Management Discussion and Analysis

BUSINESS REVIEW

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

In addition, the Group is committed to creating a greener society. To help build a sustainable environment, the Group has been relentless in optimising design and exploring innovative methods. At project level, we incorporate green building principles into application of building services equipment; and adopt green building designs, modularisation and prefabrication to reduce energy usage, carbon emissions and construction wastes. Furthermore, we invest in innovative construction technologies such as Building Information Modelling (BIM), laser scanning and mobile solutions, to help us improve operational efficiency and project management. Our environmental management service business, a new growth driver, continues to provide environmental assessment and energy efficient solutions to our customers for them to achieve their environmental protection and energy conservation goals.

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

Financial performance

Drawing on its competitive strengths as described above, the Group delivered a solid financial performance with revenue amounting to HK$1,769.3 million for the period under review, up by HK$160.0 million or 9.9%, as compared to HK$1,609.3 million for the same period last year. Profit attributable to equity holders for the period under review was HK$82.3 million, representing an increase of HK$6.9 million or 9.2% against HK$75.4 million for the same period last year.

As at 31 December 2016 , our projects encompassed a wide range of buildings and facilities, including offices, shopping malls, a convention and exhibition centre, hotels, residential properties, universities, hospitals, and public transportation facility buildings, of total contract sum HK$5,600.0 million outstanding. For the period under review, the Group had been awarded 50 E&M engineering and environmental service projects (net contract sum equal to or exceeding HK$1.0 million per project) of net contract sum totally HK$1,231.5 million. The major projects (net contract sum equal to or more than HK$100.0 million per project) among them are in (1) Hong Kong: electrical and ventilation provision to midfield expansion at the Hong Kong International Airport; plumbing and drainage installation for a residential development in LOHAS Park Package 5, electrical and fire services installation to a public rental housing at Pak Tin Estate Redevelopment Phases 7 and 8, and (2) Macau: electrical installation for the hotel development at City of Dreams. For the period under review, the Group submitted tenders for 323 E&M engineering and environmental services projects (contract sum equal to or exceeding HK$1.0 million per project, if awarded) at a total tender sum of HK$10,034.4 million.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the period under review, the Group's revenue rose by HK$160.0 million or 9.9% to HK$1,769.3 million from HK$1,609.3 million for the same period last year, attributable mostly to the higher revenue of HK$153.6 million brought in by the E&M engineering segment.

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

	For the six months ended 31 December			
	2016 **HK$'M**	2015 HK$'M	Change HK$'M	% change
E&M engineering*	**1,738.5**	1,584.9	153.6	9.7%
Environmental management services*	**30.8**	24.4	6.4	26.2%
Total	**1,769.3**	1,609.3	160.0	9.9%

* Segmental revenue does not include inter-segment sales.

- *E&M (electrical and mechanical) engineering:* This segment continued to be the key turnover driver of the Group and contributed 98.3% of the Group's total revenue (2015: 98.5%). Its revenue was up by 9.7% from HK$1,584.9 million to HK$1,738.5 million for the period ended 31 December 2016, owed mainly to the increase in revenue from the installation division with a number of major E&M projects in Hong Kong and the PRC starting to bring in revenue in the period under review. The increase was partly offset by the reduction in contribution from Macau with a five-star hotel and resort development ("Project Cotai Resort") and a well-known hotel in Cotai Macau completed in the period under review.

- *Environmental management services:* The revenue contribution of this business segment increased from HK$24.4 million to HK$30.8 million, representing a growth of 26.2% as compared with the same period last year. The increase was mainly attributable to the increase in revenue from environmentally-related contracting and maintenance services, primarily water treatment services and bio-technology installation and maintenance services.

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

	For the six months ended 31 December			
	2016 **HK$'M**	2015 HK$'M	Change HK$'M	% change
Hong Kong	**1,381.6**	1,041.4	340.2	32.7%
PRC	**274.3**	167.0	107.3	64.3%
Macau	**113.4**	400.9	(287.5)	(71.7%)
Total	**1,769.3**	1,609.3	160.0	9.9%

Hong Kong: Revenue from Hong Kong increased by HK$340.2 million or 32.7% to HK$1,381.6 million for the period under review from HK$1,041.4 million for the same period last year. The increase was mainly attributable to the substantial turnover contribution from a number of sizeable installation projects, including the E&M installation for the Gleneagles Hong Kong Hospital in Wong Chuk Hang and the plumbing and drainage installation for a residential development at Tseung Kwan O Town Lot No. 112 in Area 65C1 which made significant progress during the period under review and lifted Hong Kong's contribution to the Group's total revenue from 64.7% to 78.1%.

