



ANALOGUE HOLDINGS LIMITED

安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1977

GLOBAL OFFERING



Sole Sponsor



Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 350,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 35,000,000 Shares (subject to adjustment)
Number of International Placing Shares : 315,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price : HK\$1.20 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars)
Nominal Value : HK\$0.01 per Share
Stock Code : 1977

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$1.20 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator, on behalf of the Underwriters may, with our consent, reduce the Offer Price and/or number of Offer Shares in the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the Offer Price and/or number of Offer Shares in the Global Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in "Risk Factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting — Hong Kong Public Offer — Grounds for termination". It is important that you refer to that section for further details.

28 June 2019

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.atal.com, if there is any change in the following expected timetable of the Hong Kong Public Offer.

2019
(Note 1)

Application lists open (Note 2) 11:45 a.m. on Thursday, 4 July

Latest time to complete electronic applications under
HK eIPO White Form service through the designated
website www.hkeipo.hk (Note 3) 11:30 a.m. on Thursday, 4 July

Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Thursday, 4 July

Latest time to give **electronic application instructions**
to HKSCC (Note 4) 12:00 noon on Thursday, 4 July

Latest time to lodge **WHITE** and **YELLOW**
Application Forms 12:00 noon on Thursday, 4 July

Application lists close 12:00 noon on Thursday, 4 July

Expected International Underwriting Agreement Date (Note 5) Friday, 5 July

Announcement of the indication of the levels of interest in the
International Placing, the basis of allotment and the results of
applications in the Hong Kong Public Offer to be published in the
South China Morning Post (in English) and the Hong Kong
Economic Times (in Chinese) on or before Thursday, 11 July

Announcement of results of allocations in the Hong Kong Public
Offer (with successful applicants' identification document
numbers, where appropriate) to be available through a variety of
channels including our website at www.atal.com and the website
of the Stock Exchange at www.hkexnews.hk (for further details,
please see "How to apply for the Hong Kong Offer Shares —
11. Publication of Results") on or before Thursday, 11 July

EXPECTED TIMETABLE

2019
(Note 1)

Results of allocations in the Hong Kong Public Offer will be available at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID Number/Business Registration Number” function Thursday, 11 July

Despatch/Collection of e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before (Notes 6 to 8). Thursday, 11 July

Despatch/Collection of Share certificates in respect of wholly or partially successful applications on or before (Notes 6 to 7) Thursday, 11 July

Dealings in the Shares on the Stock Exchange expected to commence on 9:00 a.m. on Friday, 12 July

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 July 2019, the application lists will not open on that day. For details, please see “How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists”.
3. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
5. The International Underwriting Agreement is expected to be entered into on or around Friday, 5 July 2019. If, for any reason, the International Underwriting Agreement is not entered into by Monday, 8 July 2019 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 11 July 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 12 July 2019 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

EXPECTED TIMETABLE

7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms who have indicated in their Application Forms that they wish to collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019 or any other day that we publish in the newspaper as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies".

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to "Structure of the Global Offering".

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading E&M engineering group in Hong Kong which provides multi-disciplinary and comprehensive E&M engineering and technology services to a wide range of projects and sectors in Hong Kong, Macau and Mainland China. We also manufacture lifts and escalators and sell them internationally. According to the Frost & Sullivan Report, we were the largest E&M engineering service provider in Hong Kong with a market share of approximately 9.1% in terms of revenue in 2018.

Established in 1977, we began as an E&M equipment trading company and have evolved into a comprehensive engineering service provider. Our principal business encompasses (i) *Building services* — the design, installation and maintenance of E&M engineering systems in buildings, data centres, healthcare and infrastructure facilities, (ii) *Environmental engineering* — the design, build, operation and maintenance of environmental treatment systems, (iii) *Information, Communications, and Building Technologies (ICBT)* — the design, hardware and software development, engineering, installation and maintenance of information and communication technologies solutions and intelligent and green building technologies solutions, and (iv) *Lifts and escalators* — the design, manufacturing, installation and maintenance of lifts and escalators. We generate our revenue from our four business segments through (1) contracting services on a project basis, (2) providing operation and maintenance services, and (3) sale of goods. Throughout our development, we have been driven by our vision of becoming an innovative, leading and sustainable multi-disciplinary engineering group.

We strive to ensure the quality, timeliness and cost-efficiency of our services and have gained trust and respect from our customers. Our motto is “We commit, we perform, we deliver.” We believe that we are viewed as a dependable contractor for projects with differing degrees of technical complexity. This reputation is based on our ability to deliver engineering excellence, our innovative and technologically advanced services and products, and our responsiveness to customer needs. With a workforce of over 2,000 professional, technical and supporting employees, a wide range of experience and expertise, and ability to innovate, we are in a good position to capture growing business opportunities in the E&M engineering market.

With over 40 years of operating history, we have built up an extensive client network in a broad spectrum of sectors with our one-stop E&M capability. Our clients include leading property developers and construction companies, companies in the banking, healthcare, entertainment, hospitality, education, information technology, data centre, utilities and transportation sectors, government and public organisations.

During the Track Record Period and up to the Latest Practicable Date, we have been awarded 127 projects with individual awarded contract sum over HK\$10 million for which tenders were submitted during the aforementioned period. From the commencement of the Track Record Period to the Latest Practicable Date, we had completed 11 major projects with individual awarded contract sum over HK\$200 million (“**Major Projects**”), comprising nine and

SUMMARY

two Major Projects in Hong Kong and Mainland China, respectively. As at the Latest Practicable Date, we had 17 Major Projects in progress with a total awarded contract sum of HK\$5,108.2 million, including 14 Major Projects for building services with a total awarded contract sum of HK\$4,178.9 million, two Major Projects for environmental engineering services with a total awarded contract sum of HK\$726.1 million, and one Major Project for ICBT with an awarded contract sum of HK\$203.2 million. The total revenues expected to be recognised from these 17 Major Projects in progress for the year ending 31 December 2019, 2020, and 2021 are HK\$1,094.3 million, HK\$1,193.3 million and HK\$792.5 million, respectively.

Our notable projects during the Track Record Period and up to the Latest Practicable Date include:

- E&M engineering installation services for the Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities, vehicle clearance plazas and ancillary buildings and facilities, with scope of work including building services, environmental engineering, ICBT and lift installations;
- Construction of the Stonecutters Island Sewage Treatment Plant, which has a capacity to treat 2.45 million m³ of wastewater per day, making it one of the world's largest chemically enhanced primary treatment plants;
- Design and construction of Hong Kong's first organic waste treatment plant at Siu Ho Wan which converts organic wastes to biogas to generate electricity, with a daily capacity to treat 200 tons of waste;
- Integrated building service installations for the expansion of the science park in Pak Shek Kok, Hong Kong;
- Integrated E&M engineering works for a major Government data centre complex in Cheung Sha Wan, Hong Kong;
- Design and construction of a data centre in Hong Kong for a major state-owned telecommunication group in Mainland China;
- Design, manufacture, systems integration, installation and maintenance of Hong Kong's Automatic Passenger and Vehicle Clearance System, including the "e-Channels", at Hong Kong's border crossing points;
- Renovation of the Central Mid-levels escalator system in Hong Kong with 18 escalators and 3 walkways;
- Development of major casinos and hotels for an international integrated resort developer and operator in Macau; and
- Integrated building service installations at the Conghua Training Facility, a race horse training centre in Conghua, Guangzhou, Mainland China, for a non-profit horse racing club in Hong Kong, pursuant to a contract entered into between our Group and a subsidiary of a leading construction company listed in Shanghai, Mainland China.

