Management Discussion and Analysis

BUSINESS REVIEW

The Group maintained its position as one of the leading E&M (electrical and mechanical) engineering companies in Hong Kong, capable of providing a comprehensive range of E&M engineering and environmental management services. It also continued to run strong its E&M engineering operations in Mainland China and Macau. On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group has integrated operating and control procedures, strong networks of well-established customers and suppliers, and an experienced and well-trained workforce to support all of its operations. Thus, the Group 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, it has been constantly optimising design and exploring innovative methods. At the project level, the Group incorporates green building principles into application of building services equipment; and adopts green building design, modularisation and prefabrication to reduce energy usage, carbon emissions and construction waste. In order to help improve its operational efficiency and project management, the Group invests in innovative construction technologies such as Building Information Modelling (BIM), laser scanning and mobile solutions. The Group's environmental management services business, a new growth driver, continues to provide environmental assessment and energy efficient solutions to assist its customers in achieving their environmental protection and energy conservation objectives.

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

Financial performance

Leveraging on its competitive strengths as described above, the Group delivered a solid financial performance with revenue amounting to HK$1,763.3 million for the period under review, decreased by HK$6.0 million or 0.3%, as compared to HK$1,769.3 million for the same period last year. Profit attributable to equity holders for the period under review was HK$86.8 million, representing an increase of HK$4.5 million or 5.5% against HK$82.3 million for the same period last year.

As at 31 December 2017, the Group's projects encompassed a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centres, hotels, integrated resorts, residential properties, universities, hospitals, airport and public transportation facilities buildings with a total outstanding contract sum of HK$5,609.7 million. For the period under review, the Group submitted tenders for 273 E&M engineering and environmental management 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$9,218.4 million. During the period under review, the Group was awarded new contracts with a total value of HK$1,570.9 million, which include 64 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$1,440.5 million. Among these 64 contracts, five of them are major projects (with net contract sum equal to or more than HK$100.0 million for each project): Hong Kong: Electrical and ELV installation package B for the LOHAS Park (Package 7), Mechanical ventilation and air-conditioning and Fire services installation (Podium Portion) for Tai Wai Station Property Development, Mechanical ventilation and air-conditioning and Electrical installation for Hong Kong Sanitorium Hospital Eastern District Advance Medical Centre, and Plumbing & drainage installation (Residential Portion) Phase 2 for Tai Wai Station Property Development; Mainland China: Heating, ventilation and air-conditioning (Fitting Out) installation (Supplemental Agreement) for Tianjin Chow Tai Fook Financial Centre.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the period under review, the Group's revenue slightly dropped by HK$6.0 million or 0.3% to HK$1,763.3 million from HK$1,769.3 million for the same period last year, attributable mostly to the decline in revenue of HK$9.1 million of 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			
	2017 HK$'M	**% of total revenue**	2016 HK$'M	% of total revenue
E&M engineering*	**1,729.4**	**98.1%**	1,738.5	98.3%
Environmental management services*	**33.9**	**1.9%**	30.8	1.7%
Total	**1,763.3**	**100.0%**	1,769.3	100.0%

* Segment 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 98.1% of the Group's total revenue (2016: 98.3%). Segment revenue dropped slightly by 0.5% from HK$1,738.5 million to HK$1,729.4 million for the period ended 31 December 2017, owing mainly to the reduced revenue contribution from a number of E&M projects in Hong Kong and Mainland China which had been substantially completed in the same period last year. The decrease was partly mitigated by the increase in contribution from Macau with electrical installation for Morpheus Hotel at City of Dreams which had significant progress in the period under review.

- *Environmental management services:* The revenue contribution of this business segment increased from HK$30.8 million to HK$33.9 million, representing a growth of 10.1% 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.