PRC: Revenue from the PRC increased by 64.3% from HK$167.0 million for the six months ended 31 December 2015 to HK$274.3 million for the period under review, representing an increase in geographical contribution from 10.4% to 15.5%. The increase of HK$107.3 million in revenue was from the kick off of two major installation projects — an office building development and a hotel development in Wuhan — which were secured in 2016 and had started to contribute revenue during the period under review.

Macau: Revenue from Macau decreased by 71.7% from HK$400.9 million for the six months ended 31 December 2015 to HK$113.4 million for the period under review, representing a drop in geographical contribution from 24.9% to 6.4%. The decline was mainly resulted from the reduction in the contribution from two major projects, namely Project Cotai Resort and a well-known hotel in Cotai Macau, which had been substantially completed in the corresponding period last year. Also, work in relation to a relatively sizeable contract awarded during the period under review had just begun and yet to contribute revenue to the region.

Gross profit

The Group's overall gross profit increased by HK$6.5 million or 3.4% from HK$189.1 million for the six months ended 31 December 2015 to HK$195.6 million for the period under review, whereas overall gross profit margin remained relatively stable at 11.1% (31 December 2015: 11.8%). The increase in gross profit was in line with the overall remarkable growth of the Group's revenue, with E&M engineering business recording an increase in gross profit during the period under review with segmental gross profit margin maintained at 10.8% (31 December 2015: 11.5%). The gross profit margin of the environmental management services segment improved from 26.2% to 26.6%, mainly attributable to an increase in revenue from bio-technology maintenance services and water treatment maintenance services with relatively higher profit margin.

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

	For the six months ended 31 December			
	2016		2015	
	Gross profit HK$'M	**Gross profit margin %**	Gross profit HK$'M	Gross profit margin %
E&M engineering	**187.4**	**10.8**	182.7	11.5
Environmental management services	**8.2**	**26.6**	6.4	26.2
Total	**195.6**	**11.1**	189.1	11.8

Management Discussion and Analysis

Other losses/gains, net

For the period under review, other net losses, which amounted to HK$0.2 million (31 December 2015: other net gains of HK$0.5 million), mainly included the loss on disposal of property, plant and equipment and net foreign exchange loss.

Finance income

The Group recorded finance income of HK$6.8 million (31 December 2015: HK$5.1 million). The increase was mainly due to the increase in the average principal sum of the bank deposit placed in Hong Kong and Mainland China.

General and administrative expenses

General and administrative expenses of the Group for the period under review decreased by 8.8% to HK$100.1 million, compared to HK$109.8 million for the same period last year. The decrease of HK$9.7 million was mainly attributable to the listing expenses of HK$16.8 million incurred in the same period last year that was non-recurring in the period under review. The effect was partly offset by the increase in staff cost from annual salary increment and employment of additional staff to cope with business expansion, and increase in depreciation for leasehold improvement of the Group's head office.

Taxation

The effective tax rate of the Group increased from 11.2% to 19.3% as compared with the same period last year. The relatively low effective tax rate in the same period last year was resulting from the one-off recognition of deferred tax assets of a joint operation project in the amount of HK$5.8 million, that was non-recurring in the period under review.

Profit attributable to equity holders

As a result of the foregoing, our profit for the period under review increased by 9.2% or HK$6.9 million to HK$82.3 million, compared to HK$75.4 million for the last corresponding period. The increase was mainly the result of higher contracting revenue mostly from our core business segments and the decrease in general and administrative expenses due to the non-recurring listing expenses, which was partly offset by the respective tax charge on the higher operating profit of the Group. The net profit margin of the Group remained stable at 4.7% for the period under review (31 December 2015: 4.7%).

