



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 2015-2016



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



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Financial Highlights

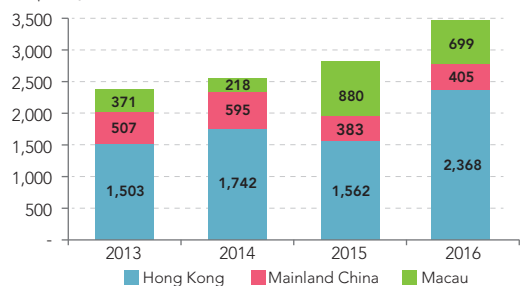
	2016 HK\$M	2015 HK\$M	% Change
Revenue:	3,471.9	2,825.1	22.9
Gross profit:	371.9	333.1	11.6
Profit attributable to equity holders:	161.1	149.2	8.0
Basic earnings per share:	HK\$0.42	HK\$0.50	-16.0

The Board recommended the declaration of a final dividend of HK9.4 cents per share for the year ended 30 June 2016.

Financial Highlights

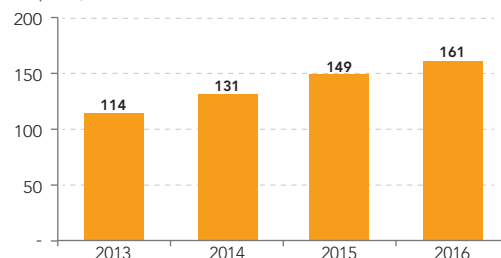
Revenue by region

for the year ended 30 June
HK\$million



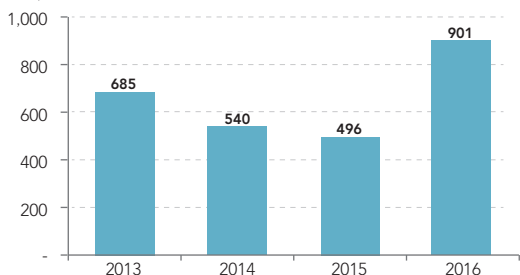
Profit attributable to equity holders

for the year ended 30 June
HK\$million



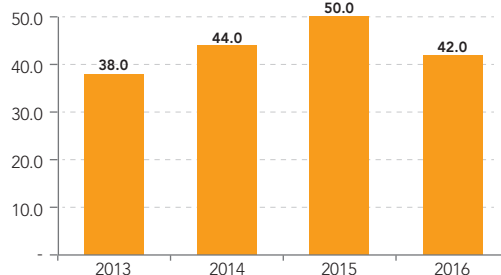
Total equity

As at 30 June
HK\$million



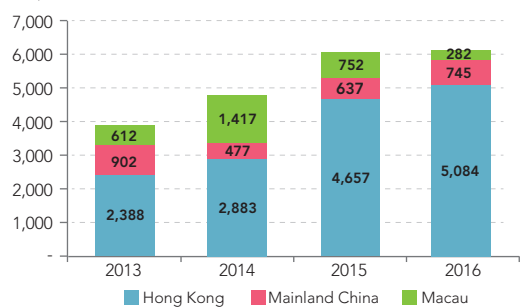
Earnings per share

for the year ended 30 June
HK cents



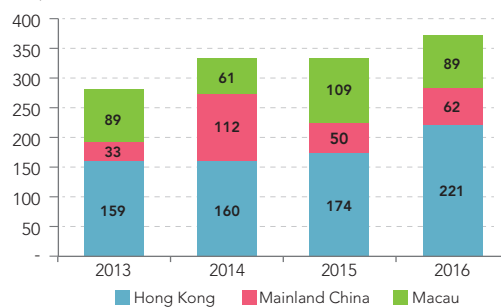
Outstanding contract sum by region

As at 30 June
HK\$million



Gross profit by region

for the year ended 30 June
HK\$million



Major Events and Accolades

DECEMBER 2015

- FSE Engineering Holdings Limited (the "Company", together with our subsidiaries, the "Group") was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2015



- The Group was awarded the design, supply and installation of E&M services for the West Kowloon Government Office in Yau Ma Tei, Kowloon, Hong Kong

- The Group was recognised for its outstanding achievements in implementing and promoting corporate social responsibility (CSR) at The Sixth Hong Kong Outstanding Corporate Citizenship Awards Presentation Ceremony organised by the Hong Kong Productivity Council



Major Events and Accolades

MARCH 2016

- This is the third year the Group participated in the New Territories Walk organised by The Community Chest of Hong Kong



APRIL 2016

- The official website of the Company received gold award in the fourth Web Accessibility Recognition Scheme co-organised by the Office of the Government Chief Information Officer and the Equal Opportunities Commission

MAY 2016

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



Major Events and Accolades

- The Group has been accredited the Manpower Developer (MD) 1st title and logo by the Hong Kong Employees Retraining Board (ERB) since 2010, and gained the title of ERB MD for the next 2 years, in recognition of our commitment and outstanding performance in the area of manpower development



JUNE 2016

- The Group has received the President's Award from The Community Chest of Hong Kong for its donation of HK\$1 million

Chairman's Statement

To Our Shareholders:

I am pleased to present the first annual report of the Company for the year ended 30 June 2016 ("FY2016" or the "Year") since its public listing. The year 2015 was a memorable year. The shares of the Company were successfully listed on the Main Board of the Stock Exchange (the "Listing") on 10 December 2015. The Listing represents a significant milestone for the Group as it provides us with access to a more effective fund-raising platform that supports us in achieving our goals, including, among others, tapping the Hong Kong, Mainland China and Macau markets — all of which hold immense development potential. The Listing has demonstrated the Group's intrinsic value, which combined with a stronger balance sheet, will enable us to seize opportunities for future ventures and collaboration, particularly on large-scale projects in these regions. It is also worth noticing that the Listing has provided us with fresh impetus to further strengthen and optimise the Group's corporate governance and capital structure, which are core to its sustainable development over the long term.

Looking back over the past year, the complex macroeconomic dynamics and volatile geopolitics has led to a surge in worldwide financial risks. The global economy has experienced a wide range of challenges and market uncertainties arising from US monetary policies, weakness in commodity prices, rising concerns on China's economic growth prospects, capital outflows from the emerging economies and, most recently, the victory for Brexit in the United Kingdom. Against this backdrop, the Hong Kong economy maintained its growth at a low level during the first quarter of 2016 and the operating environment in the city for businesses across different sectors will continue to be difficult to varying degrees. Leveraging our 40 years of industry experience, and a solid reputation that has been built through good times and bad, we are not new to economic and other challenges, such as those we are currently facing. Indicative of our ability is not only our perseverance, but also our strength in continuing to progress. This can be seen as the Group again delivered creditable financial results during the Year, with profit attributable to equity holders increasing by HK\$11.9 million or 8.0%. If the one-off listing expenses were excluded, profit attributable to equity holders would have increased by HK\$23.5 million or 15.2%. The Board has proposed a final dividend of HK9.4 cents per share for the Year. Including an interim dividend of HK5.0 cents per share for the six months ended 31 December 2015, the total dividend payout for the Year is HK14.4 cents per share, with a payout ratio of 40.2%.

Though the global economic growth is likely to remain sluggish in the near future, the Hong Kong Government is expected to unveil a range of supportive initiatives for the construction and E&M engineering industry. Already, the Policy Address delivered by Hong Kong's Chief Executive on 13 January 2016 has demonstrated the Hong Kong Government's commitment to continuing to rezone sites, increase the intensity of land development and conduct reviews to achieve optimal land usage. In addition, leveraging on its solid fiscal position, the forecast expenditure of Capital Works Reserve Fund is to increase from HK\$84.5 billion in this fiscal year to HK\$121.9 billion in fiscal year 2020/21. Without the prolonged contentious debates on infrastructure projects in the HKSAR Legislative Council, the schedule for new public works will not be delayed and should consequently lead to an upswing in infrastructure, public housing and private housing projects, which in turn will help drive the construction, E&M engineering and environmental engineering industries towards healthier growth ahead. To capitalise on the various infrastructure investments that are set to take place in Hong Kong, we plan to bolster the Group's capabilities in ELV (*extra-low voltage*) system works and increase human resources aimed at enhancing work quality and engineering design capability. These efforts will thus strengthen our already extensive capabilities in Hong Kong, and consolidate our presence in this key market.

Chairman's Statement

As in previous years, the Group is committed to maintaining its presence in Mainland China. In adhering to this commitment, it is continuing with a disciplined approach in business development within this market. Despite the problems of structural overcapacity faced by China's economy, current economic fundamentals of China remain positive. Moreover, with the implementation of structural reforms already underway, complemented by prudent fiscal and monetary policies aimed at encouraging long-term sustainable growth, urbanisation should gather speed. The 13th Five-Year Plan has clearly stated at the outset that it will not only bring about upgrades to the coastal cities, but also rejuvenate the construction and economic activities of urban and rural areas in the central and western regions. This strategic direction should encourage the rebalancing of the local economy and create enormous demand for housing and related commercial developments with fresh opportunities for the construction and E&M engineering industry. As the Group is among one of the few Hong Kong-based companies in Mainland China that possesses the Class I Qualification for E&M engineering general contractors, its strategy is to forge ties with selected partners in order to expand its footprint in this crucial market. Nevertheless, we remain vigilant about any possible changes in the economic climate and the risks which may accompany business opportunities in this region.

In respect of our Macau market, the Macau SAR Government has embarked on several initiatives to alleviate the challenging global macroeconomic and political conditions. These initiatives include developing a new urban zone, promoting development of integrated tourism, and reinforcing non-gaming leisure and entertainment, all of which will diversify Macau's economy and create opportunities for the Group.

Regarding our environmental management services business, the increase in public awareness of environmental issues is boosting demand for associated environmental engineering services and projects. The Group fully intends to capitalise on this trend by providing customers with total solutions that combine energy efficient, environmentally friendly, and renewable energy technologies.

On behalf of the board of directors of the Company, I would like to welcome Mr. Patrick Lam and Dr. Paul Tong who joined the Company and take this opportunity to express my sincere gratitude to all of our shareholders, customers, and business partners for their unwavering support. I wish to also thank the management team and my fellow staff members for their wholehearted support. As always, we are fully committed to maintaining the Group's long-term development and ensuring fair returns for our shareholders.

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 22 September 2016

Board of Directors and Senior Management

BOARD OF DIRECTORS

Dr. Cheng Kar Shun, Henry, GBS

Chairman and Non-executive Director

Dr. Cheng, aged 69, 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, Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation, the Chairman and Non-executive Director of New World Department Store China Limited and Newton Resources Ltd, a Non-executive Director of SJM Holdings Limited, an Independent Non-executive Director of Hang Seng Bank Limited and HKR International Limited. Dr. Cheng was 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 and 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. In July 2001, Dr. Henry Cheng was awarded the Gold Bauhinia Star by the Hong Kong Government. 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. Wong Kwok Kin, Andrew

Vice-Chairman and Executive Director

Mr. Wong, aged 70, joined the Group in January 1998 and is the Vice-Chairman and Executive Director of the Company. He also sits on the boards of various companies within the Group. Mr. Wong is primarily responsible for overall strategic planning, overseeing business development and operational management and major management decisions for the Group. He is also an Executive Director and the Vice Chairman of FSE Holdings Limited, the 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.

Mr. Poon Lock Kee, Rocky

Chief Executive Officer and Executive Director

Mr. Poon, aged 60, 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 both the American Society of Mechanical Engineers and 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 and the President of the Hong Kong E&M Contractors' Association Limited. 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.

Board of Directors and Senior Management

Mr. Lam Wai Hon, Patrick

Executive Director

Mr. Lam, aged 54, was appointed an Executive Director of the Company and a member of the Remuneration Committee of the Board in April 2016. 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, the controlling shareholder of the Company. He is also a Non-executive Director of NWS Holdings Limited and Road King Infrastructure Limited, both being listed public companies in Hong Kong. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from the University of Edinburgh in Scotland and a Bachelor's Degree from the University of Essex, the United Kingdom. He 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 Institute of Chartered Accountants of Ontario, Canada. He is a member of the Governors' Council of the Canadian Chamber of Commerce in Hong Kong and a member of the Asia Advisory Board of the Ivey Business School, Western University, Canada.

Mr. Doo William Junior Guilherme

Executive Director

Mr. Doo Junior, aged 42, 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, the 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.

Mr. Lee Kwok Bong

Executive Director

Mr. Lee, aged 45, 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 and financial reporting management of the Group. He has been the Chief Financial Officer of FSE Holdings Limited, the 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.

Board of Directors and Senior Management

Mr. Soon Kweong Wah

Executive Director

Mr. Soon, aged 57, joined the Group in May 1983 and is an Executive Director and Chairman of the Risk Management Committee of the Company. 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 serves as the appointed member of its Building Services Discipline Advisory Panel. 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. Kwong Che Keung, Gordon

Independent Non-executive Director

Mr. Kwong, aged 67, 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 COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited, NWS Holdings Limited and OP Financial Investments Limited. 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.

Board of Directors and Senior Management

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

Independent Non-executive Director

Mr. Hui, aged 69, 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 45 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 and also an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A. 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 is also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference since 2006. 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.

Mr. Lee Kwan Hung

Independent Non-executive Director

Mr. Lee, aged 51, 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 75, 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.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chan Ju Wai

Mr. Chan, aged 48, 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 an associate member of the Institute of Public Accountants in Australia, and a member of both 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.

