was mainly attributable to an increase in revenue from air quality and water treatment maintenance services with relatively higher profit margin.

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

	For the six months ended 31 December			
	2015		2014	
	Gross profit HK$'000	Gross profit margin %	Gross profit HK$'000	Gross profit margin %
E&M engineering	182,716	11.5%	158,442	11.7%
Environmental management services	6,393	26.2%	6,037	25.0%
Total	189,109	11.8%	164,479	12.0%

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

	For the six months ended 31 December			
	2015		2014	
	Gross profit HK$'000	Gross profit margin %	Gross profit HK$'000	Gross profit margin %
Hong Kong	111,659	10.7%	80,595	11.2%
PRC	34,746	20.8%	36,813	16.1%
Macau	42,704	10.7%	47,071	11.0%
Total	189,109	11.8%	164,479	12.0%

Hong Kong: The gross profit of this region for the period under review increased by approximately HK$31.1 million or approximately 38.6% as compared to the same previous period last year. The gross profit margin remained stable at approximately 10.7% which was mainly contributed by key installation projects including the E&M engineering projects for a design-build-operate project for a district cooling system at Kai Tak, a hotel, service apartments, an office and shopping arcade complex at Tsim Sha Tsui, a catering facility of an airline company in Chek Lap Kok at Lantau, a university complex and dormitory at Fortress Hill, a police station in Yau Ma Tei, Kowloon, and a public housing development at Sau Mau Ping, Kowloon coupled with the relatively higher gross profit from trading of building equipment and materials.

PRC: Despite revenue from the PRC region decreased by approximately 27.1% for the period under review, the gross profit of region decreased only slightly by approximately HK$2.1 million, or approximately 5.6% as compared to the previous period. This was attributable to the relatively high gross profit margin contributed by our project management services for the newly-awarded contracts of two high-rise building complexes in Tianjin and Guangzhou and the ongoing project management services contract in Shenyang as well as the cost savings from our completed projects in Shanghai upon contract closeout.

Macau: The gross profit of the Macau region remained at approximately 10.7% with major gross profit contributed from three major E&M installation projects from the Project Cotai Complex, the Project Cotai Resort and a well-known hotel in Cotai.

Other income/gains, net

For the period under review, other income and net gains of approximately HK$0.2 million (2014: approximately HK$0.5 million) included the net exchange gain recognized mainly from settlement of trade payables and partially set off by loss on disposal of property, plant and equipment.

Finance income

The Group recorded finance income of approximately HK$5.1 million and approximately HK$8.7 million for the six months ended 31 December in 2015 and 2014 respectively. The decrease was mainly due to the decrease in the market interest rate and the average principal sum on the bank deposit placed in Mainland China.

General and administrative expenses

General and administrative expenses of the Group for the six months ended 31 December 2015 increased 24.5% to approximately HK$110.4 million, compared to approximately HK$88.7 million for the same period last year. The increase of approximately HK$21.7 million was mainly attributable to the one-off non-recurring listing expenses of approximately HK$16.8 million incurred during the six months ended 31 December 2015.

Taxation

The effective tax rate of the Group decreased from approximately 12.8% to approximately 11.2% as compared to the same period last year resulting from the recognition of deferred tax assets of a joint operation project during the period under review.

Profit attributable to shareholders

As a result of the foregoing, our profit for the period under review increased by around 0.7% or approximately HK$0.5 million from approximately HK$74.1 million for the six months ended 31 December 2014 to approximately HK$74.6 million for the period under review. The increase was the combined result of higher contracting revenue mostly from our core business segment, which was partially offset by the increase in general and administrative expenses due to the one-off non-recurring listing expenses.

The net profit margin decreased from approximately 5.4% for the six months ended 31 December 2014 to approximately 4.6% for the period under review. If the one-off non-recurring listing expenses of HK$16.8 million was excluded from the general and administrative expenses, the Group would have achieved a profit of approximately HK$91.4 million, representing a remarkable increase of approximately HK$17.3 million or approximately 23.3% as compared to approximately HK$74.1 million for the same period last year.

Other comprehensive loss

The Group recorded other comprehensive loss of approximately HK$21.9 million for the period under review, comprising mainly the decrease in exchange reserve of approximately HK$16.4 million resulting from the devaluation of the Renminbi ("RMB") for conversion of the net investments in our PRC operations and the decrease in the asset revaluation reserve of approximately HK$5.5 million in relation to the decrease in the estimated market price for the Group's properties, especially in the Hong Kong region.