SUMMARY

Tender success rate

The table below shows the approximate number and contract value of tenders for government projects and non-government projects with individual contract value over HK\$10 million submitted by us and contracts awarded to us (including projects in which we are a party to the relevant joint ventures) for the periods indicated.

	FY2016		FY2017		FY2018	
	Contract value <i>(HK\$ million)</i>	Number	Contract value <i>(HK\$ million)</i>	Number	Contract value <i>(HK\$ million)</i>	Number
Government projects⁽¹⁾						
Tenders submitted	1,088	21	3,493	30	6,236	53
Contracts awarded ⁽³⁾	189	4	391	9	1,191	10
Success rate	17.4%	19.0%	11.2%	30.0%	19.1%	18.9%
Non-government projects⁽²⁾						
Tenders submitted	17,372	241	24,015	269	20,690	254
Contracts awarded ⁽³⁾	1,415	26	2,972	33	2,777	33
Success rate	8.1%	10.8%	12.4%	12.3%	13.4%	13.0%
Total						
Tenders submitted	18,460	262	27,508	299	26,925	307
Contracts awarded ⁽³⁾	1,604	30	3,364	42	3,967	43
Success rate	8.7%	11.5%	12.2%	14.0%	14.7%	14.0%

Notes:

- (1) Government projects are projects in which we, or our joint operations, enter into contract directly with department, unit or sub-unit of the government as our customer.
- (2) Non-government projects are projects that are not classified as government projects.
- (3) The number of contracts awarded in a given period is the number of awarded contracts that had been tendered in that period, even though the letter of award might have been issued subsequent to that period. The information in the table above is based on information available up to the Latest Practicable Date.
- (4) We had submitted 140 tenders for contracts with individual contract value over HK\$10 million and aggregate contract value of HK\$19,331.2 million for the period from 1 January 2019 to the Latest Practicable Date. It normally takes three to six months for tender interviews and negotiation on project specifications before the results of tenders are made known to us.

OUR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the Track Record Period, our major customers included property developers and main contractors in Hong Kong and Mainland China; hotel and property developers in Macau; government departments in Hong Kong; and a transportation company in Hong Kong.

In order to complement our services for projects of differing requirements, and to provide flexibility in resource deployment, we engage subcontractors to perform relatively labour intensive installation works and provide services such as transportation and cleaning services, where it is more cost-effective; and we procure consultancy services and advice from third-party consultancy firms for our projects and business operations depending on the project requirements, such as specialised expertise and project reference, and our business needs from time to time. During the Track Record Period, our major suppliers included suppliers of E&M engineering equipment and parts, pipes and cables. Please see “Business” for further information on our customers, subcontractors and suppliers.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe we possess the following strengths which have contributed to our success and will enable us to achieve future growth.

- We are a leading E&M engineering service provider with in-depth experience and a proven record, well-positioned to capture opportunities in the market.
- We provide comprehensive E&M engineering services for a wide range of sectors, have capability to integrate such services and have developed significant expertise in specialised market segments.
- We are able to develop innovative E&M engineering technology and promote a culture of innovation.
- We adhere to stringent quality, safety and environmental standards in order to deliver high quality services and products and provide safe working condition, and we strongly promote corporate social responsibility in our business operations.
- We have built up an extensive client network with leading companies and organisations in different sectors and have well-established relationships with our suppliers and subcontractors.
- We have a highly qualified and experienced management team with a proven track record supported by our dedicated professional teams.

Please see “Business — Our Competitive Strengths” for details.

OUR BUSINESS STRATEGIES

We intend to capitalise on expansion opportunities with the following strategies.

- Continue to expand our existing E&M engineering services and consolidate our leading market position, including expansion of each of our four business segments
- Develop innovative E&M engineering solutions, processes and technologies
- Increase efficiency, strengthen financial management, quality and risk management and invest in human resources

Please see “Business — Our Business Strategies” for details.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Key Income Statement Information

The following table sets out the consolidated statement of profit or loss from the financial statements during the Track Record Period, details of which are set out in the Accountants’ Report in Appendix I to this prospectus.

SUMMARY

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue	4,411,712	100.0	4,965,277	100.0	5,966,046	100.0
Cost of sales	(3,862,159)	(87.5)	(4,041,917)	(81.4)	(5,077,652)	(85.1)
Gross profit	549,553	12.5	923,360	18.6	888,394	14.9
Other income	16,772	0.4	9,739	0.2	10,213	0.2
Other gains and losses	(3,314)	(0.1)	56,311	1.1	8,199	0.1
Impairment losses reversed/(recognised) in respect of trade receivables, net	3,500	0.1	40	— ⁽¹⁾	(27,485) ⁽²⁾	(0.5)
Selling and distribution expenses	(2,874)	(0.1)	(2,756)	(0.1)	(3,525)	(0.1)
Administrative expenses	(361,834)	(8.2)	(488,775)	(9.8)	(499,883)	(8.4)
Listing expenses	—	—	(1,619)	— ⁽¹⁾	(28,303)	(0.5)
Share of results of associates	(40,271)	(0.9)	13,522	0.3	27,286	0.5
Share of results of joint ventures	(1,186)	— ⁽¹⁾	(523)	— ⁽¹⁾	607	— ⁽¹⁾
Finance costs	(1,606)	— ⁽¹⁾	(691)	— ⁽¹⁾	(689)	— ⁽¹⁾
Profit before tax	158,740	3.6	508,608	10.2	374,814	6.3
Income tax expense	(37,908)	(0.9)	(75,031)	(1.5)	(59,532)	(1.0)
Profit for the year	120,832	2.7	433,577	8.7	315,282	5.3

Notes:

- (1) Amount less than 0.05%
- (2) Net impairment loss recognised in FY2018 in respect of trade receivables in the amount of HK\$27.5 million was recorded as a result of receivables from certain customers which were considered as irrecoverable as the amounts remained unsettled despite our request for settlements from these customers for months.

Our revenue increased by HK\$553.6 million or 12.5% from HK\$4,411.7 million in FY2016 to HK\$4,965.3 million in FY2017, primarily as a result of the increase in revenue from our environmental engineering segment in FY2017. Our revenue further increased by HK\$1,000.7 million or 20.2% from HK\$4,965.3 million in FY2017 to HK\$5,966.0 million in FY2018 as a result of the combined effect of (i) increase in revenue from building services segment of HK\$1,332.4 million; (ii) decrease in revenue from environmental engineering segment of HK\$390.1 million; and (iii) relatively stable revenue generated from ICBT segment and lifts and escalators segment.

Our gross profit margin improved from 12.5% in FY2016 to 18.6% in FY2017, primarily attributable to (i) the improvement in the gross profit contribution and gross profit margin of our building services and ICBT segments, mainly in relation to a major infrastructure project in Hong Kong; and (ii) the decrease in our gross loss from certain loss-making projects undertaken by our Group in FY2016. Our gross profit decreased from HK\$923.4 million in FY2017 to HK\$888.4 million in FY2018 and our gross profit margin decreased from 18.6% in FY2017 to 14.9% in FY2018, mainly due to higher gross profit and gross profit margin of a contracting project for renovation works of a hotel in Macau recognised in FY2017.