Mr. Chan Tat Chi

Mr. Chan, aged 58, 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 33 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.

Ms. Cheung Lut Yi, Connie

Ms. Cheung, aged 53, 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 26 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 60, joined the Group in August 1995 and is the Deputy General Manager of the Finance Department of the Company. She has over 20 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.

Board of Directors and Senior Management

Mr. Wong Po Shing

Mr. Wong, aged 66, 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 Airconditioning Engineers, Inc. and The Australian Institute of Refrigeration, Air Conditioning and Heating respectively.

Mr. Wong Shu Hung

Mr. Wong, aged 65, 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.

Mr. Yip Chung Nin

Mr. Yip, aged 62, joined the Group in August 1978 and is a director and the General Manager of certain major subsidiaries of the Company. He is mainly responsible for the overall management and business performance control of the Group's E&M maintenance, environmental services and trading of building material businesses in Hong Kong, Macau and the PRC, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for these business units.

Mr. Yip obtained a Diploma in mechanical engineering technology and a Bachelor of Technology degree in mechanical engineering from Ryerson Polytechnic University (formerly known as Ryerson Polytechnical Institute) in Canada, and later obtained a Master's degree in project management from the Curtin University of Technology in Australia.

Mr. Yip has over 38 years' experience in the E&M engineering business in Hong Kong. Mr. Yip is currently a chartered environmentalist of the Society for the Environment in the United Kingdom, a member of the Institute of Fire Engineers in the United Kingdom, a chartered engineer of the Engineering Council in the United Kingdom and a fellow of the Society of Operations Engineers in the United Kingdom.

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 to its corporate governance structure and practices in the manner as described in this report. Throughout the period from the date of its Listing on the Main Board of the Stock Exchange, that is, 10 December 2015, to 30 June 2016 (the "Reporting Period"), the Company had complied with all the code provisions set out in the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

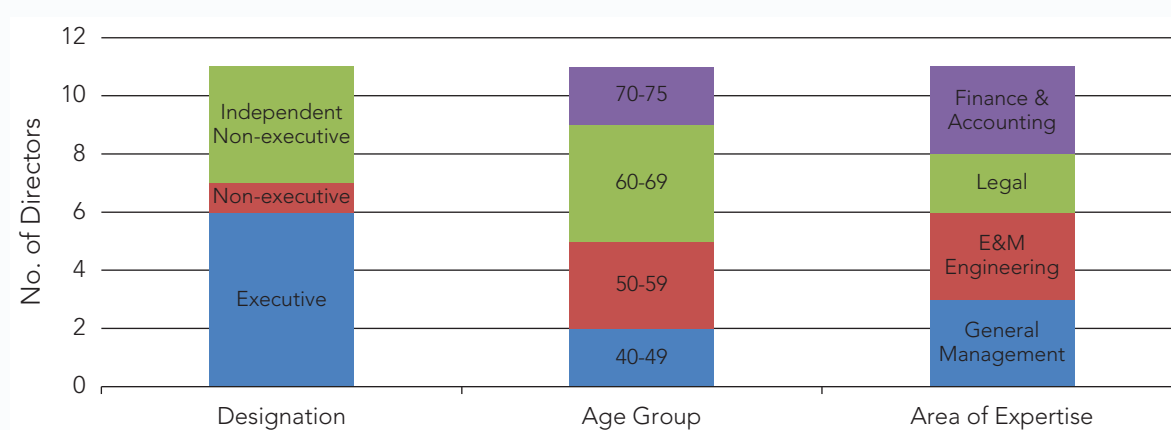
The Company has adopted its own Securities Dealing Code, with terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code for dealing in securities of the Company 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 Reporting Period.

BOARD OF DIRECTORS

Composition and responsibilities

The board of directors of the Company (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 one Non-executive Director, six 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 9 to 12 in the section "Board of Directors and Senior Management".

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 Report

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 judgment.

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 Company Secretarial Department. Based on the details so provided, a summary of training received by the Directors for the Reporting Period 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
<i>Non-executive Director</i>		
Dr. Cheng Kar Shun, Henry (<i>Chairman</i>)	✓	✓
<i>Executive Directors</i>		
Mr. Wong Kwok Kin, Andrew (<i>Vice-Chairman</i>)	✓	✓
Mr. Poon Lock Kee, Rocky (<i>Chief Executive Officer</i>)	✓	✓
Mr. Lam Wai Hon, Patrick	✓	✓
Mr. Doo William Junior Guilherme	✓	✓
Mr. Lee Kwok Bong	✓	✓
Mr. Soon Kweong Wah	✓	✓
<i>Independent Non-executive Directors</i>		
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. Wong Kwok Kin, Andrew, 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.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including Independent Non-executive Directors) serve the relevant function of bringing independent views and judgment 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 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 Reporting Period, the Audit Committee held one meeting.

Since its establishment in November 2015, the Audit Committee had 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 and annual results for the period ended 31 December 2015 and the Year respectively 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. The Audit Committee also reviewed the adequacy of its terms of reference during the Year.

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 Reporting Period, the Risk Management Committee met once and finalised the Risk Management Handbook/Manual.

Corporate Governance Report

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. Poon Lock Kee, Rocky and Mr. Lam Wai Hon, Patrick, 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 Reporting Period, the Remuneration Committee held one meeting during which the remuneration for the then proposed new Directors, namely, Mr. Lam Wai Hon, Patrick and Dr. Tong Yuk Lun, Paul was discussed with recommendations made to the Board after taking into consideration the qualifications, experience, duties and responsibilities with the Company of individual Directors.

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 Reporting Period, the Nomination Committee held one meeting during which the proposal for the appointment of Mr. Lam Wai Hon, Patrick as an Executive Director and Dr. Tong Yuk Lun, Paul as an Independent Non-executive Director was discussed and approved for recommendation to the Board after taking into consideration the diversity policy adopted for the Company, the background of individual Directors and the independence of Dr. Tong Yuk Lun, Paul.

Subsequent to the year end date, the Nomination Committee held its second meeting in which it 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. Lam Wai Hon, Patrick, Mr. Doo William Junior Guilherme, Mr. Lee Kwok Bong, and Dr. Tong Yuk Lun, Paul for reappointment as Directors by the shareholders at the forthcoming annual general meeting of the Company.

Corporate Governance Report

Attendance of meetings

During the Reporting Period, the Company held two Board meetings, one Audit Committee meeting, one Remuneration Committee meeting and one Nomination Committee meeting. The attendance records of the Directors are as follows:

	Number of meetings attended/eligible to attend			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<i>Non-executive Director</i>				
Dr. Cheng Kar Shun, Henry (<i>Chairman</i>)	2/2	N/A	N/A	N/A
<i>Executive Directors</i>				
Mr. Wong Kwok Kin, Andrew (<i>Vice-Chairman</i>)	2/2	N/A	N/A	N/A
Mr. Poon Lock Kee, Rocky (<i>Chief Executive Officer</i>)	2/2	N/A	1/1	1/1
Mr. Lam Wai Hon, Patrick ⁽¹⁾	1/1	N/A	N/A	N/A
Mr. Doo William Junior Guilherme ⁽²⁾	2/2	N/A	N/A	N/A
Mr. Lee Kwok Bong	2/2	N/A	N/A	N/A
Mr. Soon Kweong Wah	2/2	N/A	N/A	N/A
<i>Independent Non-executive Directors</i>				
Mr. Kwong Che Keung, Gordon	2/2	1/1	N/A	N/A
Mr. Hui Chiu Chung, Stephen	2/2	1/1	1/1	1/1
Mr. Lee Kwan Hung	2/2	1/1	1/1	1/1
Dr. Tong Yuk Lun, Paul ⁽³⁾	1/1	N/A	N/A	N/A

Notes:

- (1) Mr. Lam Wai Hon, Patrick was appointed as an Executive Director and a member of the Remuneration Committee on 1 April 2016.
- (2) Mr. Doo William Junior Guilherme was appointed as a member of the Nomination Committee on 1 April 2016.
- (3) Dr. Tong Yuk Lun, Paul was appointed as an Independent Non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 1 April 2016.

The Company has not held any general meeting since the Listing.

Corporate Governance Report

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	
	2016 HK\$'000	2015 HK\$'000
Audit services	4,923	3,629
Non-audit services*	3,980	1,542
Total	8,903	5,171

* Non-audit services include tax advisory, acting as the reporting accountant of the Group in relation to the Listing 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, which have been consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

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.

Corporate Governance Report

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 64 to 65 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 allow 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.

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.

Corporate Governance Report

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.

Workshops are organised for management staff annually to ensure proper appreciation, implementation and evaluation of the risk management systems and procedures. Risk registers are regularly updated and continuous follow-up actions are taken by management and reported to the Board at least annually.

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.

Corporate Governance Report

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 Reporting Period 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.

Environmental, Social and Governance Report

The Group is pleased to present this Environmental, Social and Governance (ESG) Report, which provides a comprehensive account of the Group's sustainability related policies, measures and performance from 1 July 2015 to 30 June 2016. We believe that this ESG Report enables us to communicate our sustainability related matters in a transparent and accountable manner, which is key to gaining the trust of our stakeholders.

GOVERNANCE STRUCTURE FOR SUSTAINABILITY

The Group has in place an Integrated Management System (IMS), comprising three international management standards — ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System) — to govern ESG-related aspects of the Group. A management committee, headed by our Executive Director, was established to oversee the Group's sustainability and the IMS. Our IMS policies are also communicated via the intranet to different operations of the Group, thus allowing each department to develop and tailor-make its own set of guidelines, and creating a sense of ownership and belonging for its staff to achieve compliance with the IMS requirements. Training is also provided to staff members to enable a better understanding of the IMS requirements and their applications.

Our IMS system is regularly audited by both internal and external parties to ensure that compliance is achieved. The results of the audit are reviewed by the Group's senior management that keeps close track of the Group's IMS performance.

With our IMS system in place throughout the Year, there had been no observed incidence of non-compliance with the relevant laws and regulations that have had a significant impact on the Group.

OUR HUMAN CAPITAL

Working Environment

To enable the growth and development of our employees, we strive to build a collaborative and harmonious working environment. We reward our employees with competitive remuneration packages and fringe benefits which commensurate with their experience and job task. Staff members are also informed of requirements on expected professional conduct, and are directed to relevant guidelines in our *Employees Handbook*. We do not tolerate discrimination or harassment in any form, and allow our staff members to realise their full potential at work.

Performance Review and Promotion

We have in place a transparent system for assessing staff performance. Guidelines on our Performance Appraisal system are issued to aid managers in making an accurate assessment of the performance of staff members in an objective manner. The appraisal is based on two-way dialogue, with the possibility of career progression forming part of this review.

Staff Recruitment and Dismissal

Our Human Resources (HR) Department has laid down clear and transparent procedures on talent acquisition and staff termination. The selection of candidates is primarily based on their competence, qualifications, experience and professional license (if any). The HR Department will also engage those deciding to leave the Group, to inquire into the reasons for contract termination and manage any dismissals. Such practice enables the Group to improve on its HR processes and work toward being a more effective enterprise.

Environmental, Social and Governance Report

Well-being of Employees

A healthy work-life balance is encouraged among our staff members. We have organised a wide array of staff activities on photography, pottery crafting, baking pastries, sports and outdoor activities, amongst others, to cater to the diverse interests of our employees. To extend our care to the families of staff, employees' children have a chance of winning prizes through our FSE Employee Children Academic Star Award Scheme. We have also launched the Employee Engagement Program in recognising our staff contributions and outstanding performance by giving Hong Kong Disneyland Halloween Time Preview free tickets as rewards.

In November 2015, the Group joined a day trip to Mingle Farm, which is a recreational oasis in the busy city located in Tin Shui Wai. Our staff enjoyed exciting outdoor activities and inflatable games offered by the Farm with their family members. In the afternoon, we enjoyed a barbecue buffet and our spirit was further pushed to new heights by the lucky draw. Some of the employees also participated in the Mahjong Contest, competing for the title of "King of Mahjong" and cash prizes.



Day trip to Mingle Farm and Mahjong Contest 2015

Compliance

During FY2016, the Group had no material incidences of non-compliance with relevant laws and regulations regarding employment and labour practices, including the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and the Employment (Amendment) Ordinance 2014, pursuant to which we have been providing eligible male employees with entitlements to statutory paternity leave.

Environmental, Social and Governance Report

Staff Development

We encourage our staff to undertake training and further studies to enhance their job-related skills and knowledge through our Training and Education Subsidy Scheme. This training shall contribute to a more productive and effective workforce that is able to address the challenges that we face as a company.

Cultivating Continued Learning Culture

Changes in social and business environments may require updated skill sets to deal with new market opportunities. The Group has devoted plenty resources in offering staff training and development programmes. We encourage continuous learning via training and further studies to enhance our staff's job-related skills and knowledge through our Training and Education Subsidy Scheme. It does not only increase staff satisfaction and reduce staff turnover but also enhances ability for staff to adapt to change.

Nurturing Young Talent

We have a strong desire to develop our own pool of talents in view of the uniqueness and diversity of our business. We provide graduates with the opportunity to make their way up in their career as qualified professionals. Apart from providing Graduate Scheme 'A' Training, we have been running the Project Management Procedures Training Program for engineer trainees since 2013. Other training, such as seminars, workshops and technical visits are aligned to the specific needs of individuals, covering professional development as well as management and technical skills.