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

	For the six months ended 31 December			
	2017 HK$'M	2016 HK$'M	Change HK$'M	% change
Hong Kong	**1,326.5**	1,381.6	(55.1)	(4.0%)
Mainland China	**249.6**	274.3	(24.7)	(9.0%)
Macau	**187.2**	113.4	73.8	65.1%
Total	**1,763.3**	1,769.3	(6.0)	(0.3%)

Hong Kong: Revenue from Hong Kong decreased by HK$55.1 million or 4.0% to HK$1,326.5 million for the period under review from HK$1,381.6 million for the same period last year. The decline mainly resulted from the reduced revenue contribution from Gleneagles Hong Kong Hospital in Wong Chuk Hang which had been substantially completed in the corresponding period last year. Also, works in relation to a number of sizeable installation projects, including West Kowloon Government Office in Yau Ma Tei, Hong Kong Airlines Aviation Training Centre at Chek Lap Kok and two residential developments at LOHAS Park, were at an early stage and yet to contribute significant revenue.

Mainland China: Revenue from Mainland China decreased by 9.0% from HK$274.3 million for the six months ended 31 December 2016 to HK$249.6 million for the period under review with its geographical contribution slightly decreased from 15.5% to 14.2%. The decrease of HK$24.7 million was mainly attributable to reduction in revenue contribution from two major installation projects, an office building development and a hotel development in Wuhan which had been substantially completed in the same period last year whereas the two sizeable installation projects, including a commercial complex development in Kunming and Tianjin Chow Tai Fook Financial Centre, had yet to contribute significant revenue.

Macau: Revenue from Macau increased by 65.1% from HK$113.4 million for the six months ended 31 December 2016 to HK$187.2 million for the period under review. The increase of HK$73.8 million was primarily the substantial revenue contribution from electrical installation for Morpheus Hotel at City of Dreams which made significant progress during the period under review and lifted Macau's contribution to the Group's total revenue from 6.4% to 10.6%.

Gross profit

The Group's overall gross profit increased by HK$11.3 million or 5.8% from HK$195.6 million for the six months ended 31 December 2016 to HK$206.9 million for the period under review, whereas overall gross profit margin remained relatively stable at 11.7% (31 December 2016: 11.1%). The increase in gross profit was driven by the E&M engineering business recording an increase in gross profit during the period under review with segment gross profit margin improved from 10.8% to 11.5%. The gross profit margin of the environmental management services segment remained relatively stable at 25.7% (31 December 2016: 26.6%) with gross profit rose by 6.1% from HK$8.2 million for the six months ended 31 December 2016 to HK$8.7 million for the period under review, mainly attributable to higher revenue contribution from water treatment maintenance services.

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

	For the six months ended 31 December			
	2017		2016	
	Gross profit HK$'M	**Gross profit margin %**	Gross profit HK$'M	Gross profit margin %
E&M engineering	**198.2**	**11.5**	187.4	10.8
Environmental management services	**8.7**	**25.7**	8.2	26.6
Total	**206.9**	**11.7**	195.6	11.1

Other gains/losses, net

For the period under review, other net gains, which amounted to HK$2.6 million (31 December 2016: other net losses of HK$0.2 million), mainly included the net foreign exchange gain.

Finance income

The Group recorded finance income of HK$9.8 million (31 December 2016: HK$6.8 million). The increase was mainly due to the interest income from investment in available-for-sale financial assets and financial assets at fair value through profit or loss.

General and administrative expenses

General and administrative expenses of the Group for the period under review increased by 12.5% to HK$112.6 million, compared to HK$100.1 million for the same period last year. The increase of HK$12.5 million was mainly attributable to the increase in staff cost from annual salary increment and employment of additional staff to cope with business expansion, and additional depreciation charges for property and associated leasehold improvement for the Group's office acquired in last year.

Taxation

The effective tax rate of the Group slightly declined from 19.3% to 18.7% as compared with the same period last year resulted from the higher profit contribution from Macau which has relatively lower applicable corporate income tax rate.