We recorded other gains of HK\$56.3 million in FY2017 as compared to other losses of HK\$3.3 million in FY2016, which is mainly due to our gain on dilution in interest in Nanjing Canatal, an associate of our Company, of HK\$55.1 million in FY2017, which is non-recurring in nature, following its listing on the main board of the Shanghai Stock Exchange. We recorded other gains of HK\$8.2 million in FY2018 mainly due to gain from change in fair value of investment properties of HK\$14.2 million, partially offset by a loss on dilution in interest in Nanjing Canatal of HK\$3.8 million, which is non-recurring in nature, following its issue of restricted shares to its eligible employees below market price.

SUMMARY

Our profit for the year increased by HK\$312.8 million or 258.8% from HK\$120.8 million in FY2016 to HK\$433.6 million in FY2017, and our net profit margin increased to 8.7% in FY2017, mainly due to the abovementioned increase in our gross profit margin and other gains in FY2017. Our profit for the year decreased by HK\$118.3 million or 27.3% from HK\$433.6 million in FY2017 to HK\$315.3 million in FY2018. Our net profit margin decreased from 8.7% in FY2017 to 5.3% in FY2018, mainly due to the decrease in our gross profit margin and the absence of non-recurring gain on dilution in interest in Nanjing Canatal as mentioned above.

Please see “Financial Information — Results of Operations” for details on our financial performance and the fluctuation of our revenue and profit during the Track Record Period.

Revenue

The following table sets forth a breakdown of our total revenue by business segment, role of our Group, project sectors and geographical locations for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
By business segment						
Building services	3,081,489	69.8	3,098,934	62.4	4,431,333	74.3
Environmental engineering	834,995	18.9	1,256,563	25.3	866,451	14.5
ICBT	354,074	8.0	429,159	8.6	530,851	8.9
Lifts and escalators	190,161	4.3	234,956	4.7	249,696	4.2
	4,460,719	101.0	5,019,612	101.0	6,078,331	101.9
Less: inter-segment sales ⁽¹⁾	(49,007)	(1.0)	(54,335)	(1.0)	(112,285)	(1.9)
	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>
By role of our Group						
Direct contractor	2,418,057	54.8	2,819,710	56.8	2,664,449	44.7
Subcontractor	1,993,655	45.2	2,145,567	43.2	3,301,597	55.3
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>
By project sector						
Government ⁽²⁾	762,359	17.3	1,004,621	20.2	876,790	14.7
Non-government ⁽³⁾	3,649,353	82.7	3,960,656	79.8	5,089,256	85.3
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>
By geographical location						
Hong Kong	3,595,123	81.5	3,905,268	78.7	5,122,820	85.9
Mainland China	442,424	10.0	740,533	14.9	349,367	5.9
Macau	332,177	7.5	255,373	5.1	444,402	7.4
Others ⁽⁴⁾	41,988	1.0	64,103	1.3	49,457	0.8
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

Notes:

- (1) Inter-segment sales represented principally contracting works undertaken by our ICBT segment for our building services segment.

SUMMARY

- (2) Government projects are projects in which we, or our joint operations, enter into contract directly or through joint operation with department, unit or sub-unit of government as our customer.
- (3) Non-government projects are projects that are not classified as government projects.
- (4) Others mainly represent sales to Singapore, Korea, the United Kingdom and other countries.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment and by nature of work for the periods indicated:

	FY2016		FY2017		FY2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
By business segment						
Building services	282,540	9.2	600,836	19.4	558,462	12.6
Environmental engineering	113,992	13.7	119,690	9.5	95,476	11.0
ICBT	84,150	23.8	113,637	26.5	139,862	26.3
Lifts and escalators	69,152	36.4	90,131	38.4	95,398	38.2
	549,834	12.3	924,294	18.4	889,198	14.6
Less: inter-segment sales ^(Note)	(281)	N/A	(934)	N/A	(804)	N/A
	<u>549,553</u>	12.5	<u>923,360</u>	18.6	<u>888,394</u>	14.9
By nature of work						
Contracting works	378,910	9.8	693,009	16.3	633,530	12.1
Maintenance works	129,389	30.0	158,626	33.3	179,822	32.6
Sale of goods	41,254	35.8	71,725	30.7	75,042	38.7
Total	<u>549,553</u>	12.5	<u>923,360</u>	18.6	<u>888,394</u>	14.9

Note: Inter-segment sales represent principally contracting works undertaken by our ICBT segment for our building services segment.

Key Balance Sheet Information

The following table sets out our consolidated financial position as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	744,428	851,819	392,617
Current assets	2,353,624	2,605,580	2,660,354
Non-current liabilities	69,443	69,311	15,340
Current liabilities	1,470,499	1,535,964	1,831,024
Net current assets	883,125	1,069,616	829,330
Total equity	1,558,110	1,852,124	1,206,607

Please see “Financial Information — Summary of Assets and Liabilities” for details.

SUMMARY

Cash Flow

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	FY2016	FY2017	FY2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital.....	223,410	460,777	380,466
Net cash (used in)/generated from operating activities.....	(10,458)	380,439	595,641
Net cash generated from/(used in) investing activities.....	32,175	(2,661)	(98,311)
Net cash generated from/(used in) financing activities.....	84,011	(234,817)	(459,434)
Net increase in cash and cash equivalents.....	105,728	142,961	37,896
Cash and cash equivalents at beginning of year.....	294,864	391,075	544,235
Effect of foreign exchange rate changes.....	(9,517)	10,199	(12,180)
Cash and cash equivalents at end of year.....	<u>391,075</u>	<u>544,235</u>	<u>569,951</u>

We had net cash used in operating activities of HK\$10.5 million in FY2016 mainly as a result of the cash generated from operations before working capital change of HK\$223.4 million, taxes paid of HK\$35.9 million and negative changes in working capital of HK\$198.0 million. The change in working capital primarily reflected (i) increase in contract assets of HK\$239.2 million mainly attributable to certain non-government projects of contracting works of railway system extension in Hong Kong; and (ii) decrease in trade and retention payables of HK\$35.7 million mainly due to decrease in trade accruals of HK\$34.2 million as a result of timing of billings from our sub-contractors, partially offset by a decrease in trade receivables of HK\$61.0 million as a result of decrease in billings.

Please see “Financial Information — Liquidity and Capital Resources” for details.

Key Financial Ratios

The following table sets forth our key financial ratios for the periods or as at each of the dates indicated:

	FY2016	FY2017	FY2018
Gross Profit Margin (%).....	12.5	18.6	14.9
Net Profit Margin (%).....	2.7	8.7	5.3
Return on equity (%).....	8.0	25.4	20.6
Return on total assets (%).....	4.0	13.2	9.7
As at 31 December			
	2016	2017	2018
Current ratio.....	1.6	1.7	1.5
Gearing ratio (%) (<i>Note</i>).....	4.1	2.8	—
Net debt to equity ratio (%).....	Net cash	Net cash	Net cash

Note:

Gearing ratios as at 31 December 2016, 2017 and 2018 were calculated based on the total interest-bearing bank borrowings as at the respective dates divided by total equity as at the respective years and multiplied by 100%.

SUMMARY

For details, please see “Financial Information — Key Financial Ratios”.

FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK\$1.20, we estimate that we will receive net proceeds of approximately HK\$335.7 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:-

<u>Amount of the estimated net proceeds</u>	<u>Intended uses of proceeds</u>
Approximately 20% or HK\$67.1 million	Supporting the expansion and development of our building services segment, including our backlog and future projects; to be allocated equally between (a) expansion of our data centre building services in Hong Kong, Mainland China and Southeast Asia; and (b) expansion of our building services for healthcare and infrastructure projects in Hong Kong
Approximately 30%, or HK\$100.7 million	Enhancing our engineering capabilities in the environmental engineering segment, including (a) acquisition of, investment in, cooperating or forming joint ventures with companies which are engaged in environmental engineering treatment and equipment to increase our competitiveness in the market; and (b) additional investment in development of advanced environmental process technologies
Approximately 20%, or HK\$67.1 million	Enhancing the engineering capabilities of our ICBT segment, including (a) additional investment in the development of building technologies, including (i) a cloud-based intelligent building platform to support the development and ongoing operation of our chiller plant control energy optimisation, automatic fault detection and diagnostics (FDD), and energy analytics and visualisation; and (ii) Internet of Things (IoT) solutions and equipment, to improve our information communication technology (ICT) product and service offerings to capture future growth opportunities; and (b) acquisition of, or investment in, companies which possess innovative technology to undertake projects in Internet of Things (IoT), Big Data, security and Smart City

SUMMARY

<u>Amount of the estimated net proceeds</u>	<u>Intended uses of proceeds</u>
Approximately 20%, or HK\$67.1 million	Expansion and development of our lifts and escalators segment, including (a) expanding our existing manufacturing facilities and construction of a new production plant in Nanjing (i) mainly to support our expected growth in sales of lifts and escalators overseas, in Mainland China and in Hong Kong, as we expect that our existing production facilities will be unable to cater for the expected growth in demand for our products from these markets; and (ii) to accommodate the development and future manufacturing of PEDARCO, an automated pedestrian overpass system for crossing of canals, railway lines and highways designed and developed by our Group; and (b) setting up of export sales office(s) and sales and service centres in Mainland China and conducting marketing campaign to promote our brand and products in the relevant regions
Approximately 10%, or HK\$33.7 million	General working capital

For details, see “Future Plans and Use of Proceeds”.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, our gross profit margin remained stable from 1 January 2019 to 30 April 2019 as compared to that for the same period in FY2018.

From 1 January 2019 to the Latest Practicable Date, we had been awarded 25 new contracts with individual contract sum over HK\$10 million and an aggregate contract sum of approximately HK\$2,339.3 million. However, due to the nature of our industry and the contract terms of our service agreements, the revenue under our contracts secured are recognised based on various work progress milestones. Taking into account the continuation of the trade war between the United States and Mainland China and delay in the commencement and completion of some works for E&M engineering projects in Hong Kong, Macau and Mainland China, we believe that the recognition of revenue and gross profit of our secured contracts may not be timely reflected in our operating results in the first half of FY2019 or FY2019. In addition, we expect to experience (i) an increase in staff costs for FY2019, in view of the expected costs of additional headcount and our budgeted annual salary increment for FY2019; and (ii) an increase in the depreciation and amortisation for FY2019, which is mainly attributable to the depreciation charge arising from our new Enterprise Resource Planning (ERP) system upon its go-live in February 2019. As such, despite the fact that we have secured a healthy pipeline of E&M projects in FY2019 up to the Latest Practicable Date, we hold a conservative view that our operating results for the first half of FY2019 and FY2019 may be materially and adversely affected by the above factors. Please see the risk factor headed “Our profit fluctuated during the Track Record Period and our operating results may fluctuate significantly between different periods within a financial year or on a period-on-period basis, due to various factors, some of which are beyond our control. Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.” in the “Risk Factors” section.

SUMMARY

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. Save as described above, as far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

LISTING-RELATED EXPENSES

Total expenses in relation to the Listing (at the Offer Price of HK\$1.20, assuming that the Over-allotment Option is not exercised) amounted to approximately HK\$84.3 million. During the Track Record Period, we incurred Listing expenses of HK\$37.8 million in aggregate, of which HK\$29.9 million was expensed in our consolidated statements of profit or loss and HK\$7.9 million was directly attributable to the issue of Shares and has been capitalised as deferred issue costs. For FY2019, we expect to incur additional Listing expenses of HK\$46.5 million, of which HK\$7.0 million is expected to be recognised as administration expenses and HK\$39.5 million is expected to be recognised as a deduction in equity.

CONTROLLING SHAREHOLDERS INFORMATION

Upon the completion of the Listing, Dr. Poon and Arling Investment will become our Controlling Shareholders, as our Company will be owned as to 63.48% by Arling Investment, a holding company which is wholly-owned by Ardik Investment, a holding company which is in turn wholly-owned by HSBC International Trustee Limited as trustee of The Otto Poon Family Trust. Dr. Poon is the settlor and protector of The Otto Poon Family Trust. For further information on Dr. Poon, please see “Directors and Senior Management”. Please also see “Relationship with our Controlling Shareholders” for further information on our Controlling Shareholders.

STATISTICS OF THE GLOBAL OFFERING

	<u>Market capitalisation⁽¹⁾</u>	<u>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2018⁽²⁾</u>
	<i>HK\$'000</i>	<i>HK\$</i>
Based on the Offer Price of HK\$1.20 per Offer Share	1,680,000	1,565,633

Notes:

- (1) The calculation of market capitalisation is based on 1,400,000,000 Shares expected to be in issue upon completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus.

SUMMARY

DIVIDEND

During the Track Record Period, dividends declared and paid (including the distribution in specie as discussed below) by our Company to its then shareholders were nil, HK\$200.0 million and HK\$1,037.0 million for FY2016, FY2017 and FY2018, respectively.

On 18 April 2018, our Company declared and paid a dividend by way of distribution in specie (“**Distribution in Specie**”) of its shareholding in Wise Eagle. Following the payment of such dividend, our Company ceased to hold any interest in Wise Eagle. Wise Eagle wholly owns Perfect Motive, a property holding company which owns the premises at 12/F and 13/F of Island Place Tower, North Point, Hong Kong. Such properties were and will continue to be leased to us. The rental expenses for leasing of these offices will be charged to our consolidated statements of profit or loss and no longer be eliminated upon the completion of the distribution in specie. See “History, Reorganisation and Corporate Structure — Reorganisation” and “Business — Property Interests — Properties in Hong Kong” for details. On 24 April 2018, our Company further declared and approved an interim dividend of HK\$281.7 million payable to the then existing Shareholders, which was settled through the current accounts due from Wise Eagle and Perfect Motive to our Group of HK\$281.7 million on the same date. Our Company further declared dividends in the amount of HK\$400.0 million and HK\$100 million on 20 July 2018 and 12 December 2018, respectively, which was fully settled by cash in July 2018 and April 2019, respectively.

Any declaration and payment of dividends by our Company shall be made in accordance with the constitutional documents of our Company and the relevant laws and regulations, including the Bermuda Companies Act. The declaration of dividends is subject to the discretion of our Board and, where required under the constitutional documents of our Company and the Bermuda Companies Act, the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Our Directors currently intend to, subject to our constitutional documents, the applicable laws and regulations and the approval by our Shareholders, if required, and taking into account our financial conditions and the other factors set out above, distribute to our Shareholders no less than 50% of our profits available for distribution.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- We may face allegations, complaints or reports by our customers, third parties or the general public, and any failure to deal with such complaints or negative publicity could materially and adversely affect our reputation, business, prospects or our Share price.