Technical Visit to Yau Ma Tei Police Station for young engineers on 11 December 2015



Safety Management Training for young engineers on 10 July 2015



Leadership Training for management on 22 April 2016

Environmental, Social and Governance Report

Occupational Health and Safety

The health and safety of our employees are our utmost concern. We have adopted the OHSAS 18001 (Occupational Health and Safety Management System) as a standard to guide our approach in mitigating occupational health and safety hazards.

Different safety-related initiatives and measures have been rolled out in our operations and are initiated as soon as we commence work. Risk assessments are also conducted to identify risks in special working environments, while detailed safety instructions have been formulated and communicated to workers as part of their safety training sessions.

Safety officers are appointed to coordinate and communicate safety-related matters to workers on site. Complementing these efforts is the use of a mobile messaging app which enables real-time delivery of safety related information to workers on-site. Two-way dialogue is also encouraged and is demonstrated through regular lunch box meetings where workers reflect on safety concerns and issues with their supervisors.

We seek to influence our subcontractors and collaborate with them to heighten their understanding of safety concerns at the workplace. A safety award scheme was set up to award subcontractors who have demonstrated sound performance in the management of health and safety criteria.

During FY2016, no work-related fatalities were recorded, and there were no confirmed material non-compliance incident or grievance in relation to human rights and labour practices.



The pipe duct was fenced off to avoid falling from heights



Safety briefings were held on site

Environmental, Social and Governance Report

OUR ENVIRONMENT

Energy and Emissions

As a building services engineering company our operations do not produce a significant amount of direct pollution, however we take steps to closely monitor and manage our environmental footprint. Our ISO 14001 certified environmental management system, a critical part of the IMS, provides us with a systematic approach to identifying environmental concerns arising from our operations. Environmental issues, once identified, are recorded in the "Environmental Aspect Register" where measures are then devised to promptly address these concerns.

To reduce our energy consumption and carbon emissions, we constantly seek ways to optimise design and work methods. At a project level, we incorporate green building principles into the selection of electrical and mechanical equipment for our clients whilst modularisation and pre-fabrication enable us to lower energy consumption, hence reducing carbon emissions. At our offices, we adjusted the indoor temperature to reduce energy consumption.

Waste Management

At project sites, the typical waste produced is scrap or surplus material. At our offices, the Group has set recycling targets for waste paper and reduced paper wastage by using compact discs for information storage. We have been awarded with the "Wastewi\$e Certificate" with Excellence Level by the Hong Kong Green Organisation Certification.



Environmental, Social and Governance Report

Environmental Protection

As an environmentally-conscious corporation, the Group supports environmental initiatives organised by external parties. The Group took part in the “Earth Hour 2016” organised by World Wide Fund (WWF) Hong Kong, and encouraged staff members to participate in “No Air Con Night 2015” and “Green Day 2016” organised by Green Sense and The Community Chest of Hong Kong respectively.

We also joined the “Biz-Green Dress Day” for Hong Kong Green Building Week 2015. Our staff members were encouraged to dress in comfortable clothes of a green or earthy colour and take public transportation to work. On that day, we also provided our staff with fresh fruits to promote the idea of a healthy diet.



Our staff at the Pledge Making Ceremony for Hong Kong Green Building Week 2015



Providing our staff with fresh fruits to promote the idea of a healthy diet

The Group has strong commitment to creating a greener society and our environmental management system has been accredited with the ISO 14001 certification. To achieve environmental sustainability, the Group constantly seeks ways to optimise design and work methods. Green messages and practical tips for green living are regularly circulated amongst employees. To raise employees’ awareness of environmental protection, we had organised green activities for our staff throughout the Year such as an Eco-tourism trip and the Green Council’s Coastal Cleanup 2016.

Environmental, Social and Governance Report

OUR VALUE CHAIN

Our Suppliers, Subcontractors and Customers

Suppliers and Subcontractors

The Group relies on an extensive network of suppliers and subcontractors to ensure the quality and consistency of our services. The proactive management of our supply chain helps us mitigate and manage related risks that may affect our operations. We continuously engage our subcontractors and raise their awareness on occupational health and safety issues. We also monitor and assess our suppliers and subcontractors by reviewing their services, product quality, safety, financial performance on an annual basis. Substandard suppliers and subcontractors will be suspended or even removed from our approved vendor list.

Product Excellence for Customers

Our unwavering commitment to product and service excellence is enabled by our effective IMS system. This allows all production units and functions to participate in foreseeing and identifying potential risks and defects in the production line.

The IMS also calls for proper investigation of any quality concerns, with the aim of identifying the underlying causes of the deficiency. Mitigation measures are also required to rule out the recurrence of defects.

Anti-corruption

We adhere to high standards of business ethics and integrity, all staff members are required to abide by the requirements of professional conduct specified in the *Employees Handbook*. We have also laid down strict rules on accepting gifts from business partners during festive seasons. Complementing this effort is the implementation of an anti-fraud policy as well as a whistle-blowing policy, which provides a reporting channel for employees and stakeholders such as customers, suppliers, amongst others to report any misconduct or malpractice. During the reporting Year, there had been no confirmed case of corruption.

Environmental, Social and Governance Report

OUR COMMUNITY Community Investment

Here at the Group we have a strong and active volunteer team engaged in a broad array of community and charitable activities, focusing on improving the well-being of children and the underprivileged. We are dedicated to becoming a positive force in society through our community efforts in order to bring joy and assistance to our beneficiaries.

Care for Children

The Group cares about the development of our children who are our leaders of tomorrow. During the Year, we organised a visit to the Zero Carbon Building to raise awareness on low carbon practices and habits in creating a better world for our young leaders. Our volunteers also organised a fun-filled game day named "Joyful Summer Vacation for Scout".

Volunteers participated in The Community Chest Flag Day 2015 to raise funds for the Children's Thalassemia Foundation. In Macau, we invited children to join us on a fun-filled visit to see Pandas at Parque de Seak Pai Van.



A fun-filled game day held with children



Panda visit in Macau

Environmental, Social and Governance Report

Caring for Those in Need

To raise awareness on the need for social inclusion, our dedicated volunteers paid a visit to the Bradbury Parents Resource Centre of the Hong Kong Down Syndrome Association in September 2015, to celebrate Mid-autumn festival with 30 patients who have Down Syndrome and autism. Games and interactive art sessions were held with the participants. In December 2015, our volunteers also paid a visit to Kwai Shing West Rehabilitation Quarter of Evangelical Lutheran Church Social Service (ELCSS), to celebrate Christmas with more than 30 mentally-handicapped members.



Visit to the Bradbury Parents Resource Centre of the Hong Kong Down Syndrome Association



29 Volunteers visited the Kwai Shing West Quarter of ELCSS

Visit the Elderly

In both Hong Kong and Macau, we engage with senior citizens on a regular basis. Since 2010, the Group has collaborated annually with the Tung Wah Group of hospitals, organising visits to the elderly who live alone and who would have otherwise celebrated the Tuen Ng festival by themselves. For the festival in June 2016, our volunteers enjoyed chatting and sharing happiness with this community, and presented our beneficiaries with "lucky bags", each of which contained rice dumplings, different kinds of healthy food, and a care card.

This visit presented an opportunity for volunteers to connect with the local community and better understand the living conditions and needs of the elderly. This hands-on experience helped us better formulate strategies and plans to direct our volunteering efforts to where it is needed the most.



Over 100 staff and their family members visited elderly who live alone

Management Discussion and Analysis

BUSINESS REVIEW

On 10 December 2015, the shares of the Company were successfully listed on the Main Board of the Stock Exchange, which marked a new era of the Group's history. The Listing provides a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to timely capture greater opportunities for future acquisition and expansion, especially on winning large-scale prospective projects.

During FY2016, the Group maintained its 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 maintain strong E&M engineering operations in Mainland China and Macau. Coupled with our full range of licenses and qualifications and our effective management of tendering risks, all of our operations are supported by integrated operating and control procedures, strong networks of well-established customers and suppliers and an experienced and well-trained workforce. Thus we are confident we can secure and undertake integrated E&M engineering projects in Hong Kong, Mainland China and Macau.

In addition, the Group has a strong commitment to creating a greener society. To achieve environmental sustainability, the Group constantly strives to optimise design and work methods. At a project level, we incorporate green building principles for the building services equipment for our clients; and adopt green building design, modularisation and prefabrication to reduce energy usage, carbon emissions and construction waste. Besides, we are constantly investing in innovative construction technologies such as building information model (BIM), laser scanning and mobile solutions in order to improve our operational efficiency and project management. Our environmental management service business, a new growth driver launched after our Listing, has continued to provide environmental assessment and improvement services and solutions to our customers to achieve their environmental protection and energy-saving goals.

Going ahead, the Group will remain committed to its strategy of staying focused on its core competencies in order to raise customers' satisfaction and to ensure sustainable growth and profitability. We shall continue to give priority to large-scale projects including design and construction government contracts, public infrastructure works, hospital development projects, and projects from the public rental and subsidised housing sectors as well as the private commercial and residential building sectors.

Financial performance

Leveraging our competitive strengths as described above, the Group delivered a solid financial performance and recorded a revenue of HK\$3,471.9 million for the Year, representing an increase of HK\$646.8 million or 22.9%, as compared to HK\$2,825.1 million for the same period last year. Profit attributable to equity holders for the Year was HK\$161.1 million (including one-off non-recurring listing expenses of HK\$16.8 million), representing an increase of HK\$11.9 million or 8.0% as compared to HK\$149.2 million for the same period last year. Excluding the listing expenses of HK\$16.8 million (2015: HK\$5.2 million), the Group would have achieved a profit of HK\$177.9 million, representing a remarkable increase of HK\$23.5 million or 15.2% as compared to HK\$154.4 million for the same period last year.

As at 30 June 2016, our projects encompassed a wide range of buildings and facilities, including offices, shopping malls, a convention and exhibition center, hotels, residential properties, universities, hospitals, and public transportation facility buildings with a total outstanding contract sum of HK\$6,100 million. During FY2016, the Group submitted tenders for 637 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\$17,027 million.

Management Discussion and Analysis

New contracts awarded

During FY2016, the Group was awarded new contracts with a total value exceeding HK\$3,039 million, which include 119 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\$2,779 million. Among these 119 contracts, seven of them are major projects (with net contract sum equal to or more than HK\$100.0 million for each project) as listed below:

1. Plumbing and drainage installation for a residential and commercial development in Tseung Kwan O Town Lot No. 112 in Area 65C1, Tseung Kwan O, New Territories, Hong Kong;
2. Electrical installation for a public rental housing development at So Uk Estate Phase 2, Kowloon, Hong Kong;
3. Electrical installation for a residential development at Tuen Mun Town Lot No. 427 in Area 56, So Kwun Wat, Tuen Mun, New Territories, Hong Kong;
4. Design, supply and installation of E&M services for the West Kowloon Government Office in Yau Ma Tei, Kowloon, Hong Kong;
5. Plumbing and drainage installation for the Tsuen Wan Property Development TW5 Bayside (Phase 2) in Tsuen Wan, New Territories, Hong Kong;
6. Plumbing and drainage installation for a residential development at Oil Street, North Point, Hong Kong;
7. E&M installation for a hotel development in Guanggu, Wuhan, the PRC



Management Discussion and Analysis

Completed projects

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

1. MVAC (mechanical, ventilation and air-conditioning) installation for an office development at Kowloon Inland Lot No. 11111, Hung Luen Road, Hung Hom, Hong Kong;
2. Design, supply and installation of MVAC, fire services and plumbing and drainage services for the Yau Ma Tei Police Station in Yau Ma Tei, Hong Kong;
3. Electrical and drainage installation for the Western Apron Expansion Works at Hong Kong International Airport, Lantau, Hong Kong;



4. E&M installation for the Tangshan Shangri-La Hotel in Tangshan, Hebei, the PRC



Management Discussion and Analysis

Projects on hand

As at 30 June 2016, major outstanding contracts with remaining works valued at more than HK\$100.0 million include:

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



2. MVAC, fire services and electrical installation for the Phase 2 Expansion of Cathay Pacific Catering Facilities in Chek Lap Kok, Lantau, Hong Kong;



3. Plumbing and drainage installation for a residential development at Tseung Kwan O Town Lot No. 112 in Area 65C1, Tseung Kwan O, New Territories, Hong Kong;
4. Electrical, fire services, MVAC and central chiller plant installation for the New World Centre and Palace Mall Remodeling in Tsim Sha Tsui, Kowloon, Hong Kong;



Management Discussion and Analysis

5. Plumbing and drainage installation and fire services installation for the Tsuen Wan Property Development TW5 Bayside (Phase 1) in Tsuen Wan, New Territories, Hong Kong;
6. Electrical installations for public rental housing at the So Uk Estate Phase 2, Kowloon, Hong Kong;



7. Electrical installation for the residential development in Tuen Mun Town Lot No. 423 in Area 48, Castle Peak Road, Tuen Mun, New Territories, Hong Kong;
8. Electrical installation for the residential development in Tuen Mun Town No. 427 in Area 56, So Kwun Wat Road, Tuen Mun, New Territories, Hong Kong;
9. Design, supply and installation of E&M services for the West Kowloon Government Office in Yau Ma Tei, Kowloon, Hong Kong;
10. Plumbing and drainage installation for the Tsuen Wan Property Development TW5 Bayside (Phase 2) in Tsuen Wan, New Territories, Hong Kong;
11. Plumbing and drainage installation for the residential development at Oil Street, North Point, Hong Kong;
12. Central chiller plant and sitewide BMS (building management system), dry fire sitewide, and HVAC (heating, ventilation and air-conditioning) installation for a five-star hotel and resort development, Cotai, Macau

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

In FY2016, the Group's revenue increased by HK\$646.8 million or 22.9% to HK\$3,471.9 million was mostly attributable to the higher revenue of HK\$637.8 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			
	2016 HK\$'M	2015 HK\$'M	Change HK\$'M	% change
E&M engineering	3,418.3	2,780.5	637.8	22.9%
Environmental management services*	53.6	44.6	9.0	20.2%
Total	3,471.9	2,825.1	646.8	22.9%

* 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 98.5% of the total revenue of the Group (2015: 98.4%). Segmental revenue rose 22.9% to HK\$3,418.3 million for the Year. 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 contributed a sum of HK\$797.6 million turnover in FY2016. The increase was offset by fewer contributions from Macau resulting from the substantial completion of a five-star hotel and entertainment complex in Cotai (the "Project Cotai Complex") for the year ended 30 June 2015 ("FY2015").
- Environmental management services:* In FY2016, this business segment reported revenue of HK\$53.6 million (2015: HK\$44.6 million), representing growth of 20.2% as compared with FY2015. The increase was mainly attributable to the increase in revenue from environmentally-related contracting and maintenance services, primarily water treatment services and environmental monitoring.