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 31 December 2015, the Group had total cash and bank balances of approximately HK$1,074.8 million, of which approximately 58%, 39% and 3% were denominated in Hong Kong dollars, RMB and other currencies respectively (30 June 2015: approximately 29%, 70% and 1% respectively). As compared to 30 June 2015, the Group's cash and bank balances increased by approximately HK$462.3 million from approximately HK$612.5 million which was primarily due to the receipt of net proceeds of approximately HK$273.5 million (after deduction of underwriting commission and all related expenses paid during the six months ended 31 December 2015) (the "Net Proceeds Received during the Period") from the Listing and the increase in net cash flow from operating activities. Taking into account of the Net Proceeds Received during the Period and the listing related expenses (i) prepaid prior to 30 June 2015 of approximately HK$3.8 million and (ii) to be settled after 31 December 2015 of approximately HK$5.2 million, we recorded an aggregate net proceeds of approximately HK$264.5 million from the Listing.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the reporting period and did not have any bank borrowings and outstanding borrowings as at 31 December 2015 (30 June 2015: Nil) and hence the Group's gearing ratio (being our total borrowings divided by our total equity) maintained at zero as at 31 December 2015. As at 31 December 2015, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of approximately HK$1,122.8 million (30 June 2015: HK$1,601.3 million), of which approximately HK$356.8 million (30 June 2015: HK$356.4 million) had been utilized for bank guarantees and trade finance. The Group believes it has sufficient committed and unutilized banking facilities to meet its current business operation and capital expenditures.

Foreign currency exposure

The Group operates primarily in Hong Kong, Macau and the PRC and is not exposed to significant exchange risk. Our Company does not have a foreign currency hedging policy and we manage 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 the exposure should the need arise.

As part of our business was carried in the PRC, part of our assets and liabilities were also denominated in RMB. Majority of these assets and liabilities were arisen from the net investments in the PRC operations with net assets of HK$295.9 million as at 31 December 2015. The foreign currency translation arising from translation of these PRC operations' financial statements from RMB (functional currency of these PRC operations) into Hong Kong dollars (the group's presentation currency) will not affect our profit before and after tax, and will be recognized in our other comprehensive income.

During the period under review, the fluctuation of RMB against Hong Kong dollars was approximately 5.0% (by comparing the highest exchange rate of RMB against Hong Kong dollars with the lowest exchange rate of RMB against Hong Kong dollars during the period under review).

As at 31 December 2015, if Hong Kong dollars had strengthened/weakened by another 5.0% against RMB with all other variables unchanged, the Group's other comprehensive income would have been approximately HK$14.8 million lower/higher.

Use of net proceeds from listing

The aggregate net proceeds raised by the Company from the Listing through the issue of an aggregate of 112,500,000 new shares (the "Offer Shares") of HK$0.10 each in the Company at the final offer price of HK$2.75 per Offer Share pursuant to the Global Offering referred to in the prospectus issued by the Company on 26 November 2015 (the "Prospectus") were approximately HK$264.5 million. Based on the net proceeds derived from the Global Offering, proposed application of net proceeds as stated in the Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

During the period from the date of the Listing (that is, 10 December 2015) to 31 December 2015, the net proceeds from the Global Offering had not been utilized and are placed in bank accounts maintained with licensed banks and authorised financial institutions in Hong Kong.

Capital commitments

The Group had capital commitments of approximately HK$3.9 million as at 31 December 2015 in relation to the purchase of property, plant and equipment (as at 30 June 2015: HK$5.0 million).

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2015.

Employees and Remuneration Policy

As at 31 December 2015, the Group had a total of 1,609 employees (31 December 2014: 1,498). Staff costs for the period under review, including salaries and benefits, were approximately HK$248 million (six months ended 31 December 2014: approximately HK$220 million). The addition to the total headcount is mainly for the E&M engineering segment in Hong Kong which had been awarded an increased number of projects during the past 12 months ended 31 December 2015.

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 organization and fostering employee loyalty. Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation.

The Company adopted a share option scheme during the period under review, which is to provide incentives to the eligible participants (including the employees of the Group) to contribute to the Group and to enable us to recruit high-calibre employees and attract human resources that are valuable to the Group. Details of the share option scheme are set out in the Prospectus.