Profit attributable to equity holders

As a result of the foregoing, our profit for the period under review increased by 5.5% or HK$4.5 million to HK$86.8 million, compared to HK$82.3 million for the last corresponding period. The increase was mainly the combined result of higher gross profit contribution mostly from our core business segment and the increase in finance income, partly offset by the increase in general and administrative expenses due to additional depreciation charges and staff costs. The net profit margin of the Group remained stable at 4.9% for the period under review (31 December 2016: 4.7%).

Other comprehensive gain

The Group recorded other comprehensive gain of HK$8.1 million for the period under review, reflective of the increase in exchange reserve from the appreciation of the Renminbi ("RMB") for conversion of the net investments in Mainland China operations.

Management Discussion and Analysis

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 2017, the Group had total cash and bank balances of HK$765.9 million, of which 57%, 37% and 6% were denominated in Hong Kong dollars, RMB and other currencies respectively (30 June 2017: 55%, 33% and 12% respectively). As compared to HK$978.3 million as at 30 June 2017, the Group's cash and bank balances decreased by HK$212.4 million to HK$765.9 million, which was primarily due to the distribution of final dividend of HK$36.5 million for the year ended 30 June 2017, net investment in available-for-sale financial assets and financial assets at fair value through profit or loss in sum of HK$90.4 million and the increase in net cash outflow 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 2017 (30 June 2017: Nil), hence its gearing ratio (being our total borrowings divided by our total equity) was maintained at zero as at 31 December 2017. As at 31 December 2017, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$1,286.7 million (30 June 2017: HK$1,091.0 million), of which HK$267.6 million (30 June 2017: HK$323.7 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 Mainland China and is not exposed to significant exchange risk. The Group does not have a foreign currency hedging policy and foreign currency risk is managed by closely monitoring the movement of the 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 out in Mainland China, part of our assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK$204.0 million as at 31 December 2017. The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the group's presentation currency) does not affect the Group's profit before and after tax, and will be recognised in its other comprehensive income.

During the period under review, the fluctuation of RMB against Hong Kong dollars was 5.3% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the period under review).

As at 31 December 2017, if the Hong Kong dollars had strengthened/weakened by another 5.0% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$10.2 million lower/higher.

Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 31 December 2017, the net proceeds of HK$264.5 million received from the Global Offering (referred to in the prospectus issued by the Company on 26 November 2015) were applied as follows:

	Net proceeds from Global Offering HK$'M	Utilised HK$'M	Unutilised HK$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	3.8	77.8
Development of environmental management business	51.0	2.8	48.2
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	–
Staff-related additional expenses	20.0	14.2	5.8
Development and enhancement of design capability	19.3	15.8	3.5
Enhancement of quality testing laboratory	12.2	3.8	8.4
Upgrade of corporate information technology system and software	8.0	4.7	3.3
General working capital	25.0	25.0	–
Total	264.5	117.5	147.0

During the period under review, the Group utilised HK$8.4 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 of approximately HK$16.0 million as at 31 December 2017 in relation to the purchase of property, plant and equipment (as at 30 June 2017: HK$0.2 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017 (as at 30 June 2017: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of 1,736 employees (31 December 2016: 1,622). Staff cost for the period under review, including salaries and benefits, was HK$302.3 million (six months ended 31 December 2016: HK$276.0 million). The increase in total headcount was to cope with business operation.

Remuneration package including salaries, bonuses granted to employees according to individual performance and are reviewed according to general market conditions every year. Tailored and structured training programmes were provided to employees continuously, to enhance their skills and abilities and foster employee loyalty.

The Company adopted a share option scheme on 20 November 2015, aiming at providing incentives to the eligible participants (including the 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

Overview

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

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

Currently, the E&M engineering segment in Hong Kong, which accounts for over 70% of the Group's total revenue, remains the core business of the Group. However, while proud of its performance in this segment in Hong Kong, the Group is striving to bolster its market presence in other regions.