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

	For the year ended 30 June			
	2016 HK\$'M	2015 HK\$'M	Change HK\$'M	% change
Hong Kong	2,367.8	1,561.9	805.9	51.6%
PRC	405.0	382.7	22.3	5.8%
Macau	699.1	880.5	(181.4)	(20.6%)
Total	3,471.9	2,825.1	646.8	22.9%

Management Discussion and Analysis

Hong Kong:	Revenue from Hong Kong increased by HK\$805.9 million or 51.6% to HK\$2,367.8 million in FY2016. The increase was mainly attributable to a number of sizeable installation projects during FY2016, including the New World Centre and Palace Mall Remodeling in Tsim Sha Tsui, Phase 2 Expansion of Cathay Pacific Catering Facilities in Chek Lap Kok at Lantau and Gleneagles Hong Kong Hospital in Wong Chuk Hang.
PRC:	Revenue from the PRC increased by 5.8% to HK\$405.0 million in FY2016 with its geographical contribution proportion decreasing from 13.5% in FY2015 to 11.7% in FY2016. The increase of HK\$22.3 million was the combined effect of the two sizeable installation contracts including an office building development and a hotel development in Wuhan and three project management contracts in Tianjin, Guangzhou and Beijing.
Macau:	Revenue from Macau decreased by 20.6% to HK\$699.1 million in FY2016 with the geographical contribution of the region dropping from 31.2% in FY2015 to 20.1% in FY2016. The decline was mostly related to the substantial completion of the Project Cotai Complex, the single largest revenue-contributing project of the Group in FY2015. The major revenue contributors for the Year 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 by HK\$38.8 million or 11.6% to HK\$371.9 million in FY2016, whereas the overall gross profit margin remained relatively stable at 10.7% (2015: 11.8%). The increase in gross profit was mainly in line with the overall remarkable growth of the Group's revenue, of which gross profit derived from our E&M engineering business significantly increased in FY2016 with its segment gross profit margin maintained at 10.5% (2015: 11.6%). The gross profit margin of the environmental management services segment decreased to 23.3% in FY2016, which was mainly attributable to the cost incurred for the marketing and promotion of the advanced lighting solution control business as well as quality testing laboratory services which are at the development stage. Nonetheless, gross profit in this segment rose to HK\$12.5 million in FY2016, representing an increase of HK\$0.7 million or 5.9% as compared with FY2015.

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

	For the year ended 30 June			
	2016		2015	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
E&M engineering	359.4	10.5	321.3	11.6
Environmental management services	12.5	23.3	11.8	26.5
Total	371.9	10.7	333.1	11.8

Other income/gains, net

The Group did not record net other income/gains in a material amount for both FY2015 and FY2016, which amounted to HK\$5.6 million and HK\$0.5 million, respectively. Net other income/gains in FY2015 mainly represented net exchange gain and write back of trade and other payables.

Management Discussion and Analysis

Finance income

In FY2016, the Group recorded finance income of HK\$10.8 million (2015: HK\$16.4 million). The decrease in finance income, which consisted primarily of the Group's bank interest income, was mainly due to the decrease in both the market interest rate and the Group's bank deposits placed in Mainland China.

General and administrative expenses

In FY2016, the general and administrative expenses of the Group increased by 9.8% to HK\$204.1 million, compared to HK\$185.8 million in FY2015. The increase of HK\$18.3 million was mainly attributable to the one-off non-recurring listing expenses of HK\$16.8 million.

Taxation

The decrease in effective tax rate of the Group from 11.8% in FY2015 to 10.1% in FY2016 was resulted from the utilisation of previously unrecognised tax losses and recognition of deferred tax assets of a joint operation project of HK\$7.7 million during the Year, which was partially offset by the tax charge of HK\$2.8 million for the one-off non-tax deductible listing expenses of HK\$16.8 million.

Profit attributable to equity holders

As a result of the foregoing, our profit attributable to equity holders for the Year increased by around 8.0% or HK\$11.9 million from HK\$149.2 million for FY2015 to HK\$161.1 million for FY2016. The increase was the combined result of higher contracting revenue mostly from our core business segment, which was partially offset by the decrease in bank interest income and the increase in general and administrative expenses due to the one-off non-recurring listing expenses.

The net profit margin decreased from 5.3% in FY2015 to 4.6% in FY2016. If the one-off non-recurring listing expenses of HK\$16.8 million (2015: HK\$5.2 million) were excluded from the general and administrative expenses, the Group would have achieved a profit of HK\$177.9 million in FY2016, representing a remarkable increase of HK\$23.5 million or 15.2% as compared to HK\$154.4 million in FY2015.

Other comprehensive loss

The Group recorded other comprehensive loss of HK\$20.1 million in FY2016 (2015: other comprehensive income of HK\$7.5 million), comprising mainly the decrease in exchange reserve of HK\$23.6 million (2015: HK\$0.7 million) resulting from the devaluation of the Renminbi ("RMB") and the reduced currency rate adopted in the accounting translation of RMB-denominated net investments in our PRC operations into Hong Kong dollars (the Group's presentation currency) for the purpose of preparing the Company's financial statements, partially offset by the increase in the net-tax asset revaluation reserve of HK\$3.5 million (2015: HK\$8.1 million) in relation to the increase in the estimated market price for the Group's properties, especially in Hong Kong.

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 2016, the Group had total cash and bank balances of HK\$1,325.9 million, of which 68%, 28% and 4% were denominated in Hong Kong dollars, RMB and other currencies respectively (2015: 29%, 70% and 1% respectively). As compared to 30 June 2015, the Group's cash and bank balances increased by HK\$713.4 million from HK\$612.5 million which was primarily due to the receipt of net proceeds of HK\$268.4 million (after deduction of underwriting commission and all related expenses paid during the Year) (the "Net Proceeds Received during the Year") from the Listing and the increase in net cash flow from operating activities. Taking into account the Net Proceeds Received during the Year and the listing-related expenses prepaid prior to 30 June 2015 of HK\$3.9 million, we recorded aggregate net proceeds of HK\$264.5 million from the Listing.

Management Discussion and Analysis

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 30 June 2016 (2015: Nil). Hence the Group's gearing ratio (being our total borrowings divided by our total equity) was maintained at zero as at 30 June 2016. As at 30 June 2016, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK\$1,119.2 million (2015: HK\$1,601.3 million), of which HK\$329.3 million (2015: HK\$357.9 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 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 Group's exposure to foreign currency risk should the need arises.

As part of our business was carried out in the PRC, part of our assets and liabilities were also denominated in RMB. The majority of these assets and liabilities have arisen from the net investments in our PRC operations, which had net assets of HK\$302.3 million as at 30 June 2016. The foreign currency translation of the financial statements in respect of these PRC operations 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 recognised in our other comprehensive income.

During the Year, the fluctuation of RMB against Hong Kong dollars was 7.2% (by comparing the highest exchange rate with the lowest exchange rate of RMB against Hong Kong dollars during the Year).

As at 30 June 2016, if Hong Kong dollars had strengthened/weakened by another 7.0% against RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$21.2 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 HK\$264.5 million. Based on the net proceeds derived from the Global Offering, the 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.

Management Discussion and Analysis

During the period from the date of the Listing (that is, 10 December 2015) to 30 June 2016, the net proceeds received from the Global Offering were used as follows:

	Net proceeds from Global Offering HK\$M	Utilisation in FY2016 HK\$M	Unutilised amount HK\$M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	0.3	81.3
Development of environmental management business	51.0	0.7	50.3
Operation of E&M engineering projects on hand and prospective projects	47.4	40.9	6.5
Staff-related additional expenses	20.0	0.1	19.9
Development and enhancement of design capability	19.3	3.7	15.6
Enhancement of quality testing laboratory	12.2	2.2	10.0
Upgrade of corporate information technology system and software	8.0	0.5	7.5
General working capital	25.0	8.8	16.2
Total	264.5	57.2	207.3

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.

Capital commitments

The Group had capital commitments which were contracted but not provided for of HK\$1.0 million as at 30 June 2016 in relation to the purchase of property, plant and equipment (2015: Nil).

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2016 (2015: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had a total of 1,662 employees (2015: 1,553). Staff cost for the Year, including salaries and benefits, was HK\$547.8 million (2015: HK\$497.0 million). The addition to the total headcount is mainly due to an increased number of projects awarded in the E&M engineering segment in Hong Kong 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 adopted 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-calibre employees and attract human resources that are valuable to the Group. Details of the share option scheme are set out on pages 52 to 53 in the section headed "Report of the Directors".

Management Discussion and Analysis

All 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.

OUTLOOK

The successful Listing marked a key milestone for the Group last year. Our leading market position, proven track record, well-established customer network and ample financial reserves continue to serve as valuable assets to the Group.

From time to time the Group will seek acquisition opportunities and engage competent professional talent to explore new market opportunities and expand our geographical coverage in Hong Kong, Macau and the PRC.

We are also taking steps to identify and plan to acquire at opportune times additional premises to cope with our operational needs and cater for future growth and development of our Group. If such opportunities arise, we plan to fund such acquisition from the internal resources of our Group.

The Group will stay focused on its core competencies in order to raise customers' satisfaction and to ensure sustainable growth and profitability. Our board of directors envisages that, through unceasing efforts, the Group can maximise 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. Nevertheless, the Company is striving to bolster its geographical presence in other regions and expand its business in the environmental engineering segment and ELV (extra-low voltage) system works.

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. According to the construction expenditure forecast provided by the Construction Industry Council, the E&M construction works expenditure shall be over HK\$15 billion for the public sector and HK\$20 billion for the private sector for the next few years. These public and private sector projects have created a large number of jobs, which are particularly crucial in times of uncertain economic outlook.

In accordance with the 2016 Policy Address, the Hong Kong Government continues ongoing efforts in increasing the land and housing supply. In line with the long term housing strategy, the Hong Kong Housing Authority and the Hong Kong Housing Society will supply 76,700 public rental housing units and 20,400 subsidised 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 provide a historically high record of about 93,000 flats 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 relevant purposes.

Management Discussion and Analysis

To prepare for the challenge of the aging population, the Hong Kong Government has worked with the Hospital Authority to invest HK\$200 billion in an overall hospital development plan in the next ten years including, among others, the redevelopment of Queen Mary Hospital, Kwong Wah Hospital, United Christian Hospital, Kwai Chung Hospital, stage one and stage two construction of an acute general hospital in the Kai Tak Development Area and the redevelopment or expansion of various hospitals such as Tuen Mun Hospital Operating Block, Prince of Wales Hospital, Kwai Chung Hospital and North District Hospital. The above projects will provide 5,000 additional public hospital beds and over 90 new operating theatres.

Apart from the above, the construction of the Shatin to Central Link, the investment in the West Kowloon Cultural District, the Mass Transit Railway Corporation Limited's railway property development (such as at LOHAS Park Station, Tai Wai Station and Kam Sheung Road Station), the Kai Tak Development including the multi-purpose sports complex project, the Hong Kong International Airport's expansion into a Three-Runway System including the construction of the third runway and expansion of the existing Terminal 2 into a full-service processing terminal, the Lantau development projects associated with the Hong Kong-Zhuhai-Macao Bridge, and the "Energizing Kowloon East" Initiative (including the Kwun Tong redevelopment and other initiatives to revitalise industrial buildings) will definitely help boost the construction industry in Hong Kong in the coming decade.

The construction engineering sectors in Hong Kong also face a multitude of immense problems and challenges. The forecasted severe labour shortage of about 10,000 to 15,000 skilled workers in the construction industry over the next few years, coupled with the aging workforce and the resultant escalated labour costs are resulting in keen competition for labour and raising the construction cost. The award of new public works contracts has experienced a serious delay due to increasing filibustering movements in the Legislative Council. The Group is striving to maintain a relatively stable labour workforce and retain our loyal staff members so as to uphold its competitive strength.