SUMMARY

- We are exposed to claims arising from latent defects that may be caused by us or our subcontractors in the past, the discovery of which may have material negative impact on our reputation, business and results of operation.
- If we are unable to accurately estimate the risks, progress, revenues or costs when we enter into contracts or fail to perform our contracts based on our estimates, or if we fail to agree on the pricing of work done pursuant to variation orders or otherwise, we may be unable to realise the anticipated profits or incur losses on the contracts.
- We require various approvals, licences and permits to operate many of our businesses, and the loss of, or failure to obtain or renew, any or all of these approvals, licences and permits could materially and adversely affect our businesses in Hong Kong, Macau and Mainland China.
- Failure to implement safety measures and procedures on work sites by our staff and/or third party service providers may lead to personal injuries, property damage or fatal accident. We are exposed to litigation claims including employees' compensation claims and common law personal injury claims, and our insurance coverage may not adequately protect us against certain risk.
- If we fail to meet the requirements of our contracts or quality standards of our services, we may face litigation, be required to pay damages and additional costs, and experience delay or difficulties in receiving payments, which may adversely affect our business and reputation.

You should read the entire "Risk Factors" section in the prospectus carefully.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During 2016, we made direct sales of our escalators to a customer located in Iran, generating revenue in an aggregate amount of approximately RMB3.2 million, representing approximately 0.07% of our total revenue for the same year. Iran is subject to comprehensive sanctions during the Track Record Period and as at the date of this prospectus. Please see "Business — Business activities in Countries subject to International Sanctions" for details.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“ affiliate(s) ”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“ Air Pollution Control Ordinance ”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ Analogue Building Services (Macao) ”	Analogue Building Services (Macao) Limited (安諾屋宇服務(澳門)有限公司), a company incorporated in Macau on 30 April 2014 and a wholly-owned subsidiary of our Company
“ Analogue Technical Agencies ”	Analogue Technical Agencies Limited (安樂工程貿易有限公司), a company incorporated in Hong Kong on 15 February 1994 and a wholly-owned subsidiary of our Company
“ Analogue Technical Agencies (Shanghai) ”	Analogue Technical Agencies (Shanghai) Limited* (安樂建築工程服務(上海)有限公司), a company incorporated in the PRC on 22 July 2009 and a wholly-owned subsidiary of our Company
“ Anlev Elex Elevator ”	Anlev Elex Elevator Limited (安力電梯有限公司), a company incorporated in Hong Kong on 29 January 1991 and a wholly-owned subsidiary of Anlev Industrial
“ Anlev (HK) ”	Anlev (HK) Limited (安諾電梯有限公司), a company incorporated in Hong Kong on 5 March 2001 and a wholly-owned subsidiary of Anlev Industrial
“ Anlev Industrial ”	Anlev Industrial Limited (安諾工業有限公司), a company incorporated in Hong Kong on 22 May 2012 and a wholly-owned subsidiary of our Company
“ Application Form(s) ”	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“ Application Lists ”	the application lists for the Hong Kong Public Offer

DEFINITIONS

“Ardik Investment”	Ardik Investment Limited, a company incorporated in the BVI on 8 December 2017, which is directly wholly-owned by HSBC International Trustee Limited, the trustee of The Otto Poon Family Trust
“Arling Investment”	Arling Investment Limited, a company incorporated in the BVI on 8 December 2017, which is directly wholly-owned by Ardik Investment, which in turn is directly wholly-owned by HSBC International Trustee, the trustee of The Otto Poon Family Trust
“ATAL Belgoprocess Joint Venture”	ATAL Belgoprocess Joint Venture Limited, a company incorporated in Hong Kong on 13 August 2003 and was owned as to 87% by ATAL Engineering until its deregistration on 15 June 2018
“ATAL Building Services Engineering”	ATAL Building Services Engineering Limited (安樂機電設備工程有限公司), a company incorporated in Hong Kong on 19 April 1999 and a wholly-owned subsidiary of our Company
“ATAL Building Services (Macao)”	ATAL Building Services (Macao) Limited (安樂屋宇服務(澳門)有限公司), a company incorporated in Macau on 12 February 2010 and a wholly-owned subsidiary of our Company
“ATAL Data Centre Infrastructure”	ATAL Data Centre Infrastructure Limited (安樂數據中心基建有限公司), a company incorporated in Hong Kong on 11 March 2011 and a wholly-owned subsidiary of our Company
“ATAL Engineering”	ATAL Engineering Limited (安樂工程有限公司), a company incorporated in Hong Kong on 7 October 1977 and a wholly-owned subsidiary of our Company
“ATAL Engineering (Macao)”	ATAL Engineering (Macao) Limited (安樂工程(澳門)有限公司), a company incorporated in Macau on 21 December 2004 and a wholly-owned subsidiary of our Company
“ATAL Engineering (Shanghai)”	ATAL Engineering (Shanghai) Limited* (安樂設備安裝工程(上海)有限公司), a company incorporated in the PRC on 28 February 2005 and a wholly-owned subsidiary of ATAL Engineering

DEFINITIONS

“ATAL Environmental Engineering”	ATAL Environmental Engineering Limited (安樂環境工程有限公司), a company incorporated in Hong Kong on 19 April 1999 and a wholly-owned subsidiary of ATAL Engineering
“ATAL Management Services”	ATAL Management Services Limited (安樂管理服務有限公司), a company incorporated in Hong Kong on 5 February 2018 and a wholly-owned subsidiary of our Company
“ATAL Technologies”	ATAL Technologies Limited (安樂科技工程有限公司), a company incorporated in Hong Kong on 19 September 2001 and a wholly-owned subsidiary of our Company
“ATAL Technologies (Macao)”	ATAL Technologies (Macao) Limited (安樂創新科技(澳門)有限公司), a company incorporated in Macau on 16 January 2008 and a wholly-owned subsidiary of ATAL Technologies
“BEAM”	Building Environmental Assessment Method, which is a standard in Hong Kong to assess, improve, certify and label the performance of buildings
“BIM”	building information modelling
“BMS”	building management systems
“Board” or “Board of Directors”	the board of directors of the Company
“BOCOM International Asia”	BOCOM International (Asia) Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“BOCOM International Securities”	BOCOM International Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS

“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of our Company conditionally adopted on 14 September 2018 to take effect upon Listing and as amended, supplemented, restated or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 1,040,640,000 Shares to be made upon capitalisation of an amount of HK\$10,406,400 standing to the credit of the share premium account of our Company referred to in “A. Further Information About Our Group — 5. Written resolutions of our Shareholders passed on 14 September 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CHF”	Swiss franc, the lawful currency of Switzerland
“Companies Act” or “Bermuda Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time

DEFINITIONS

“Company” or “our Company”	Analogue Holdings Limited (安樂工程集團有限公司), an exempted company incorporated in Bermuda with limited liability on 18 July 1995
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractor List” or “List of Approved Contractors”	a list issued by the WBDB of the Hong Kong Government comprising contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks”
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the context of our Company, means Dr. Poon and Arling Investment
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Countries subject to International Sanctions”	countries regarding which governments such as the U.S. or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“Deed of Indemnity”	the deed of indemnity dated 21 June 2019 entered into between Dr. Poon and our Company, particulars of which are set out in “E. Other Information — 3. Indemnities given by Dr. Poon” in Appendix IV to this prospectus
“Director(s)” or “our Director(s)”	the directors of our Company
“Dr. Poon”	Dr. Poon Lok To, Otto (潘樂陶), our executive Director, chairman of our Group, and a Controlling Shareholder
“E&M engineering” or “E&M”	electrical and mechanical engineering
“Eligible Applicants”	applicants who have made valid applications for the Hong Kong Offer Shares