Other comprehensive loss

The Group recorded other comprehensive loss of HK$16.3 million for the period under review, reflective of the decrease in exchange reserve from depreciation of the Renminbi ("RMB") for conversion of the net investments in PRC operations.

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 31 December 2016, the Group had total cash and bank balances of HK$1,300.0 million, of which 68%, 29% and 3% were denominated in Hong Kong dollars, RMB and other currencies respectively (30 June 2016: 68%, 28% and 4% respectively). As compared to HK$1,325.9 million as at 30 June 2016, the Group's cash and bank balances decreased by HK$25.9 million to HK$1,300.0 million, which was primarily due to the distribution of final dividend of HK$42.3 million for the year ended 30 June 2016 and the HK$28.5 million deposits paid for the acquisition of a property holding group, partly offset by the increase in net cash inflow from operating activities.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period with no bank borrowings and outstanding borrowings as at 31 December 2016 (30 June 2016: Nil), hence its gearing ratio (being our total borrowings divided by our total equity) was maintained at zero as at 31 December 2016. As at 31 December 2016, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$1,066.5 million (30 June 2016: HK$1,119.2 million), of which HK$337.2 million (30 June 2016: HK$329.3 million) had been utilised for bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirement.

Foreign currency exposure

The Group operates primarily in Hong Kong, Macau and the PRC and is not exposed to significant exchange risk. The Company does not have a foreign currency hedging policy and foreign currency risk is managed by closely monitoring movement of foreign currency rates. It will consider entering into forward foreign exchange contracts to reduce exposure should the need arise.

As part of our business is carried in the PRC, part of our assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in the PRC operations with net assets of HK$225.3 million as at 31 December 2016. The foreign currency translation arising from translation of these PRC operations' financial statements from RMB (functional currency of these PRC operations) into Hong Kong dollars (the group's presentation currency) does not affect our profit before and after tax, and is recognised in our other comprehensive income.

During the period under review, the fluctuation of RMB against Hong Kong dollars was 5.1% (difference between the highest exchange rate of RMB against Hong Kong dollars and the lowest during the period under review).

As at 31 December 2016, if the Hong Kong dollars had strengthened/weakened by another 5.0% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$11.3 million lower/higher.

Management Discussion and Analysis

Use of net proceeds from listing

Between 10 December 2015 (the date of listing of the Company) and 31 December 2016, the net proceeds of HK$264.5 million received from the Global Offering (referred to in the prospectus issued by the Company on 26 November 2015) were applied as follows:

	Net proceeds from Global Offering HK$'M	Utilised HK$'M	Unutilised HK$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	0.9	80.7
Development of environmental management business	51.0	1.4	49.6
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	–
Staff-related additional expenses	20.0	0.7	19.3
Development and enhancement of design capability	19.3	7.5	11.8
Enhancement of quality testing laboratory	12.2	2.9	9.3
Upgrade of corporate information technology system and software	8.0	1.9	6.1
General working capital	25.0	18.2	6.8
Total	264.5	80.9	183.6

During the period under review, the Group utilised HK$23.7 million of the net proceeds. The Group held the unutilised net proceeds mainly in short-term deposits or time deposits with licensed banks and authorised financial institutions in Hong Kong.

Capital commitments

The Group had capital commitments which were contracted but not provided for of HK$256.5 million as at 31 December 2016 in relation to the acquisition of a property holding group in a total consideration of HK$285.0 million, of which HK$28.5 million had been paid during the period under review and recorded as non-current deposits in the unaudited condensed consolidated statement of financial position as at 31 December 2016. The relevant property was acquired as additional premises for office use by members of the Group as well as reducing the Group's costs in leasing of office premises in the long run. Details of the acquisition were set out in the announcement of the Company dated 5 October 2016 and 9 January 2017 respectively and the circular of the Company dated 25 October 2016.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016 (as at 30 June 2016: Nil).