Regarding the maintenance section of our E&M engineering services, the Group envisages a steady growth in the term maintenance contracts in view of growing demand from different prestigious commercial buildings, as well as the public sector and educational institutions to use quality contractors and materials maintain their properties. We expect an increase in revenue in respect of the fitting-out works, system upgrading and replacement works following the recent implementation of the Mandatory Building Inspection Scheme ("MBI Scheme") and the Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong). Large scale alteration and addition and system retrofit works are also set to provide a favourable return to the maintenance section.

The maintenance group has recently entered into a service agreement with a major mainland chiller manufacturer as their exclusive service agent both in Hong Kong and Macau. This service agreement includes the chillers' testing and commissioning and start-up works, future warranty and maintenance services. We believe this segment will contribute stable returns to the Group.

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

Management Discussion and Analysis

Macau

For the year ended December 2015, the Macau gaming market has generated total gross revenues of US\$ 29 billion, about five times larger than that of Las Vegas, the US. As a result, the construction and E&M engineering sectors in Macau have performed very well in the past few years. Yet, following the scheduled completion of several sizable casino projects in 2016 and affected by the flagging tourism and gaming industry, the construction and engineering sectors in Macau are expected to experience a stage of consolidation.

Nonetheless, the demand for ongoing renovation and improvement works for hotels and casinos is looming. In addition, the robust demand for housing, the expansion of the Macau International Airport, the employment of the Hong Kong Mass Transit Railway Corporation Limited to take up the project management of the new Light Rail system, and the investment in the Islands District Medical Complex are expected to create emerging business opportunities in Macau in the coming few years.

According to the 2016 Policy Address, the Macau SAR Government has initiated the reclamation project for New Urban Zone Area A and the Zhuhai-Macao artificial islands of the Hong Kong-Zhuhai-Macao Bridge, which are expected to accommodate 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 32,000 units (representing 106 hotels and guesthouses) in March 2016 to 44,000 units in 2019.

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

PRC

In the midst of the slowdown of the global economy and the over-supply of residential housing in the PRC, China's economic growth is likely to experience a further downward trend and the pace of property construction in China is shrinking significantly this year. In line with our corporate strategy, the Group has continued 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 the two important bases in Beijing and Shanghai, the Group has also established its presence in other first and second-tier cities in the PRC such as Tianjin, Dalian, Shenyang, Chengdu, Wuhan, Changsha, Nanjing.

In the 1990s and 2000s, the Company has completed several projects in South East Asia including Singapore, Thailand, Malaysia, Vietnam, Philippines etc. With the advent of China's "One Belt, One Road (一帶一路)" initiative addressed in the 13th Five-Year Plan, the Company is actively striving to participate in related construction and infrastructure projects in other South East Asia regions such as Myanmar, Laos and Indonesia.

In addition, the rapid development of the three Guangdong Pilot Free Trade Zone regions — Hengqin (橫琴), Qianhai (前海) and Nansha (南沙) will bring in new business opportunities to the Company.

Management Discussion and Analysis

During recent years the Company has been actively engaged in project management services in the PRC for an international exhibition center development in Shenyang, two high-rise building complexes in Tianjin and Guangzhou, and one commercial office in Beijing. We firmly believe that our market recognition and strong value-added E&M project management expertise in the areas of, among others, integrated services coordination, coordinated services drawing production, building information modeling (BIM) techniques, project planning, quality assurance and system testing and commissioning, are strong attractions for enticing 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 these project management services can generate an additional stable source of income for the Group.

Environmental management services

The increasing awareness of the importance of a good environment has raised 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 emphasised. Thus, the Group recognises that “going green” is an important growing trend that can provide 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) may offer 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 water quality. The increasing demand for seawater and fresh water treatment and odour abatement products such as electro-chlorination and biotech deodorisation systems also support the growth of our environmental engineering segment.

The Group is currently operating a laboratory accredited under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) which aims to provide testing for fresh water inside service, fresh water for the Quality Water Supply Scheme, Fresh Water Cooling Towers Scheme and river/sea water quality baseline monitoring service. This laboratory service is complementary to our Group’s E&M engineering and environmental engineering segments. In addition, we are continuing our evaluation of possible investment in a web-based building energy management system and waste water treatment technology involving microalgae, to better capture business opportunities in the potential environmental assessment and improvement services market within the environmental engineering sector.

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

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 29 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, description of the principal risks and uncertainties facing the Group, 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 7 to 8 and "Management Discussion and Analysis" on pages 33 to 46. 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 "Environmental, Social and Governance Report" on pages 24 to 32 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 2016 are set out in the financial statements on pages 66 to 122.

The Directors have resolved to recommend a final dividend of HK9.4 cents per share for the Year (2015: Nil) to the shareholders whose names appear on the register of members of the Company on 8 December 2016. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 15 December 2016. Together with the interim dividend of HK5.0 cents per share (2015: Nil) paid in April 2016, total distribution of dividend by the Company for the Year will thus be HK14.4 cents per share (2015: Nil), representing a dividend payout ratio of 40.2%.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2016, the Company's reserves available for distribution amounted to HK\$694.4 million (2015: HK\$466.2 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK\$1,259,000 (2015: HK\$377,000).

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 22 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 123.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 64.9% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 39.3%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 9.9% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.2%.

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*) (appointed on 28 August 2015)

Executive Directors

Mr. Wong Kwok Kin, Andrew (*Vice-Chairman*)

Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*) (appointed on 18 August 2015)

Mr. Lam Wai Hon, Patrick (appointed on 1 April 2016)

Mr. Doo William Junior Guilherme

Mr. Lee Kwok Bong (appointed on 1 July 2015)

Mr. Soon Kweong Wah (appointed on 18 August 2015)

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon (appointed on 18 November 2015)

Mr. Hui Chiu Chung, Stephen (appointed on 18 November 2015)

Mr. Lee Kwan Hung (appointed on 18 November 2015)

Dr. Tong Yuk Lun, Paul (appointed on 1 April 2016)

In accordance with article 109 of the Company's articles of association, Mr. Lam Wai Hon, Patrick and Dr. Tong Yuk Lun, Paul shall retire at the forthcoming annual general meeting, and all being eligible, offer themselves for re-election as Directors.

Report of the Directors

DIRECTORS *(Continued)*

In accordance with article 105 of the Company's articles of association, Mr. Wong Kwok Kin, Andrew, Mr. Doo William Junior Guilherme and Mr. Lee Kwok Bong shall retire as Directors by rotation at the forthcoming annual general meeting, and all being eligible, offer themselves for re-election as Directors.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 9 to 12.

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 62 and note 27 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.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2016, 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	Number of shares		Percentage of shareholding ⁽⁵⁾
	Beneficial interests	Interest of a controlled corporation	
Dr. Cheng Kar Shun, Henry	90,000,000 ⁽¹⁾	–	18%
Mr. Wong Kwok Kin, Andrew	–	45,000,000 ⁽²⁾	9%
Mr. Doo William Junior Guilherme	–	45,000,000 ⁽³⁾	9%
Mr. Lee Kwok Bong	–	5,000,000 ⁽⁴⁾	1%

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 Frontier Star Limited ("Frontier Star"), the entire issued share capital of which is solely and beneficially owned by Mr. Wong Kwok Kin, Andrew.
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 percentage of shareholding is calculated on the basis of 500,000,000 shares in issue as at 30 June 2016.

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 2016.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, 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 interests	Number of Shares	Percentage of shareholding ⁽⁵⁾
FSE Holdings Limited	Beneficial interests	337,500,000 ⁽¹⁾	75.00%
Sino Spring Global Limited ("Sino Spring")	Interest of a controlled corporation	337,500,000 ^{(1)&(2)}	75.00%
Mr. Doo Wai Hoi, William ("Mr. Doo")	Interest of a controlled corporation	337,500,000 ^{(1)&(2)}	75.00%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo")	Interest of spouse	337,500,000 ^{(1)&(2)&(3)}	75.00%
RAYS Capital Partners Limited ("RAYS Capital")	Investment manager	22,977,000 ⁽⁴⁾	5.11%
Mr. Ruan David Ching-chi ("Mr. Ruan")	Interest of a controlled corporation	22,977,000 ⁽⁴⁾	5.11%
Ms. Yip Yok Tak Amy ("Ms. Yip")	Interest of a controlled corporation	22,977,000 ⁽⁴⁾	5.11%

Notes:

1. FSE Holdings Limited is beneficially owned as to 63% by Sino Spring, 9% by Frontier Star, 5% by Master Empire, 4% by Supreme Win Enterprises, 18% by Dr. Cheng Kar Shun, Henry (through CTF Nominee) 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 incorporated on 3 January 2014 in the BVI with limited liability and is 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. RAYS Capital is beneficially owned as to 50% by Mr. Ruan and 50% by Ms. Yip. By virtue of Part XV of the SFO, both Mr. Ruan and Ms. Yip are deemed to be interested in all Shares in which RAYS Capital is interested.
5. The percentage of shareholding is calculated on the basis of 450,000,000 Shares in issue as at 30 June 2016.

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 2016.

Report of the Directors

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.

(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.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

(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.

Report of the Directors

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 CTF Jewellery 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" 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 and associates 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 and associates 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 and associates from time to time but excluding the NWCL Group, the NWD Group and the NWS Group;

"NWCL Group" means New World China Land Limited ("NWCL"), together with its subsidiaries and associates from time to time but excluding the NWD Group, the NWDS Group and the NWS Group; and

"CTF Jewellery Group" means Chow Tai Fook Jewellery Group Limited ("CTF Jewellery"), 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") are therefore our connected persons under Chapter 14A of the Listing Rules.

The Doo's Associates Group 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.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs")

The Company has entered into the following connected transactions during the Year and up to the date of this report with the above connected persons:

(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 between the two groups, 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 are 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 provides 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 is to be 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 is 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	46,543	57,000
Paid/payable by the Group	117	600

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

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 between the two groups, 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 are 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 provides 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 is to be 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 is 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:

Category	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	1,365,411	1,400,000

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

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 between the two groups, 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 are 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 provides 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 is to be 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 is 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	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	15,140	30,000
Paid/payable by the Group	176	200

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

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 between the two groups, 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 are 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 provides 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 is to be 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 is 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	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	193,147	210,000
Paid/payable by the Group	–	800

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(5) CCTs between the Group and the CTF Jewellery Group (the "CTF Jewellery CCTs")

The CTF Jewellery 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 CTF Jewellery CCTs between the two groups, the Company entered into an agreement (the "CTF Jewellery Master Services Agreement") with CTF Jewellery on 20 November 2015.

The CTF Jewellery CCTs are various transactions between the CTF Jewellery Group and the Group in relation to the provision of the Group's E&M engineering services (including building materials trading services) to the CTF Jewellery Group.

The CTF Jewellery Master Services Agreement provides a master framework agreement to streamline the CTF Jewellery CCTs by providing a master framework of terms upon and to which the individual agreement for each CTF Jewellery CCT is to be entered into and subject. In essence, the CTF Jewellery 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 CTF Jewellery Master Services Agreement is for a fixed term commencing from the date of the CTF Jewellery Master Services Agreement and up to 30 June 2018.

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

Category	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	44,829	75,000

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

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 between the two groups, 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 are 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 provides 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 is to be 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 is for a fixed term commencing from the date of the Doo's Associates Master Services Agreement and up to 30 June 2018.

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

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	48,590	50,000
Paid/payable by the Group	2,655	3,000

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

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 provided to the Group, the Company entered into an agreement (the "Fung Seng Master Services Agreement") with Fung Seng on 20 November 2015.

The Fung Seng CCTs are 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 provides 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 is to be 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 is for a fixed term commencing from the date of the Fung Seng Master Services Agreement and up to 30 June 2018.

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

Category	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable by the Group	4,435	4,438

Annual Review of CCTs

The CCTs mentioned in (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.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Annual Review of CCTs *(Continued)*

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 27 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.

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 Reporting Period.

Report of the Directors

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 2016

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF FSE ENGINEERING HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of FSE Engineering Holdings Limited (the "Company") and its subsidiaries set out on pages 66 to 122, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 September 2016

Consolidated Income Statement

For the year ended 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	5	3,471,907	2,825,107
Cost of sales		(3,099,991)	(2,491,974)
Gross profit		371,916	333,133
Other income/gains, net	6	494	5,603
General and administrative expenses		(204,124)	(185,848)
Operating profit	7	168,286	152,888
Finance income	10	10,841	16,435
Finance costs	10	–	(226)
Profit before income tax		179,127	169,097
Income tax expenses	11	(18,056)	(19,946)
Profit attributable to equity holders of the Company		161,071	149,151
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK\$ per share) — basic and diluted	12	0.42	0.50

The notes on pages 71 to 122 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	161,071	149,151
Other comprehensive income:		
<i>Items that will not be reclassified to consolidated income statement:</i>		
Revaluation gain on property, plant and equipment	4,212	9,442
Deferred income tax on revaluation gain on property, plant and equipment	(687)	(1,679)
Reversal of deferred income tax on fair value gain through use of property, plant and equipment	–	377
	3,525	8,140
<i>Item that may be subsequently reclassified to consolidated income statement:</i>		
Currency translation differences	(23,597)	(675)
Other comprehensive income, net of tax	(20,072)	7,465
Total comprehensive income for the year and attributable to equity holders of the Company	140,999	156,616

The notes on pages 71 to 122 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	187,409	172,582
Land use rights	15	23,087	24,075
Intangible assets	16	35,321	35,691
Deferred income tax assets	17	4,581	268
		250,398	232,616
Current assets			
Inventories	18	17,733	18,074
Amounts due from customers for contract works	19	317,082	113,818
Trade and other receivables	20	842,276	674,558
Cash and bank balances	21	1,325,926	612,526
		2,503,017	1,418,976
Total assets		2,753,415	1,651,592
EQUITY			
Share capital	22	45,000	30,000
Reserves	23	856,168	466,162
Total equity		901,168	496,162
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	44,485	36,879
Current liabilities			
Amounts due to customers for contract works	19	1,138,368	487,977
Trade and other payables	24	654,923	614,384
Taxation payable		14,471	16,190
		1,807,762	1,118,551
Total liabilities		1,852,247	1,155,430
Total equity and liabilities		2,753,415	1,651,592
Net current assets		695,255	300,425
Total assets less current liabilities		945,653	533,041

The notes on pages 71 to 122 are an integral part of these consolidated financial statements.