DEFINITIONS

“Elstone Securities”	Elstone Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities)
“ELV”	extra low voltage
“EMSD”	the Electrical and Mechanical Services Department of the Hong Kong Government
“E.U.”	The European Union
“Euro”, “€” or “EUR”	the lawful currency of member states of E.U. that adopted the single currency in accordance with the Treaty establishing the European Community (signed Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
“Frost & Sullivan” or “F&S”	Frost & Sullivan Limited, a consulting firm that provides market research and analysis
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan, further information of which is set out in the section “Industry Overview”
“FY2016”	financial year of our Company ended 31 December 2016
“FY2017”	financial year of our Company ended 31 December 2017
“FY2018”	financial year of our Company ended 31 December 2018
“FY2019”	financial year of our Company ending 31 December 2019
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$”, “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application of Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Government”	the Government of Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Offer Share(s)”	35,000,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer subject to adjustment as described in “Structure of the Global Offering”
“Hong Kong Public Offer”	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as described in “Structure of the Global Offering”

DEFINITIONS

“Hong Kong Underwriters”	the underwriters listed in “Underwriting — Hong Kong Underwriters”, being the underwriters of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 June 2019 relating to the Hong Kong Public Offer entered into by our Company, the Sole Sponsor, the Sole Global Coordinator, Dr. Poon, Arling Investment and the Hong Kong Underwriters, as described in “Underwriting”
“HVAC”	heating, ventilation and air-conditioning
“ICBT”	information, communication and building technologies, one of our four business segments
“Independent Third Party(ies)”	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of the Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as described in “Structure of the Global Offering”
“International Placing Share(s)”	315,000,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia

DEFINITIONS

“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions laws in connection with the Listing
“International Underwriters”	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing to be entered into by, among others, our Company and the International Underwriters on or about the International Underwriting Agreement Date, as described in “Underwriting”
“International Underwriting Agreement Date”	the date expected to be on or around 5 July 2019, but no later than 5:00p.m. on 8 July 2019, on which the International Underwriting Agreement is expected to be entered into
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001”	the requirements set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts
“ISO 9001”	the requirements set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfill customer and applicable regulatory requirements and aim to enhance customer satisfaction
“Joint Bookrunners”, or “Joint Lead Managers”	Elstone Securities, BOCOM International Securities, China Tonghai Securities Limited and GLAM Capital Limited
“LATA”	LATA Limited, a company incorporated in Hong Kong on 26 March 2018 and a wholly-owned subsidiary of our Company
“Latest Practicable Date”	18 June 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

DEFINITIONS

“LEED”	Leadership in Energy and Environmental Design, which is a green building certification system developed in the U.S. providing verification that a building or community was designed and built using strategies intended to improve performance in environmental metrics
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around 12 July 2019, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Mainland China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, Macau and Taiwan
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“MOP”	Macau pataca, the lawful currency of Macau
“Mr. Cheng”	Mr. Cheng Siu Ngai Kevin (鄭小藝), our executive Director and the chief executive officer of our Group
“Mr. Law”	Mr. Law Wei Tak (羅威德), our executive Director
“MVAC”	mechanical ventilation and air conditioning

DEFINITIONS

“Nanjing Analogue Technologies”	Nanjing Analogue Technologies Limited* (南京安樂軟件科技有限公司), a company incorporated in the PRC on 29 August 2009 and a wholly-owned subsidiary of our Company
“Nanjing Anlev Elevator”	Nanjing Anlev Elevator Limited* (南京安諾電梯有限公司), a company incorporated in the PRC on 29 July 2003 and a wholly-owned subsidiary of Anlev Industrial
“Nanjing ATAL Electrical & Mechanical”	Nanjing ATAL Electrical & Mechanical Co. Ltd.* (南京安諾機電有限公司), a company incorporated in the PRC on 14 October 1994 and a wholly-owned subsidiary of our Company until its de-registration on 25 July 2018
“Nanjing Canatal”	Nanjing Canatal Data Centre Environmental Tech Company Limited* (南京佳力圖機房環境技術股份有限公司), a company incorporated on 26 August 2003 in the PRC and listed on the Shanghai Stock Exchange in November 2017, and owned as to 25.81% by our Company as at the Latest Practicable Date
“Occupational Safety and Health Ordinance”	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Offer Price”	the price of HK\$1.20 per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Offer Shares are to be subscribed
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 52,500,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Placing, if any, as further described in “Structure of the Global Offering”
“Pedarco International”	Pedarco International Limited, a company incorporated in Hong Kong on 3 July 2013 and a wholly-owned subsidiary of Anlev Industrial
“Perfect Motive”	Perfect Motive Limited, a company incorporated in Hong Kong on 17 April 2009, which is wholly owned by Wise Eagle and was a member of our Group until 17 April 2018. It is a connected person of our Company by virtue of being an associate of Arling Investment, our Controlling Shareholder
“PRC” or “China”	the People’s Republic of China
“provisional sum”	a sum provided for works or expenditure which has not been quantified or detailed at the time the tender documents are issued
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of the Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure — Reorganisation”
“RMB”	Renminbi, the lawful currency of the PRC
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Nations or Australia

DEFINITIONS

“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) with a nominal or par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme approved and conditionally adopted by our Company on 14 September 2018 to take effect upon Listing, the principal terms of which is set out under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator”	Elstone Securities
“Sole Sponsor”	BOCOM International Asia
“Specialist List” or “List of Approved Specialist Contractors”	a list issued by the WBDB of the Hong Kong Government comprising suppliers or specialist contractors who are approved for carrying out public works in the designated categories of specialist works
“sq. m.” or “m²”	square metre(s)
“m³”	cubic metre(s)
“Stabilising Manager”	Elstone Securities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Arling Investment and the Stabilising Manager (or its agents) on or around the International Underwriting Agreement Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time

DEFINITIONS

“The Otto Poon Family Trust”	The Otto Poon Family Trust is an irrevocable discretionary trust settled by Dr. Poon, as the settlor and protector pursuant to a deed of settlement dated 25 July 1995
“Track Record Period”	FY2016, FY2017 and FY2018
“U.N.”	The United Nations
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.”, “US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“variation order”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract
“VAT”	value-added tax
“WBDB”	the Works Branch of the Development Bureau (發展局工務科) of the Hong Kong Government. The Development Bureau maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Hong Kong Government contracts
“WHITE Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name
“Wise Eagle”	Wise Eagle Holdings Limited, a company incorporated in the BVI on 13 October 2009, which was wholly owned by our Company until 17 April 2018. It is a connected person of our Company by virtue of being an associate of Arling Investment, our Controlling Shareholder

DEFINITIONS

“ YELLOW Application Form(s) ”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, the English names of Mainland China nationals, companies, associations, entities, departments, facilities, certificates, and titles of Mainland China are directly translated from their Chinese names and are marked with “”, which are furnished for identification purposes only. Should any inconsistencies between the Chinese names and the English names exist, the Chinese names shall prevail.*

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Our Business”, “Financial Information” and “Future Plans and Use of Proceeds”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the E&M engineering industry.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong, Macau, Mainland China and overseas;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESSES AND INDUSTRY

We may face allegations, complaints or reports by our customers, third parties or the general public, and any failure to deal with such complaints or negative publicity could materially and adversely affect our reputation, business, prospects or our Share price.

We undertake works and provide services that are generally used by the general public as end users. There may be complaints or negative press reports regarding our works, operations or projects in which we are involved, and we may face allegations and complaints made by our customers or third parties and in media reports in relation to our operation, our works or compliance with applicable laws, such as the tendering procedure, our safety standards and procedures, the quality of our works and the materials we use, and our treatment of subcontractors and employees. For instance, there was certain negative media coverage recently in relation to the potential conflict of interest in tendering by our Group for government projects, which was unfounded and without basis. However, we can be adversely affected by the complaints or allegations relating to our works and services, our operations, the non-performance or sub-standard performance of subcontractors, or negative media publicity thereof, whether meritorious or not.