Extra low voltage ("ELV") Business

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

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

Since the establishment of the new ELV division, the Group has several ELV projects including one residential project on Sai Yuen Lane in Sai Ying Pun, two public housing projects on Texaco Road in Tsuen Wan and Tung Chung Area 27 respectively, an office development project at King's Road in North Point and an Aviation Training Centre at Chek Lap Kok.

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

E&M engineering segment

1. Hong Kong

As the Hong Kong Government has unveiled a series of new policies and initiatives in the public and infrastructure projects, the construction industry accounted for 5.2% of Hong Kong's total gross domestic profit in 2016. According to the construction expenditure forecast provided by the Construction Industry Council, E&M construction works expenditure will amount to over HK$20 billion for the public sector and over HK$28 billion for the private sector over the next few years. Projects in these two sectors will together create a large number of jobs, particularly crucial for Hong Kong in times of economic uncertainty.

Long-term Housing Strategy

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

As at 2016, the proposed major public housing developments include those developments at Lin Cheung Road in Sham Shui Po, Queen's Hill in Fanling, Diamond Hill and Anderson Road in Kwun Tong. The proposed major subsidised-sale housing developments include those developments at Diamond Hill, Ping Shan in Yuen Long and Sham Shui Po. In addition, the Hong Kong Government has proposed the affordable "Starter Homes", and planned to launch a pilot scheme by the end of 2018 using a residential site at Anderson Road in Kwun Tong on the Hong Kong Government's Land Sale Programme to provide about 1,000 residential units.

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

New Development Frontiers

In addition, the Hong Kong Government is pushing full steam ahead with the new development areas and the extension of new towns, including Kwu Tung North, Fanling North, Tung Chung, Hung Shui Kiu and Yuen Long South, which are expected to provide, all together, about 198,100 residential flats. The Hong Kong Government will also examine the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes.

Other Public Facilities & Infrastructure Developments

To prepare for the challenges brought by the aging population, the Hong Kong Government earmarked HK$200 billion in 2016 for a ten-year hospital development plan covering, among others, the redevelopment of Queen Mary Hospital, Kwong Wah Hospital, United Christian Hospital and Kwai Chung Hospital, construction of a new acute hospital at the Kai Tak Development Area and the redevelopment or expansion of various hospitals such as the Tuen Mun Hospital Operating Block, Prince of Wales Hospital, North District Hospital, Princess Margaret Hospital and Grantham Hospital. The above projects will together provide 5,000 additional public hospital beds and 94 new surgical theatres in the next ten years. In addition, the Hong Kong Government has decided to finance construction of a Chinese medicine hospital in Tseung Kwan O in 2019.

To promote sport in the community and maintain Hong Kong as a centre for major international sporting events, the Hong Kong Government will spend a total of HK$20 billion in the coming five years to launch 26 projects to develop new or improve existing sports and recreation facilities. Besides, the Kai Tak Sports Park, the largest sport project with an investment over HK$31 billion, is expected to be completed in 2022/2023.

Apart from the above, construction of the Shatin to Central Link, investment in the West Kowloon Cultural District, urban renewal redevelopment projects, residential, commercial and hotel developments in the Kai Tak Development Area, expansion of convention and exhibition venues in Wanchai, HK$12 billion University hostel development, construction of a third runway system, expansion of the existing Terminal 2 and the SKYCITY development projects at the Hong Kong International Airport, the Lantau development projects associated with the Hong Kong-Zhuhai-Macao Bridge, and the "Energising Kowloon East" Initiative as a smart city pilot area (including Kwun Tong redevelopment and the revitalisation of industrial buildings) will definitely help boost the construction industry in Hong Kong in the coming decade.