Outlook

The successful Listing last year has marked a key milestone for the Group. Our leading market position, proven track record, well-established customer connections and ample financial reserve continue to serve as the valuable assets to the Group. As stated in the Prospectus, from time to time we evaluate acquisition opportunities and engage competent professional talent to explore new markets and expand the Group's market presence in Hong Kong, Macau and the PRC.

Our board of directors believes that, through unwavering efforts, the Group is able to maximize our shareholders' value and enhance its corporate image as well as its position in the E&M engineering industry. In addition, our E&M engineering segment in Hong Kong, which contributes more than 50% of the Group's total revenue and gross profit, remains the core business of the Group. Nonetheless, the Company is striving to continue its presence in the PRC and expand its business in the environmental engineering segment.

E&M Engineering Segment

Hong Kong - In Hong Kong, the Government has unveiled a raft of new policy initiatives that is expected to add to the already-full order books of the construction and E&M engineering industries. With major infrastructure projects entering their construction peaks starting from 2013, capital works expenditure has increased to more than HK$70 billion for each of the next few years. These large infrastructure projects have created a large number of jobs, which are particularly crucial in times of uncertain economic outlook.

According to the Chief Executive's 2016 Policy Address delivered in January 2016, the Hong Kong Government will continue to make vigorous efforts to increase land supply. In line with the Long Term Housing Strategy, the Hong Kong Housing Authority and the Hong Kong Housing Society will produce 76,700 public rental housing units and 20,400 subsidized sale units over the next five years. Based on the preliminary assessment of private residential developments known to have or to be started on disposed sites, it is projected that the private sector will supply a historically high record of about 87,000 flats since the first release in September 2004 of the quarterly statistics on supply in the coming three-to-four years.

In addition, the Hong Kong Government is proceeding full stream 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, commercial and other purposes.

To prepare for the challenge of the aging population, the Hong Kong Government has worked with the Hospital Authority to invest HK$200 billion and devise an overall hospital development plan by providing 5,000 additional public hospital beds and 94 new operating theatres in the next ten years.

Apart from the above, the construction of the Shatin-Central Link, the investment in the West Kowloon Cultural District, the Mass Transit Railway Corporation Limited’s railway property development, the Kai Tak redevelopment, the expansion of the airport, the Lantau development associated with the Hong Kong-Zhuhai-Macao Bridge, and the Energizing Kowloon East Initiative (including Kwun Tong redevelopment and revitalized industrial buildings) will definitely help boost the construction industry in Hong Kong in the coming decade.

Regarding the maintenance section of our E&M engineering services, the Group foresees a steady growth in the term maintenance contracts in view of growing demands from different prestigious commercial buildings, public sectors and education institutions. We anticipate an increase in revenue in respect of the fit-out works, system upgrading works and replacement works. Large scale alteration and addition and system retrofit works are also set to provide a favorable return to the maintenance section.

Currently, the construction and engineering sectors in Hong Kong face a multitude of immense problems and challenges. The severe labour shortage coupled with the aging workforce and the resultant escalated labour costs result in keen competition for labour and raise the construction cost. The awarding of new public works contracts is experiencing a serious delay due to increasing filibustering in the Legislative Council. The Group is striving to maintain a stable labour workforce and retain our loyal staff members so as to uphold its competitive strength.

PRC - In the midst of a global economic slowdown, China’s economic growth is likely facing further downward pressure this year. In line with corporate strategy, the Group will continue to take a disciplined approach in its business development towards this market. Our business target remains focused on E&M services for major property developments initiated by both Hong Kong and foreign investors. Apart from playing an active role in Beijing and Shanghai, the Group has also established its presence in other first-tier and second-tier cities in the PRC such as Tianjin, Dalian, Shenyang, Chengdu, Wuhan, Changsha, Nanjing, etc.

With the advent of China’s “One Belt, One Road (一帶一路)” initiative and the rapid development of the four Guangdong Pilot Free Trade Zone regions, being Hengqin (橫琴), Qianhai (前海), Nansha (南沙) and Cuiheng (翠亨), the Company will actively seek to participate in related projects in order to seize new business opportunities and achieve higher market penetration.

During recent years, the Company has been actively engaged in project management services in the PRC for an international exhibition centre development in Shenyang, and subsequently two high-rise building complexes in Tianjin and Guangzhou, and has gained market recognition in this field. We firmly believe that our strong value-added E&M project management expertise in the areas of integrated services coordination, coordinated services drawing production, building information modeling techniques, project planning, quality assurance, system testing and commissioning, etc pose strong attractions for foreign and Hong Kong-based developers of high-end projects in the PRC.