Negative comments, complaints, negative publicity or claims against our Group, whether meritorious or not, will place burden on our Group and divert management and other resources from other business operations, which may adversely affect our business operations. Any incidents, regulatory investigations or reports through the media or other third parties of possible work or service issues, or non-compliance with any laws or regulations involving our Group, our Directors, officers, employees, or shareholders, could significantly damage our reputation, goodwill, and our corporate and brand image, or otherwise affect our ability to conduct or expand our business, and may therefore have a material adverse effect on our business, cash flow, financial condition, results of operations, prospects and Share price.

Our participation in government projects may, more likely than in the case of non-government projects, draw public attention. Such publicity may be adverse and overstated. For projects which are publicly funded, changes in government budget and policy considerations could result in delays or changes to these projects. In addition, disputes with public bodies may last for considerably longer periods of time than for those that occur with non-government sector counter parties, and payments from the public bodies may be delayed as a result. All these risks may affect our performance of contracts with public bodies, and may have a material adverse effect on our business and results of operations.

RISK FACTORS

We are exposed to claims arising from latent defects that may be caused by us or our subcontractors in the past, the discovery of which may have material negative impact on our reputation, business and results of operation.

We may face claims arising from latent defects that might be existing but not yet discovered or developed. Such possible latent defects may be caused by us or our subcontractors or suppliers in the past. If there are claims against us for such latent defects when they are discovered, even if the defects are caused by our subcontractors or suppliers without our fault, we may not be able to locate the relevant subcontractors or suppliers, or may fail to procure the relevant subcontractor/supplier to rectify the defect, if it is rectifiable, or may fail to hold the relevant subcontractors/supplier liable or obtain compensation for any loss or damages caused by such defects. Such latent defects may include use of materials not meeting the specifications in the contracts, which may not be discovered despite the inspection and acceptance by the clients of the works prior to completion and remain undiscovered for years after the completion of the relevant project.

In the event that there are any significant claims against us by our customers or other party for any latent defects, our results of operation and financial positions may be materially and adversely affected. Even if such latent defects do not involve any non-compliance with laws or regulations, or breach of any contractual obligations on our part, we may be required to rectify such defects or take preventive or remedial measures, such as conducting reviews, tests or examinations on our works in the past, because of the negative publicity or to prevent our brands and reputation from being negatively affected. As a result, our operation, business and results of operation may be materially and adversely affected.

If we are unable to accurately estimate the risks, progress, revenues or costs when we enter into contracts or fail to perform our contracts based on our estimates, or if we fail to agree on the pricing of work done pursuant to variation orders or otherwise, we may be unable to realise the anticipated profits or incur losses on the contracts.

Our contracts are normally awarded through competitive tendering process. We need to estimate the risks of, and the time and costs required for, the potential projects to determine the tender prices. Most of our revenues are derived from contracts with prices determined by reference to our bids and agreed at the time the contract is awarded to us. We are typically responsible for all of our costs, and our ability to achieve our estimated profitability on any project is largely dependent on our ability to accurately estimate and control these costs. The duration of many of our contracts was for more than one year, and once the tender price is fixed, we are obliged to complete the contract at the agreed price. Cost overruns, whether due to unfavourable construction conditions, inefficiency of other parties involved in the project, inaccurate estimates or other factors such as delay in work progress due to disputes or in coordination among the parties involved, which are not uncommon, may result in a lower profit or even a loss in a project. The amount of total costs we incur on a project is affected by a variety of factors, including fluctuations in the price of raw materials, variations in labour and equipment costs over the term of a contract, changes in project scope or conditions, delay

RISK FACTORS

in or extension of construction period, disagreements on contract terms or works between the clients and the main contractors, adverse weather conditions, labour disputes, accidents and other unforeseen circumstances. The changes in costs may cause the revenue and gross profit realised from a contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids for any increase in labour, material and project management costs. In such cases, our operations, financial results and profitability may be adversely affected.

Any of the abovementioned adverse factors may give rise to delay in, or failure of, completion of works or cost overruns, which may in turn adversely affect our reputation, financial conditions or profitability. For example, in respect of the projects of contracting work for a railway system extension in Hong Kong in which we participated as direct contractor for E&M engineering work during the Track Record Period, there was certain delay in the project work progress that was not caused by us. As a result of such delay and additional costs, we have incurred losses for such projects.

From time to time, we are required to perform variation works as directed by customers which are not in the original design specifications. Our customer will perform measurement and evaluation to the variation works and make adjustment to the contract sum. Variation orders or other changes may sometimes result in disputes about whether the work performed is in the scope of work, or the amount payable for the variation work. Even when the customer agrees to pay for the variation work, we may be required to fund the cost of such work for a lengthy period of time until the variation order is approved and paid by the customer. In addition, any delay caused by the variation works may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates.

We require various approvals, licences and permits to operate many of our businesses, and the loss of, or failure to obtain or renew, any or all of these approvals, licences and permits could materially and adversely affect our businesses in Hong Kong, Macau and Mainland China.

In accordance with the laws and regulations of Hong Kong, Macau and Mainland China, we are required to maintain various approvals, licences and permits in order to operate our business. Please see “Business — Licences and Permits” for a summary of such licences, approvals or permits. Our E&M engineering qualifications on the government’s approved lists of contractors in Hong Kong are important to us as they determine the range and size of public works in which we are eligible to participate as a contractor.

Failure to comply with these laws and regulations, or the loss of or failure to renew our licences and permits or any change in the government policies, could lead to temporary or permanent suspension of some of our business operations or the imposition of penalties on us, which could adversely affect our results of operations and financial condition.

In order to tender for government contracts, a contractor is required to be on the appropriate list of approved contractors of the relevant government departments. If the capability, performance, tendering record or financial standing of a particular contractor is

RISK FACTORS

found to be unsatisfactory by the government, or if a contractor's failure to implement sufficient safety measures and procedures at work sites has resulted in any personal injuries or fatal accidents, the government may remove a contractor from such list or take other regulatory actions against the contractor such as revocation, suspension, extending probationary period, downgrading to probationary status, or demotion to a lower group in respect of all or any work category in which the contractor is listed.

If defects are discovered in the works of a contractor, including latent defects which may be undiscovered for years after completion, the contractor may be removed or suspended from the relevant list of approved contractors, and even if there has been no breach of the relevant contract terms, the reputation of such contractors may still be adversely affected, and it might become more difficult for such contractors to be selected for future projects. If a contractor has violated any law or regulation, the relevant government authority may take disciplinary actions against the contractor, such as amendment, variation (e.g. demotion of licences to a lower grade), suspension and revocation of licences. Furthermore, in awarding contracts to a contractor, the government authorities will take into account a contractor's performance and track record and whether disciplinary action has been taken against it.

In the event of a withdrawal, revocation or downgrading, there would be a detrimental impact on our operations and prospects.

In addition, any changes or alterations in the licensing requirements and/or standards for admission into the list of approved contractors may require us to make necessary corresponding adjustments to meet any new requirements and/or standards resulting from such changes, thus requiring us to incur extra costs.

Failure to implement safety measures and procedures on work sites by our staff and/or third party service providers may lead to personal injuries, property damage or fatal accident. We are exposed to litigation claims including employees' compensation claims and common law personal injury claims, and our insurance coverage may not adequately protect us against certain risk.