The financial statements on pages 66 to 122 were approved by the Board of Directors on 22 September 2016 and were signed on its behalf.

Wong Kwok Kin, Andrew
Director

Poon Lock Kee, Rocky
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
At 1 July 2015	30,000	466,162	496,162
Profit for the year	–	161,071	161,071
Other comprehensive income:			
Currency translation differences	–	(23,597)	(23,597)
Revaluation gain on property, plant and equipment	–	4,212	4,212
Deferred income tax on revaluation gain on property, plant and equipment (Note 17)	–	(687)	(687)
Total comprehensive income	–	140,999	140,999
Transactions with owners:			
Issuance of shares	15,000	271,507	286,507
Dividends (Note 13)	–	(22,500)	(22,500)
At 30 June 2016	45,000	856,168	901,168
At 1 July 2014	–	539,546	539,546
Profit for the year	–	149,151	149,151
Other comprehensive income:			
Currency translation differences	–	(675)	(675)
Revaluation gain on property, plant and equipment	–	9,442	9,442
Deferred income tax on revaluation gain on property, plant and equipment (Note 17)	–	(1,679)	(1,679)
Reversal of deferred income tax on fair value gain through use of property, plant and equipment (Note 17)	–	377	377
Total comprehensive income	–	156,616	156,616
Transactions with owners:			
Issuance of shares and completion of the Reorganisation	30,000	(30,000)	–
Dividends (Note 13)	–	(200,000)	(200,000)
At 30 June 2015	30,000	466,162	496,162

The notes on pages 71 to 122 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	528,811	72,278
Interest paid		–	(226)
Hong Kong profits tax paid		(5,363)	(4,871)
Mainland China and Macau income tax paid		(14,548)	(27,236)
Net cash generated from operating activities		508,900	39,945
Cash flows from investing activities			
Purchase of property, plant and equipment		(25,347)	(6,074)
Net cash inflow from disposal of subsidiaries		–	132,671
Proceeds from disposal of property, plant and equipment		270	284
Increase in time deposits — original maturities over three months		(52,000)	–
Interest received		10,841	16,435
Net cash (used in)/generated from investing activities		(66,236)	143,316
Cash flows from financing activities			
Repayment of borrowings		–	(170,000)
Proceeds from borrowings		–	170,000
Dividends paid		(22,500)	(301,047)
Listing expenses paid		(40,986)	(3,882)
Gross proceeds from initial public offering of shares		309,375	–
Net cash generated from/(used in) financing activities		245,889	(304,929)
Net increase/(decrease) in cash and cash equivalents during the year		688,553	(121,668)
Cash and cash equivalents at beginning of year		612,526	734,237
Exchange differences	26(b)	(27,153)	(43)
Cash and cash equivalents at end of year		1,273,926	612,526
Analysis of balances of cash and cash equivalents			
Cash and bank balances		1,325,926	612,526
Time deposits — original maturities over three months		(52,000)	–
Cash and cash equivalents		1,273,926	612,526

The notes on pages 71 to 122 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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 electrical engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands ("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 2016.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT 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 now 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 30 June 2015. Accordingly, the consolidated financial statements presented for the year ended 30 June 2015 was prepared under the principles of merger accounting as if the current group structure had been in existence throughout the year presented.

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") are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties which are stated 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.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(i) Improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2015

The following amendments to existing standards, that are relevant to the Group's operation, are mandatory for the financial year of the Group beginning on 1 July 2015:

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 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 Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(iii) 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 2015 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 Amendment	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 Amendment	Equity method in separate financial statements	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between on investor and its associate or joint venture	1 January 2016
HKFRS 11 Amendment	Accounting for acquisitions of interests in joint operations	1 January 2016
Annual Improvements Project	Annual improvements 2012–2014 Cycle	1 January 2016
HKAS 7 Amendment	Statement of cash flows	1 January 2017
HKAS 12 Amendment	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether there will be any substantial changes to the Group's significant accounting policies and presentation of consolidated financial statements.

Notes to the Consolidated Financial Statements

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.

(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.

Notes to the Consolidated Financial Statements

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

2.2 Consolidation *(Continued)*

(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 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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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.

Notes to the Consolidated Financial Statements

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

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.

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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

2.7 Property, plant and equipment

Property is stated at the revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation is performed to determine the fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of property is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in consolidated income statement, in which case the increase is credited to consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in consolidated income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits. When the asset is used, the amount of surplus representing the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve to retained profits.

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 2.12).

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.

Notes to the Consolidated Financial Statements

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

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.

2.9 Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 2.17, 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 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.

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.

2.11 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.

2.12 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.

Notes to the Consolidated Financial Statements

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

2.12 Impairment of non-financial assets *(Continued)*

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.

2.13 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.

2.14 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.

2.15 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.

Notes to the Consolidated Financial Statements

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

2.16 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.

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.

Notes to the Consolidated Financial Statements

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

2.17 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.

(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.

Notes to the Consolidated Financial Statements

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

2.18 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.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement or capitalised over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

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.

Notes to the Consolidated Financial Statements

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

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 and foreign exchange 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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

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.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000
At 30 June 2016		
Trade and other payables	577,608	–
At 30 June 2015		
Trade and other payables	540,299	445

(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 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.

As at 30 June 2015, 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\$6.0 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.

Notes to the Consolidated Financial Statements

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 arise.

As at 30 June 2016 and 2015, 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.

3.2 Fair value estimation

The carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. See Note 14 for disclosure of the land and buildings that are measured at fair value.

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 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.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Estimate 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.

4.3 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.

4.6 Estimate of fair value of properties

The fair value of properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 14.

The fair value of each property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. The valuers have relied on the direct comparison method. The fair value of each property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION

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

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Contracting	3,256,173	2,625,541
Maintenance services	98,796	90,035
Sales of goods	116,938	109,531
	3,471,907	2,825,107

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.

As at 30 June 2016, unallocated assets represented trade and other receivables and cash and bank balances of the Company. Unallocated liabilities represented trade and other payables of the Company.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

The segment results for the 30 June 2016 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	185,079	3,963	–	189,042
Unallocated corporate expenses				(20,756)
Operating profit				168,286
Finance income, net (Note 10)				10,841
Profit before income tax				179,127
Income tax expenses				(18,056)
Profit for the year				161,071
Other items				
Depreciation (Note 14)	12,151	2,106	–	14,257
Amortisation of intangible assets (Note 16)	370	–	–	370
Amortisation of land use rights (Note 15)	615	–	–	615

The segment assets and liabilities as at 30 June 2016 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	2,551,017	39,626	2,590,643
Unallocated assets			162,772
Total assets			2,753,415
Segment liabilities	1,837,595	13,109	1,850,704
Unallocated liabilities			1,543
Total liabilities			1,852,247
Capital expenditure	19,548	5,799	25,347
Unallocated capital expenditure			–
Total capital expenditure			25,347

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 30 June 2015

The segment results for the 30 June 2015 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	2,780,553	44,554	–	2,825,107
Revenue — internal	–	9,648	(9,648)	–
Total revenue				2,825,107
Operating profit before unallocated corporate expenses	153,419	5,004	–	158,423
Unallocated corporate expenses				(5,535)
Operating profit				152,888
Finance income, net (Note 10)				16,209
Profit before income tax				169,097
Income tax expenses				(19,946)
Profit for the year				149,151
Other items				
Depreciation (Note 14)	6,954	942	–	7,896
Amortisation of intangible assets (Note 16)	370	–	–	370
Amortisation of land use rights (Note 15)	587	–	–	587

The segment assets and liabilities as at 30 June 2015 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	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

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Hong Kong	2,367,739	1,561,927
Mainland China	405,029	382,695
Macau	699,139	880,485
	3,471,907	2,825,107

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

	2016 HK\$'000	2015 HK\$'000
Customer A	1,365,411	599,915
Customer B	N/A	411,179
Customer C	N/A	357,465

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

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

	2016 HK\$'000	2015 HK\$'000
Non-current assets, other than deferred tax assets		
Hong Kong	169,679	153,007
Mainland China	30,187	32,854
Macau	45,951	46,487
	245,817	232,348

Notes to the Consolidated Financial Statements

6 OTHER INCOME/GAINS, NET

	2016 HK\$'000	2015 HK\$'000
Exchange gain, net	144	3,937
Gain on disposal of property, plant and equipment, net	122	201
Sundries	228	1,026
	494	5,164
Other income	–	439
	494	5,603

7 OPERATING PROFIT

	2016 HK\$'000	2015 HK\$'000
Operating profit is stated after charging/(crediting):		
Changes in inventories of finished goods and work in progress	70,072	64,159
Raw materials and consumables used	1,002,588	928,391
Subcontracting fees	1,479,746	1,122,909
Provision for inventories	570	1,427
Write back of provision for inventories	(1,302)	(343)
Amortisation of land use rights	615	587
Amortisation of intangible assets	370	370
Depreciation of property, plant and equipment	14,257	7,896
Staff costs (including Directors' emoluments) (Notes 8 and 9)		
Salaries and allowances	524,959	476,579
Pension cost on defined contribution schemes	22,861	20,395
Less: Staff costs capitalised under contracts in progress	(16,702)	(75,115)
Operating lease rental for land and buildings	31,924	34,157
Less: Operating lease rental capitalised under contracts in progress	(5,346)	(8,273)
Impairment loss on trade and other receivables	6	–
Impairment loss on property, plant and equipment	–	17
Reversal of impairment loss on trade receivables	(84)	(377)
Provision for employee termination benefits	–	488
Listing expenses	16,765	5,235
Auditor's remuneration		
Provision for the year	4,944	3,574
Under-provision for prior years	106	163

Notes to the Consolidated Financial Statements

8 STAFF COSTS

	2016 HK\$'000	2015 HK\$'000
Salaries, wages and bonuses	524,959	476,579
Contributions to defined contribution schemes	22,861	20,395
Less: Staff costs capitalised under contracts in progress	(16,702)	(75,115)
	531,118	421,859

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2016 HK\$'000	2015 HK\$'000
Fees	633	260
Salaries and other emoluments	13,481	6,404
Contributions to defined contribution schemes	738	481
	14,852	7,145

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 2016 is set out below:

	Fees HK\$'000	Salary & 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	–	4,211	–	308	4,519
Lam Wai Hon, Patrick	–	750	–	38	788
Doo William Junior Guilherme	–	1,429	–	71	1,500
Lee Kwok Bong	–	1,500	–	83	1,583
Soon Kweong Wah	–	3,901	–	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	13,481	–	738	14,852

Notes to the Consolidated Financial Statements

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 2015 is set out below:

	Salary & bonuses HK\$'000	Other benefits HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Wong Kwok Kin, Andrew	–	80	–	80
Poon Lock Kee, Rocky	3,616	80	273	3,969
Doo William Junior Guilherme	–	–	–	–
Lee Kwok Bong	–	80	–	80
Soon Kweong Wah	2,788	20	208	3,016
	6,404	260	481	7,145

Notes:

- (a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.
- (b) The above individuals were appointed as directors on the following dates:

Directors	Date of appointment
Lee Kwok Bong	1 July 2015
Poon Lock Kee, Rocky	18 August 2015
Soon Kweong Wah	18 August 2015
Cheng Kar Shun, Henry	28 August 2015
Hui Chiu Chung, Stephen	18 November 2015
Kwong Che Keung, Gordon	18 November 2015
Lee Kwan Hung	18 November 2015
Lam Wai Hon, Patrick	1 April 2016
Tong Yuk Lun, Paul	1 April 2016

- (c) During the year ended 30 June 2016, 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 (2015: Nil).

(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.

Notes to the Consolidated Financial Statements

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 2016 include two directors (2015: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years are as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind & bonuses	8,374	7,078
Contributions to pension scheme	416	544
	8,790	7,622

The emoluments fell within the following bands:

	2016 Number of individuals	2015
Emolument bands		
HK\$2,000,001–HK\$2,500,000	–	1
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 2016, 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 (2015: Nil).