Management Discussion and Analysis

Change in accounting policy

In accordance with HKAS 16 Property, Plant and Equipment, leasehold land and buildings can either be accounted for using the cost model or the revaluation model. With effective from 1 July 2016, the Group aligned its accounting policy with the industry practice and changed to adopting the cost model to account for leasehold land and buildings instead of the revaluation model. This voluntary change in accounting policy has enabled the Group to provide reliable and more relevant information on the financial statements about its performance and financial position. The impact of such change is primarily to restate the leasehold land and buildings of the Group to their historical cost. Under the new accounting policy, the total equity of the Group as at 30 June 2016 is restated from HK$901.2 million to HK$822.8 million whereas profit attributable to the equity holders for the period ended 31 December 2015 is restated from HK$74.6 million to HK$75.4 million. Details of the change and the respective financial effect are set out in Note 2(c) of the Condensed Consolidated Interim Financial Statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of 1,622 employees (31 December 2015: 1,609). Staff cost for the period under review, including salaries and benefits, was HK$276.0 million (six months ended 31 December 2015: HK$257.7 million). The increase in total headcount was in line with the number of projects awarded and projects on hand in the E&M engineering segment in Hong Kong during the period under review.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored training to its employees to promote their upward mobility in the organisation and foster employee loyalty. Our employees are subject to regular job performance reviews bearing on their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employee's performance, qualifications and experience.

The Company adopted a share option scheme on 20 November 2015, aiming at providing incentive to the eligible participants (including employees of the Group) that they would be encouraged to contribute to the Group. The scheme also enables us to attract and recruit high-calibre employees with knowledge, talents and experience that are valuable to the Group.

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 (Chapter 485 of the Laws of Hong Kong). The Group has complied with relevant laws and regulations, and has made relevant contributions in accordance with those relevant laws and regulations.

OUTLOOK

With market leadership and backed by a proven track record, a well-established customer network and ample financial reserves, the Group will be able to continuously seek acquisition opportunities and engage competent professional talent to help it explore new market opportunities and extend geographical coverage in Hong Kong, Macau and the PRC.

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

Currently, the E&M engineering segment in Hong Kong, which accounts for over 50% of the Group's total revenue and gross profit, is the core business of the Group. However, while being proud of the performance of the segment in Hong Kong, the Group is striving to bolster its market presence in other regions. It has also recently set up a new team for ELV (extra-low voltage) system engineering function to facilitate business expansion.

Management Discussion and Analysis

E&M engineering segment

Hong Kong

With the Hong Kong Government having unveiled a series of new policies and initiatives in including infrastructure projects favourable to the construction industry, in 2015, the industry accounted for 4.7% of Hong Kong's total GDP. According to the Construction Industry Council's construction expenditure forecasts, E&M construction works expenditure will amount to over HK$15 billion for the public sector and over HK$25 billion for the private sector a few years from now. Projects in the two sectors will together create a large number of jobs, particularly crucial for Hong Kong in times of economic uncertainty.

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

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

To prepare for the challenges brought by the aging population brings, the Hong Kong Government earmarked HK$200 billion last year for a 10-year hospital development plan covering, among others, redevelopment of Queen Mary Hospital, Kwong Wah Hospital, United Christian Hospital and Kwai Chung Hospital, construction of an acute care general hospital in the Kai Tak Development Area and redevelopment or expansion of various hospitals such as the Tuen Mun Hospital Operating Block, Prince of Wales Hospital and North District Hospital. The above projects will provide 5,000 additional public hospital beds and 94 new surgical theatres in the next 10 years. In addition, the Government has decided to finance construction of a Chinese medicine hospital in Tseung Kwan O in 2018/19.

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

The construction engineering sectors in Hong Kong are facing a multitude of problems and dire challenges. Currently, the E&M engineering services industry in Hong Kong has an all-time-high workforce of above 50,000. However, according to forecast, there will be a severe labour shortage of about 10,000 to 15,000 skilled workers in the construction industry in the next few years, which, together with the aging workforce, are going to push up labour costs and hence construction cost. The filibustering in the Legislative Council has delayed the award of new public works contracts, which adds to the rising construction cost. The Group thus has strived to maintain a relatively stable workforce and retain loyal staff members that it may preserve its competitiveness.