Looming Challenges

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

Maintenance Services

As reflected in the statistics available, there are currently over 65% of the existing buildings (approximately 42,000) in Hong Kong including 1,700 commercial buildings, 1,600 industrial buildings and 24,000 residential buildings aged over 20 years. Thus, the maintenance section of the Group's E&M engineering services envisages a growing demand for the term maintenance contracts from different prestigious commercial and residential buildings, hospitals, the public sector and educational institutions seeking the service of quality contractors to assist them in maintaining their properties in the best possible shape. The Group expects an increase in revenue from fitting-out works, system upgrade and replacement works following the implementation of the Mandatory Building Inspection Scheme (MBI Scheme) on 30 June 2012. Large-scale alteration and addition and system retrofit works are also set to provide favourable returns to the maintenance section.

More than half (around 55%) of Hong Kong's total annual energy end-use is in the form of electricity consumption and buildings take up about 90% of our total electricity consumption. It is imperative to reduce the use of electricity in buildings to help us combat climate change and global warming. Following the implementation of the Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) in September 2012, Electrical and Mechanical Services Department (EMSD) is also actively pursuing the cost-effective program of "Retro-commissioning" to develop a scientific based optimisation scheme and make continuous improvement to further encourage energy conservation works in existing buildings. The Group expects favourable returns from the system upgrade and replacement works to improve energy saving for building owners and the industry.

Building Material Trading

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

Way Forward

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

2. **Macau**

For the year 2017, the Macau gaming market with 39 casinos is expected to generate total gross revenues of MOP 265 billion, about five times that of Las Vegas. As a result, the construction and E&M engineering sectors in Macau performed very well in the past few years. However, with substantial sizable casino projects completed in 2017 and the flagging tourism and the gaming industry, the construction and engineering sectors in Macau are expected to go through a stage of consolidation.

Nevertheless, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the robust demand for public and private residential housing, the development of Galaxy Macau Phase 3 and 4 (about a HK$43 billion investment), the construction of the Islands District Medical Complex, and the renewal of casino licences in 2020 and 2022 are expected to create emerging business opportunities for the Group in the coming few years.

Ongoing Housing and Tourism Development

The Macau SAR Government has launched its first Five-year Development Plan and initiated the reclamation project for New Urban Zone Area A and the Zhuhai-Macao man-made islands in association with the Hong Kong Zhuhai-Macao Bridge, which are expected to provide land for 28,000 public housing units and 4,000 private housing units. Conductive to the growth of its tourism industry, the city projected that it will be able to offer 44,000 hotel rooms by 2019 versus 37,100 hotel rooms in November 2017.

Reinforcing Leadership in Gaming and Tourism

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

3. **Mainland China**

For this market, the Group has followed a disciplined business development approach focusing on the provision of E&M engineering 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 its presence in other first- and second-tier cities in Mainland China such as Tianjin, Dalian, Shenyang, Chengdu, Wuhan, Changsha and Nanjing.

"One Belt, One Road" Initiative

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

Guangdong Pilot Free Trade Zones

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

Project Management Services

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

Environmental management services

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

The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) enacted in 2012 continues to support the business development of our environmental consultancy services. Our seawater and fresh water treatment and odour removal products such as electro-chlorination and biotech deodorisation systems respectively continue to bring steady growth to our environmental management services segment. Through relentless effort, our laboratory has been accredited by the Hong Kong Accreditation Service under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) since 2015, and can provide testing that complements the work of the E&M engineering and environmental management services segments.

The Group has an automated odour-free food waste processor available in a wide range of sizes to provide a total solution in converting food waste into environmentally-safe water effluent to address the public attention on waste management and disposal with the aim to alleviate the tremendous pressure on landfills.

The Group is actively working with strategic partners and vendors to invest in strengthening our technological capabilities with a focus on air, water and waste treatment. The Group had collaborated with Nano and Advanced Materials Institute Limited to invest and develop nano-bubble technology which garnered a gold medal at the 45th International Exhibition of Inventions of Geneva 2017.

Conclusion

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