10 FINANCE INCOME AND FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Finance income		
Interest on bank deposits	10,841	16,435
Finance costs		
Interest on bank borrowings	–	(226)
Net finance income	10,841	16,209

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES

	2016 HK\$'000	2015 HK\$'000
Current income tax		
Hong Kong profits tax	8,387	9,254
Mainland China taxation	9,942	7,157
Macau taxation	1,113	2,686
Over-provision in prior years	(3,992)	(4,742)
Deferred income tax expense (Note 17)	2,606	5,591
	18,056	19,946

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	179,127	169,097
Calculated at a tax rate of 16.5% (2015: 16.5%)	29,556	27,901
Effect of different taxation rates in other regions	64	(1,732)
Income not subject to taxation	(3,974)	(5,766)
Expenses not deductible for taxation purposes	4,246	840
Temporary difference not recognised, net	(284)	27
Utilisation of previously unrecognised tax losses	(9,246)	(475)
Tax losses not recognised	1,686	3,893
Over-provision in prior years	(3,992)	(4,742)
Income tax expenses	18,056	19,946

Notes to the Consolidated Financial Statements

12 EARNINGS PER SHARE

(a) Basic

For the purpose of computing earnings per share for the year ended 30 June 2015, 300,000,000 ordinary shares of the Company issued and fully paid as at 30 June 2015 were treated as if they had been in issue throughout the year.

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 2016 and 2015.

	2016 HK\$'000	2015 HK\$'000
Profit attributable to owners of the Company	161,071	149,151
Weighted average number of ordinary shares in issue (shares in thousands)	384,016	300,000
Basic earnings per share (HK\$)	0.42	0.50

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2016 and 2015, the diluted earnings per share equals the basic earnings per share.

13 DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Dividends declared by subsidiaries (Note)	–	200,000
Interim dividend paid of HK5.0 cents (2015: Nil) per share	22,500	–
Final dividend proposed of HK9.4 cents (2015: Nil) per share	42,300	–
	64,800	200,000

Note:

Dividend for the year ended 30 June 2015 represented the dividends declared by the subsidiary companies now comprising the Group to then equity holder of the companies FSE Holdings Limited after elimination of intra-group dividends.

At a meeting held on 22 September 2016, the Board recommended a final dividend of HK9.4 cents per share. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2017.

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvement 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 2016							
Opening net book amount	36,240	124,612	4,598	320	4,509	2,303	172,582
Additions	–	–	16,762	1,651	6,934	–	25,347
Disposals	–	–	(4)	–	(38)	(106)	(148)
Exchange differences	–	(157)	(17)	–	(92)	(61)	(327)
Depreciation charge	–	(4,955)	(4,745)	(434)	(3,321)	(802)	(14,257)
Adjustment on revaluation	–	4,212	–	–	–	–	4,212
Closing net book amount	36,240	123,712	16,594	1,537	7,992	1,334	187,409
At 30 June 2016							
Cost or valuation	36,240	123,712	31,121	3,020	33,808	6,862	234,763
Accumulated depreciation	–	–	(14,527)	(1,483)	(25,816)	(5,528)	(47,354)
Net book amount	36,240	123,712	16,594	1,537	7,992	1,334	187,409
Year ended 30 June 2015							
Opening net book amount	36,320	118,825	4,306	231	4,433	936	165,051
Additions	–	–	1,798	192	1,980	2,104	6,074
Disposals	–	–	(22)	–	(39)	(22)	(83)
Impairment	–	(17)	–	–	–	–	(17)
Exchange differences	–	6	1	–	3	1	11
Depreciation charge	–	(3,724)	(1,485)	(103)	(1,868)	(716)	(7,896)
Adjustment on revaluation	(80)	9,522	–	–	–	–	9,442
Closing net book amount	36,240	124,612	4,598	320	4,509	2,303	172,582
At 30 June 2015							
Cost or valuation	36,240	124,698	16,517	1,369	28,462	8,545	215,831
Accumulated depreciation	–	(86)	(11,919)	(1,049)	(23,953)	(6,242)	(43,249)
Net book amount	36,240	124,612	4,598	320	4,509	2,303	172,582

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) None of the above property, plant and equipment was pledged as security as at 30 June 2016 (2015: None).
- (b) As at 30 June 2016, the carrying amount of the Group's freehold land and leasehold land and buildings would have been HK\$24,935,000 (2015: HK\$24,935,000) and HK\$42,147,000 (2015: HK\$44,932,000) respectively had they been stated at cost less accumulated depreciation and impairment losses.
- (c) Valuation processes of the Group

The Group measures its properties held for own use in Hong Kong, Mainland China and Macau under the revaluation model. The properties were revalued annually by an independent firm of qualified valuers having appropriate qualifications and experience in the valuation of properties in the relevant locations. As at 30 June 2016, the properties were revalued by DTZ Debenham Tie Leung Limited.

The valuations of the properties held by the Group are made on the basis of market value, which conforms to the requirements set out in "The HKIS Valuation Standards on Properties (2012)" published by Hong Kong Institute of Surveyors.

The Group's finance department includes a team that coordinates the valuations of land and buildings required for financial reporting purposes with the independent firm of qualified valuers, including level 3 fair values. This team reports directly to the chief financial officer ("CFO"). Discussion of valuation processes and results are held between the CFO, the team and the independent firm of qualified valuers annually.

At the end of each reporting period, the Group:

- (i) verifies all major inputs to the independent valuation report;
- (ii) assesses property valuation movements when compared to the prior year valuation reports; and
- (iii) holds discussions with the independent valuers.

The different levels of fair value measurement have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within 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 table presents the Group's land and buildings that are measured at fair value using significant unobservable inputs (Level 3) at 30 June 2016 as follows:

	2016 HK\$'000	2015 HK\$'000
Recurring fair value measurements		
Freehold land — Macau	36,240	36,240
Leasehold land and buildings		
— Industrial — HK	111,000	110,300
— Commercial — Mainland China	2,952	3,198
— Residential — Mainland China	4,610	5,964
— Commercial — Macau	4,720	4,720
— Residential — Macau	430	430
	159,952	160,852

There were no transfers between levels 1, 2 and 3 during the year.

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(d) Valuation techniques and inputs

Fair values of properties in Hong Kong, Mainland China and Macau were generally derived using direct comparison approach and net replacement cost approach. There were no changes to the valuation technique during the year. Direct comparison method is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration. Net replacement cost approach is based on the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date, adjusted by depreciation at straight line rate.

The valuation takes into account the characteristics of the properties held for own use, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input of direct comparison approach was the market price, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the properties held for own use.

The key input of net replacement cost approach was the net replacement cost of the properties, which a significant increase/decrease in the net replacement cost would result in a significant increase/decrease in the fair value of the properties held for own use.

(e) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 June 2016 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties in Hong Kong	111,000	Direct comparison approach	Prevailing market price per square foot	Industrial: HK\$2,277 — HK\$3,972 per square foot	The higher the price per square foot, the higher the fair value
Properties in Mainland China	7,562	Net replacement cost approach	Net replacement cost per square metre	Commercial: RMB2,764 — RMB4,146 per square metre Residential: RMB1,565 — RMB4,045 per square metre	The higher the price per square metre, the higher the fair value
Properties in Macau — freehold land and buildings	38,700	Direct comparison approach	Prevailing market price per square foot	Commercial: HK\$12,311 per square foot Residential: HK\$6,036 per square foot	The higher the price per square foot, the higher the fair value
Properties in Macau — others	2,690	Net replacement cost approach	Net replacement cost per square foot	Commercial: HK\$1,371 per square foot	The higher the price per square foot, the higher the fair value
Description	Fair value at 30 June 2015 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties in Hong Kong	110,300	Direct comparison approach	Prevailing market price per square foot	Industrial: HK\$2,159 — HK\$3,972 per square foot	The higher the price per square foot, the higher the fair value
Properties in Mainland China	9,162	Net replacement cost approach	Net replacement cost per square metre	Commercial: RMB2,811 — RMB4,146 per square metre Residential: RMB1,206 — RMB4,066 per square metre	The higher the price per square metre, the higher the fair value
Properties in Macau — freehold land and buildings	38,700	Direct comparison approach	Prevailing market price per square foot	Commercial: HK\$12,311 per square foot Residential: HK\$6,036 per square foot	The higher the price per square foot, the higher the fair value
Properties in Macau — others	2,690	Net replacement cost approach	Net replacement cost per square foot	Commercial: HK\$1,371 per square foot	The higher the price per square foot, the higher the fair value

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(e) Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The movements for the years ended 30 June 2016 in the balance of recurring Level 3 fair value measurements, with one or more of the significant inputs based on unobservable inputs, are as follows:

	Commercial properties		Residential properties		Industrial properties	
	Mainland		Mainland		Hong Kong	
	China HK\$'000	Macau HK\$'000	China HK\$'000	Macau HK\$'000	Hong Kong HK\$'000	Total HK\$'000
At 1 July 2015	3,198	37,690	5,964	3,700	110,300	160,852
Exchange differences	(80)	–	(77)	–	–	(157)
Depreciation charge	(104)	(181)	(1,135)	(21)	(3,514)	(4,955)
(Decrease)/increase in fair value recognised in other comprehensive income	(62)	181	(142)	21	4,214	4,212
At 30 June 2016	2,952	37,690	4,610	3,700	111,000	159,952
At 1 July 2014	3,267	37,620	6,058	3,700	104,500	155,145
Exchange differences	6	–	–	–	–	6
Depreciation charge	(99)	(166)	(118)	(19)	(3,322)	(3,724)
Impairment	–	–	(17)	–	–	(17)
Increase in fair value recognised in other comprehensive income	24	236	41	19	9,122	9,442
At 30 June 2015	3,198	37,690	5,964	3,700	110,300	160,852

Fair value gains, deferred income tax on fair value gain and currency translation differences of the properties held for own use of the Group are recognised in other comprehensive income in "property, plant and equipment revaluation reserve" and "exchange reserve" respectively.

15 LAND USE RIGHTS

	HK\$'000
Year ended 30 June 2016	
Opening net book amount	24,075
Exchange differences	(373)
Amortisation	(615)
Closing net book amount	23,087
At 30 June 2016	
Cost	24,507
Accumulated amortisation	(1,420)
Net book amount	23,087
Year ended 30 June 2015	
Opening net book amount	24,654
Exchange differences	8
Amortisation	(587)
Closing net book amount	24,075
At 30 June 2015	
Cost	26,310
Accumulated amortisation	(2,235)
Net book amount	24,075

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks and brand names HK\$'000	Total HK\$'000
Year ended 30 June 2016			
Opening net book amount	33,841	1,850	35,691
Amortisation	–	(370)	(370)
Closing net book amount	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 amount	33,841	1,480	35,321
Year ended 30 June 2015			
Opening net book amount	33,841	2,220	36,061
Amortisation	–	(370)	(370)
Closing net book amount	33,841	1,850	35,691
At 30 June 2015			
Cost	38,512	12,100	50,612
Accumulated amortisation	–	(2,970)	(2,970)
Accumulated impairment	(4,671)	(7,280)	(11,951)
Net book amount	33,841	1,850	35,691

(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 growth 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.

Notes to the Consolidated Financial Statements

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:

	2016	2015
Gross margin	9.4–9.8%	10.3–10.6%
Growth rate	5%	3–4.5%
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 2016 (2015: Nil).

If the discount rate used for the group of CGUs had been increased by 5% as at 30 June 2016, the Group will still have sufficient headroom and no provision for impairment loss is necessary.

17 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	2016 HK\$'000	2015 HK\$'000
Deferred income tax assets	4,581	268
Deferred income tax liabilities	(44,485)	(36,879)
	(39,904)	(36,611)

Notes to the Consolidated Financial Statements

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 are expected to be recovered after more than twelve months while deferred income tax liabilities are expected to be 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 2014 and 30 June 2015	153	115	–	268
Credited to consolidated income statement	122	3,946	245	4,313
As at 30 June 2016	275	4,061	245	4,581

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 2014	(366)	(29,549)	(71)	(29,986)
Charged to other comprehensive income	–	(1,302)	–	(1,302)
Credited/(charged) to consolidated income statement	61	417	(6,069)	(5,591)
As at 30 June 2015	(305)	(30,434)	(6,140)	(36,879)
Charged to other comprehensive income	–	(687)	–	(687)
Credited/(charged) to consolidated income statement	61	1,104	(8,084)	(6,919)
As at 30 June 2016	(244)	(30,017)	(14,224)	(44,485)

As at 30 June 2016, the Group did not recognise deferred income tax assets of HK\$16 million (2015: HK\$19 million), arising from unused tax losses of HK\$94 million (2015: HK\$116 million). Except for tax losses of HK\$1 million as at 30 June 2016 (2015: HK\$15 million) which will expire within three years and except for tax losses of HK\$2 million as at 30 June 2016 (2015: HK\$4 million) which will expire within five years, the remaining tax losses have no expiry date.

Notes to the Consolidated Financial Statements

18 INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	1,758	1,027
Finished goods	15,975	17,047
	17,733	18,074

19 CONTRACTS IN PROGRESS

	2016 HK\$'000	2015 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses	7,565,338	4,985,534
Progress payments received and receivable	(8,386,624)	(5,359,693)
	(821,286)	(374,159)
Representing		
Amounts due from customers for contract works	317,082	113,818
Amounts due to customers for contract works	(1,138,368)	(487,977)
	(821,286)	(374,159)

20 TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
Third parties	137,801	151,050
Related companies (Note 27(c))	172,026	41,803
	309,827	192,853
Less: provision for impairment		
Third parties	(6,674)	(6,752)
	303,153	186,101
Retention receivables		
Third parties	160,977	191,170
Related companies (Note 27(c))	188,918	102,917
	349,895	294,087
Accrued contract revenue	160,270	156,288
Other receivables and prepayments	28,958	38,802
	842,276	674,558

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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:

	2016 HK\$'000	2015 HK\$'000
Current to 90 days	280,308	170,303
91–180 days	9,115	7,756
Over 180 days	13,730	8,042
	303,153	186,101

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.

