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.

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;

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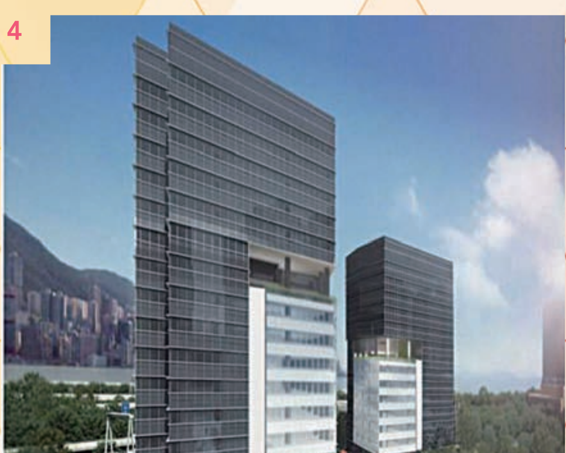

5. Plumbing and drainage installation for the Tsuen Wan Property Development TW5 Bayside (Phase 2) in Tsuen Wan, New Territories, Hong Kong;

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

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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;

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3. Electrical and drainage installation for the Western Apron Expansion Works at Hong Kong International Airport, Lantau, Hong Kong;

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

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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;

1


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

2


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;

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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;

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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%

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.

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.

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".

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.

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.