With our accumulated E&M installation experience in the PRC sector, we plan to extend our E&M project management services to high-end projects developed in the PRC. We believe such project management services can generate an additional stable source of income for the Group.

Macau - The construction and E&M engineering sectors in Macau performed very well in the past few years. Yet, following the anticipated completion of several casino projects in 2016 and the slowdown of the tourism and gaming industry, the construction engineering sectors in Macau are expected to undergo a stage of consolidation.

Nevertheless, the robust demand for housing, the development of the Light Rapid Transit System, the expansion of the Macao International Airport, and the investment in Islands District Medical Complex are expected to create emerging business opportunities in Macau in the coming few years.

According to the Policy Address for the fiscal year of 2016 of Macau, the Macau SAR Government has initiated the reclamation project for New Urban Zone Area A and the Zhuhai-Macao artificial islands of Hong Kong-Zhuhai-Macao Bridge, which plan to build 28,000 public housing units and 4,000 private housing units. To enhance the tourism industry, it is projected that the number of guestrooms will progressively increase from the current 29,000 units to 44,100 units during 2017 to 2019.

The positioning of Macau as a world exemplary tourism and leisure center addresses its need for adequate economic diversification and sustainable development. The Macau SAR Government continues to monitor the pace of development of the gaming industry while actively fostering the development of integrated tourism and reinforcing non-gaming elements.

As the PRC has designated Hengqin, an island next to Macau, as a tourism, business and cultural zone, it was reported in the media that certain casino and/or listed companies are vigorously considering procuring land in Hengqin to build a hotel-to-office complex, resort and theme park.

As the Group provides a comprehensive range of E&M engineering and environmental engineering services and has a well-established E&M engineering operations in Hong Kong, the Mainland and Macau, the above infrastructure, large scale and/or high-end projects or potential projects are expected to bring ample business opportunities to the Group.

Environmental engineering segment

The increasing awareness of the importance of a good environment further raises the demand for environmental engineering services and products. As mentioned in the Hong Kong 2016 Policy Address, promotion of energy efficiency and renewable energy for buildings are being highlighted. Thus, the Group recognizes that "*going green*" is an important growing trend and aims at providing our customers a total solution pertinent to energy saving, renewable energy and environmentally friendly technologies.

The recently implemented Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) has immense potential for further development in our environmental consultancy services. Strict control of water pollution helps increase the market demand for the services of our environmental testing laboratory to run tests to ensure potable water quality. The increasing demand for our water treatment and odour abatement products such as electro-chlorination system and biotech deodorization system also support the growth of our environmental engineering segment. The Group currently has a laboratory accredited under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) in operation and is investing in a web-based building energy management system, an advanced lighting solution product and waste water treatment technology involving microalgae, to better capture business opportunities in the potential environmental assessment and improvement services market in the environmental engineering sector.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.0 cents per share for the six months ended 31 December 2015 (2014: Nil). The interim dividend will be paid in cash to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 8 April 2016. The ex-dividend date for the interim dividend will be on Friday, 1 April 2016. It is expected that the dividend warrants will be posted to shareholders on or about Friday, 15 April 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed. Details of such closure are set out below:

Latest time to lodge transfer documents for registration	4:30 pm on 5 April 2016
Closure of register of members	6 to 8 April 2016 (both days inclusive)
Record date	8 April 2016
Interim dividend payment date	on or about 15 April 2016

During the above closure period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the latest time specified above.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance corporate value. Throughout the period from the Listing Date to 31 December 2015, the Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises three independent non-executive directors of the Company. The Audit Committee had reviewed the Group's unaudited interim financial statements for the period under review and discussed financial related matters with the management and the external auditors of the Company.

The unaudited interim financial statements of the Group for the period under review had been reviewed by the Company's external auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2015.

On behalf of the Board of
FSE Engineering Holdings Limited
Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 26 February 2016

As at the date of this announcement, the Board comprises Dr. Cheng Kar Shun, Henry (Chairman) as Non-executive Director, Mr. Wong Kwok Kin, Andrew (Vice-Chairman), Mr. Poon Lock Kee, Rocky (Chief Executive Officer), Mr. Doo William Junior Guilherme, Mr. Lee Kwok Bong and Mr. Soon Kweong Wah as Executive Directors, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen and Mr. Lee Kwan Hung as Independent Non-executive Directors.