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.

	2016 HK\$'000	2015 HK\$'000
1–90 days	192,461	70,864
91–180 days	9,115	7,756
Over 180 days	13,730	8,042
	215,306	86,662

At 30 June 2016, the Group's trade receivables of HK\$6,674,000 (2015: HK\$6,752,000) were impaired.

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	745,203	485,125
Renminbi	58,964	86,720
Macau patacas	32,926	96,342
United States dollars	83	11
Others	5,100	6,360
	842,276	674,558

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

	2016 HK\$'000	2015 HK\$'000
At beginning of year	6,752	7,474
Exchange differences	–	(10)
Receivables written off during the year	–	(335)
Reversal of provision during the year	(84)	(377)
Provision for the year	6	–
At end of year	6,674	6,752

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.

21 CASH AND BANK BALANCES

	2016 HK\$'000	2015 HK\$'000
Time deposits — original maturities within three months	1,040,908	2,497
Time deposits — original maturities over three months	52,000	–
Other cash at bank and in hand	233,018	610,029
	1,325,926	612,526

At 30 June 2016, the effective interest rates on bank deposits range from 0.96% per annum (2015: 1.49% per annum).

Notes to the Consolidated Financial Statements

21 CASH AND BANK BALANCES *(Continued)*

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

	2016 HK\$'000	2015 HK\$'000
Renminbi	375,879	425,553
Hong Kong dollars	899,433	176,907
Macau patacas	36,759	7,486
United States dollars	844	778
Euros	10,598	267
Others	2,413	1,535
	1,325,926	612,526

22 SHARE CAPITAL

On 9 December 2015, 37,500,000 shares were allotted and issued, credited as fully paid at par.

On 9 December 2015, 112,500,000 shares were allotted and issued as fully paid for cash at HK\$2.75 per share.

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 2015 and 30 June 2016	1,000,000,000	100,000
Ordinary shares, issued and fully paid:		
As at 30 June 2015	300,000,000	30,000
Capitalisation issues	37,500,000	3,750
Issues of shares	112,500,000	11,250
As at 30 June 2016	450,000,000	45,000

Notes to the Consolidated Financial Statements

23 RESERVES

	Combined capital 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 2015	-	471,697	(146,414)	6,630	76,111	17,994	40,144	466,162
Profit for the year	-	-	-	-	-	-	161,071	161,071
Issuance of shares	-	271,507	-	-	-	-	-	271,507
Dividend	-	-	-	-	-	-	(22,500)	(22,500)
Currency translation differences	-	-	-	(23,597)	-	-	-	(23,597)
Appropriation to statutory reserves	-	-	-	-	-	3,050	(3,050)	-
Revaluation gain on property, plant and equipment	-	-	-	-	4,212	-	-	4,212
Deferred income tax on revaluation gain on property, plant and equipment	-	-	-	-	(687)	-	-	(687)
Realisation of fair value gain through use of property, plant and equipment	-	-	-	-	(2,674)	-	2,674	-
At 30 June 2016	-	743,204	(146,414)	(16,967)	76,962	21,044	178,339	856,168
At 1 July 2014	355,283	-	-	7,305	70,257	13,995	92,706	539,546
Profit for the year	-	-	-	-	-	-	149,151	149,151
Issuance of shares	(355,283)	471,697	(146,414)	-	-	-	-	(30,000)
Dividend	-	-	-	-	-	-	(200,000)	(200,000)
Currency translation differences	-	-	-	(675)	-	-	-	(675)
Appropriation to statutory reserves	-	-	-	-	-	3,999	(3,999)	-
Revaluation gain on property, plant and equipment	-	-	-	-	9,442	-	-	9,442
Deferred income tax on revaluation gain on property, plant and equipment	-	-	-	-	(1,679)	-	-	(1,679)
Realisation of fair value gain through use of property, plant and equipment	-	-	-	-	(2,286)	-	2,286	-
Reversal of deferred income tax on fair value gain through use of property, plant and equipment	-	-	-	-	377	-	-	377
At 30 June 2015	-	471,697	(146,414)	6,630	76,111	17,994	40,144	466,162

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 2016, the board of directors of the PRC companies resolved to appropriate HK\$3,050,000 (2015: HK\$3,999,000) 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 upon the completion of the Reorganisation.

Notes to the Consolidated Financial Statements

24 TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables		
Third parties	81,772	99,666
Related companies (Note 27(c))	–	1
	81,772	99,667
Bills payable		
Third parties	6,708	4,678
Retention payables		
Third parties	209,125	151,850
Related companies (Note 27(c))	14	201
	209,139	152,051
Accrued expenses	97,454	115,157
Provision for contracting costs	230,633	213,400
Other creditors and accruals	29,217	29,431
	654,923	614,384

The carrying amounts of the balances approximate their fair values.

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	429,882	413,881
Renminbi	171,143	148,972
Macau patacas	39,020	45,756
United States dollars	2,394	541
Malaysian ringgits	6,835	971
Euros	5,639	4,221
Others	10	42
	654,923	614,384

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:

	2016 HK\$'000	2015 HK\$'000
1–90 days	79,833	94,930
91–180 days	419	2,264
Over 180 days	1,520	2,473
	81,772	99,667

Notes to the Consolidated Financial Statements

25 COMMITMENTS

(a) Capital commitments for property, plant and equipment

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	998	–

(b) Operating lease commitments

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

	2016 HK\$'000	2015 HK\$'000
No later than one year	26,799	28,681
Later than one year and no later than five years	19,482	8,933
	46,281	37,614

Notes to the Consolidated Financial Statements

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	179,127	169,097
Interest income	(10,841)	(16,435)
Interest expenses	–	226
Amortisation of land use rights	615	587
Amortisation of intangible assets	370	370
Depreciation of property, plant and equipment	14,257	7,896
Provision for inventories	570	1,427
Write back of provision for inventories	(1,302)	(343)
Reversal of impairment loss on trade receivables	(84)	(712)
Provision for employee termination benefits	–	488
Impairment loss on trade and other receivables	6	–
Impairment loss on property, plant and equipment	–	17
Gain on disposal of property, plant and equipment, net	(122)	(201)
Listing expenses	16,765	–
Unrealised exchange differences	(1,642)	(748)
Operating cash flows before changes in working capital	197,719	161,669
Changes in working capital:		
— Inventories	1,073	2,817
— Net amounts due to customers for contract works	448,964	32,501
— Trade and other receivables	(174,389)	14,304
— Trade and other payables	55,444	(125,883)
— Balances with related companies	–	(13,130)
Cash generated from operations	528,811	72,278

(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.

Notes to the Consolidated Financial Statements

27 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 2016.

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

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

Notes to the Consolidated Financial Statements

27 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
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
New Town Project Management Limited	Note ii
協興建築(中國)有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南新城新世界物業服務有限公司	Note ii
新世界安信(天津)發展有限公司	Note ii
天津新世界百貨有限公司	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
廣州市新樂房地產開發有限公司	Note ii
East Concept Investments Ltd	Note ii
周大福鐘錶(香港)有限公司	Note ii
GH Hotel Company Limited (Formerly known as Grand Hyatt Hong Kong Co Ltd)	Note ii
Head Step Ltd T/A Penhahotel 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 Limited	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

Notes to the Consolidated Financial Statements

27 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
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
廣州市新御房地產開發有限公司	Note ii
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
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

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder.
- (ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

(b) 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 2016.

Related party transactions:

	2016 HK\$'000	2015 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	40,552	37,973
Other related companies	1,688,068	712,027
	1,728,620	750,000
Contract expenses (Note v)		
Other related companies	–	2,060

Notes to the Consolidated Financial Statements

27 RELATED PARTY TRANSACTIONS *(Continued)*

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

	2016 HK\$'000	2015 HK\$'000
Insurance broking service expenses (Note ii) Related companies commonly controlled by the Ultimate Controlling Shareholder	15,118	11,586
Rental expenses (Note iii) Related companies commonly controlled by the Ultimate Controlling Shareholder	6,325	4,438
Other related companies	176	185
	6,501	4,623
Management fee (Note iv) Related companies commonly controlled by the Ultimate Controlling Shareholder	–	12,600

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) Management fee was principally charged in accordance with the respective management services agreements.
- (v) The above transactions with related parties are based upon mutually agreed terms and conditions.

Notes to the Consolidated Financial Statements

27 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	15,770	6,975
Other related companies	156,256	34,828
	172,026	41,803
Amounts due from customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	5,541	5,618
Other related companies	205,845	49,245
	211,386	54,863
Amounts due to customers for contract works		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,990	5,393
Other related companies	652,567	120,177
	657,557	125,570
Retention receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	530	–
Other related companies	188,388	102,917
	188,918	102,917
Retention payables		
Other related companies	14	201
Advance received for contract works		
Other related companies	5,759	1,061

Notes to the Consolidated Financial Statements

27 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:

	2016 HK\$'000	2015 HK\$'000
Fees	633	380
Salaries and other emoluments	29,119	19,070
Contributions to defined contribution schemes	1,520	1,455
	31,272	20,905

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

	2016 Number of individuals	2015
Emolument bands		
Nil–HK\$1,000,000	6	3
HK\$1,000,001–HK\$1,500,000	–	2
HK\$1,500,001–HK\$2,000,000	6	2
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	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	–

Notes to the Consolidated Financial Statements

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
ASSETS		
Non-current asset		
Subsidiaries	501,697	501,697
Current assets		
Trade and other receivables	223	1,002
Amounts due from subsidiaries	76,487	10,776
Cash and bank balances	162,549	–
	239,259	11,778
Total assets	740,956	513,475
EQUITY		
Share capital	45,000	30,000
Reserves (note (a))	694,413	466,162
Total equity	739,413	496,162
LIABILITIES		
Current liabilities		
Trade and other payables	1,543	2,655
Amounts due to subsidiaries	–	14,658
Total liabilities	1,543	17,313
Total equity and liabilities	740,956	513,475
Net current assets/(liabilities)	237,716	(5,535)
Total assets less current liabilities	739,413	496,162

The statement of financial position of the Company was approved by the Board of Directors on 22 September 2016 and were signed on its behalf.

Wong Kwok Kin, Andrew
Director

Poon Lock Kee, Rocky
Director

Notes to the Consolidated Financial Statements

28 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 2014	–	–	–
Loss for the year	–	(5,535)	(5,535)
Issuance of shares	471,697	–	471,697
At 30 June 2015	471,697	(5,535)	466,162
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

Notes to the Consolidated Financial Statements

29 PRINCIPAL SUBSIDIARIES AND JOINT OPERATIONS

The following is a list of the principal subsidiaries and joint operations as at 30 June 2016:

Company name	Place of incorporation or establishment/ principal place of operation	Registered/ issued and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June		
			2016	2015	
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\$10,000,000	100	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited	Macao	MOP25,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services

Notes to the Consolidated Financial Statements

29 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		Principal activities
			As at 30 June		
			2016	2015	
Indirectly owned subsidiaries: (Continued)					
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
Tridant 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

Notes to the Consolidated Financial Statements

29 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		Principal activities
			As at 30 June		
			2016	2015	
Indirectly owned subsidiaries: (Continued)					
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	Mainland China ¹	RMB150,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司	Mainland China ¹	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 ¹	RMB15,000,000	100	100	Mechanical and electrical engineering
Joint operations:					
BBY HK Joint Venture	Hong Kong	Not applicable	–	50	Mechanical and electrical engineering
BBY Macau Joint Venture	Macau	Not applicable	60	60	Mechanical and electrical engineering in Macau
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 These subsidiaries are limited liability companies incorporated in Mainland China.

Five-Year Financial Summary

RESULTS

	For the year ended 30 June				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
REVENUE	2,223,618	2,380,584	2,555,017	2,825,107	3,471,907
PROFIT FOR THE YEAR	108,777	113,732	131,200	149,151	161,071
Attributable to:					
— Equity holders	108,690	113,691	131,200	149,151	161,071
— Non-controlling interests	87	41	—	—	—

ASSETS, LIABILITIES AND EQUITY

	As at 30 June				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
TOTAL ASSETS	1,826,144	1,822,494	1,931,239	1,651,592	2,753,415
TOTAL LIABILITIES	(1,263,967)	(1,137,052)	(1,391,693)	(1,155,430)	(1,852,247)
TOTAL EQUITY	562,177	685,442	539,546	496,162	901,168

FINANCIAL INFORMATION PER SHARE

	As at 30 June				
	2012	2013	2014	2015	2016
EARNINGS (HK\$)	0.36	0.38	0.44	0.50	0.42
NET ASSETS (HK\$)	1.71	2.12	1.68	1.53	2.25

KEY RATIO

	As at 30 June				
	2012	2013	2014	2015	2016
CURRENT RATIO (times)	1.2	1.3	1.3	1.3	1.4
GEARING RATIO	4.7%	1.1%	23.4%	0%	0%
RETURN ON ASSETS	6.0%	6.2%	6.8%	9.0%	5.8%
RETURN ON EQUITY	19.3%	16.7%	24.3%	30.1%	17.9%

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Dr. Cheng Kar Shun, Henry (*Chairman*)

Executive Directors

Mr. Wong Kwok Kin, Andrew (*Vice-Chairman*)
Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*)
Mr. Lam Wai Hon, Patrick
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. Poon Lock Kee, Rocky
Mr. Lam Wai Hon, Patrick

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
Crédit Agricole Corporate and Investment Bank
Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited

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