Management Discussion and Analysis

As reflected in the statistics available, currently there are over 1,700 commercial buildings, 1,600 industrial buildings and 24,000 residential buildings aged over 20 years in Hong Kong. Thus, the maintenance section of our E&M engineering services anticipates a growing demand for term maintenance contracts from different prestigious commercial buildings, the public sector and educational institutions seeking the service of quality contractors to help them keep their properties in the best possible shape. We expect an increase in revenue from fitting-out works, system upgrade 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 favourable returns to the maintenance section.

The maintenance team of the Group has also recently been appointed by a major mainland chiller manufacturer as their exclusive service agent in Hong Kong and Macau. This service agreement covers 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 contracts from the government, for public infrastructure works, hospital development projects, public rental and subsidised housing projects, and private commercial and residential building projects. The Group also targets to secure more term maintenance contracts and alteration and addition works in the maintenance service market.

Macau

In 2016, the Macau gaming market with 47 casinos generated total gross revenues of US$29 billion for Macau, about five times that of Las Vegas. The many related projects undertaken by the construction and E&M engineering sectors in Macau in the past few years were the reason that the sectors had performed so well. However, with several sizable casino projects completed in 2016 and tourism and the gaming industry of the city still flagging and far from fully recovered, the construction and engineering sectors in Macau are expected to go through consolidation.

Nevertheless, there is a constant demand for renovation and improvement works from hotels and casinos. In addition, the city has a high demand for housing, and plan to expand the Macau International Airport, has also hired the Hong Kong Mass Transit Railway Corporation Limited to be the project manager of her new Light Rail system and is investing in the Islands District Medical Complex, all of which are expected to create business opportunities in Macau for the Group in the coming few years.

The Macau SAR Government has launched its first Five-year Development Plan and initiated the reclamation project for New Urban Zone Area A and the Zhuhai-Macao man-made islands in association with the Hong Kong-Zhuhai-Macao Bridge, which are expected to provide land for 28,000 public housing units and 4,000 private housing units. Conductive to the growth of its tourism industry, the city projected that it will be able to offer 44,000 hotel rooms by 2019 versus 32,000 hotel rooms (in 106 hotels and guesthouses) in March 2016.

The world tourism and leisure centre positioning of Macau addresses her need for adequate economic diversification and sustainable development. The Macau SAR Government is expected to keep track of the pace of development of the gaming industry and at the same time actively foster growth of integrated tourism in the city by reinforcing her non-gaming offers.

PRC

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

In the 1990s and 2000s, the Company completed several projects in Southeast Asia including Singapore, Thailand, Malaysia, Vietnam and Philippines, etc. In the advent of China's "One Belt, One Road" initiative elaborated in her 13th Five-Year Plan, the Company is actively seeking to participate in related construction and infrastructure projects backed by the Asian Infrastructure Investment Bank (AIIB) in other Southeast Asia regions such as Myanmar, Laos and Indonesia.

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

In recent years, the Group has been providing project management services in the PRC to an international exhibition centre development in Shenyang, two high-rise building complexes in Tianjin and Guangzhou, and one commercial building in Beijing. We firmly believe that with the Group's high market recognition and armed with strong value-adding 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, will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in the PRC. Leveraging on our profuse E&M installation experience in the PRC, we plan to extend our E&M project management services to cover also high-end projects in the PRC so as to generate an additional stable source of income for the Group.

Environmental management services

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

The recently enacted Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) hopefully will translate into rich potential for development of our environmental consultancy services. Strict control on water pollution will increase market demand for water quality testing services from our laboratory. The increasing demand for seawater and fresh water treatment and odour removal products such as electro-chlorination and biotech deodorisation systems will also support growth of our environmental engineering segment.

The Group is currently operating a Hong Kong Laboratory Accreditation Scheme (HOKLAS) certified laboratory that provides 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. The laboratory complements the work of the E&M engineering and environmental engineering segments. Furthermore, we are continuing to evaluate possible investment in a web-based building energy management system and nano technology for water treatment, the aim of which is to better capture potential business opportunities in the environmental assessment and improvement services market in the environmental engineering sector.

In conclusion, as the Group provides a comprehensive range of E&M engineering and environmental engineering services and runs well-established E&M engineering operations in Hong Kong, the PRC and Macau, it is ready to grasp the ample business opportunities that the different abovementioned infrastructure and large-scale projects are expected to bring.