Our business involves working at height or on slippery floor, operation of and contact with heavy machinery and electrical system and appliances, the lifting of heavy objects, the use of corrosive and inflammable chemicals, and our staff may be exposed to unfavourable work environments that could result in personal injuries, property damage or fatal accidents. Our staff may also be required to work in new environments which they may be unfamiliar with, and they may be unaware of the location of the safety routes and places of danger.

Employees who suffer from bodily injuries or death as a result of accidents occurred and diseases contracted during the course of their employment may claim damages and compensation against us under the Employees' Compensation Ordinance as well as under the common law in Hong Kong and the relevant laws in Macau and Mainland China. Such claims may not be covered by our employees' compensation insurance fully or at all due to various reasons.

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Due to the nature of our business, we may also, from time to time, face other miscellaneous litigation claims from our employees or third parties, who suffer personal injuries at premises where we provide our services, which may or may not be meritorious. We have taken out insurance policies to cover these potential claims, including employees' compensation insurance and public liability insurance. The outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitration authorities, and the result may be unfavourable to us. There is also no assurance that the insurance company will not challenge any such claims on the ground that they fall outside the scope and/or limit of our insurance coverage or bring a counterclaim against us for any breach of the terms and conditions of the relevant policy. In either event, our financial conditions may be adversely affected. Regardless of the merits of such claims, we may need to divert management resources and incur costs to handle these claims, which may affect our corporate image and reputation in the industry, especially if they become public, and may adversely affect our revenue, results of operation and financial conditions.

There is no assurance that all risks are adequately insured against by our insurance policies. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. The occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be covered by our insurance policies fully or at all due to various reasons. If our business operations are disrupted or interrupted for a substantial period of time, we could incur costs and losses that could materially and adversely affect our business, financial conditions and results of operations.

In the event that our staff and/or third party service providers fail to implement safety measures and procedures on our work sites, there may be heightened risks of serious personal injuries, property damages or fatal accidents, which may again lead to interruption of our operations and adversely affect our reputation, financial conditions and results of operations to the extent not covered by our insurance policies.

In addition, there may be new laws and regulations relating to health and safety protection in workplaces in the future, and our operating costs may be increased to comply with such new laws and regulations. Any failure to comply with such new laws or regulations may have an adverse effect on our business and results of operations.

If we fail to meet the requirements of our contracts or quality standards of our services, we may face litigation, be required to pay damages and additional costs, and experience delay or difficulties in receiving payments, which may adversely affect our business and reputation.

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in a timely manner resulting in a breach of our contractual obligations, we may be liable to compensate

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our customers for losses or damages caused by the delay. For the projects undertaken by us, it is common for a clause for payment of damages for delay of works to be included in the contract made between us and the customer involved. Such a clause usually provides that in case of our delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by us to the customer for the period during which the works remain incomplete due to our default. Any delay in the completion of a project could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for construction materials used.

Since there is always a risk that works under our work scope in construction projects may not be completed in accordance with the pre-set time schedule, we are subject to exposure to claims for the said liquidated damages when a construction project undertaken by us is not completed on time. Such claims for liquidated damages will affect our profitability if no extension of time is granted, as the customer is entitled to deduct such liquidated damages from the contract sum under the relevant contract. The effect on us depends on the length of the delay in completion due to our default. Furthermore, any failure on our part to complete a project in a timely manner could harm our reputation in the industry and hinder our ability to secure future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected. In addition, we may be liable to compensate our customers for any losses sustained by them if any of our employees, contract workers or installation service providers do not complete projects in accordance with the terms specified in the relevant contracts. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

Our projects are non-recurring in nature, and if we fail to secure new major projects, our businesses and financial position will be materially and adversely affected.

We enter into contracts with our major customers generally on a project basis, and there can be no assurance that our customers will continue to engage us in future projects. In the event that our customers cease to engage us to provide services and we fail to replace such customers, or if we fail to secure new major projects, our business and financial position may be materially and adversely affected.

Our major customers mainly comprise property developers and construction companies in Hong Kong and Mainland China, hotel and property developers in Macau, government departments in Hong Kong and transportation companies in Hong Kong, which have established business relationships with us. In the event that the level of construction activities of such major customers cease to grow or decline, or such customers cease to engage us to provide services and we fail to replace such customers, our business may be materially and adversely affected.

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Labour shortages or increases in labour costs could harm our business, reduce our profitability and slow our growth.

Experienced professional staff and other labour are important for the operation of our businesses, and therefore, our success depends in part on our ability to attract, retain and motivate a sufficient number of qualified engineers, construction workers and the engagement of subcontractors for certain labour intensive works. Qualified individuals in the relevant industries are in short supply and competition for workers is intense.

Competition for qualified construction workers could also require us to pay higher wages, which could result in higher labour costs. For example, given Macau's relatively small population and the high number of construction projects in Macau in recent years, the labour market in Macau has been tight and average labour costs in Macau have increased significantly.

The salary level of construction workers in Hong Kong has been increasing in the past several years. According to the Frost & Sullivan Report, the average annual wage of employees in the construction industry in Mainland China is also expected to continue to increase in the coming years. Most of our revenues are generated from agreements with terms over one year. Most of such agreements do not contain labour cost adjustment mechanism, and we may fail to anticipate or may be unable to transfer the full impact of the increase in labour cost to our customers. In such or other cases, we may not be able to increase our prices in order to pass these increased labour costs on to our customers for contracts without price adjustments, in which case our business and results of operations would be negatively affected.

Any change or deterioration of our relationship with, and the performance of, our joint venture partners and third party service providers may have an adverse impact on our business operation and reputation.

We form joint ventures with other companies in the E&M engineering industry to tender for and carry out the E&M engineering works in major construction projects from time to time. We also engage third-party service providers as our subcontractors to perform certain, generally more labour-intensive parts, of the E&M engineering works. Any change or deterioration of our relationship with, and the performance of, such third-parties may have adverse impact on our business operation and reputation.

- ***We are dependent on subcontractors, and in some projects our joint venture partners, to implement certain contracts.***

We are dependent on subcontractors to carry out works in many of our projects. As we generally do not sign any long term contracts with our major subcontractors, there is no assurance that they will continue to provide services to us at prices acceptable to us. In the event that any of the major subcontractors is unable to provide the required services to us and

RISK FACTORS

we are unable to obtain alternative providers on similar or more favourable terms, or if the costs for them to provide those required services increase substantially, our business, results of operations and profitability may be adversely affected.

For some large-scale projects, we may form joint ventures with other companies to tender for and carry out the works. There is no assurance that our existing joint venture partners will continue to cooperate with us to tender for and perform works for future projects, or on terms that are favourable or acceptable to us. If we are unable to cooperate with appropriate joint venture partners, we may not have sufficient resources competitiveness, or all necessary qualifications to participate in major construction projects, or if we are engaged in such projects as the sole contractor or a subcontractor, we will have to bear significant risks in relation to such projects.

We are not able to monitor the performance of our subcontractors or joint venture partners or their respective staff as directly and efficiently as with our own staff. If a subcontractor fails to provide services as required under a contract or a joint venture partner fails to perform its responsibility as agreed, we may be required to procure other companies to perform these services, causing delay and/or increase in cost, which could impact our profitability. If a subcontractor's performance does not meet our standards or if a joint venture partner's performance does not meet the requirements which the relevant joint venture has agreed to, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims. We may also need to undertake remedial works and therefore may increase our costs and adversely affect our business and results of operations.

- ***Responsibility for quality of services provided by third party service providers***

Under the terms of the contracts between our customers and us, we would not be relieved from any obligation or liability in respect of the performance of the third party service providers, and we would be responsible for their acts, defaults or neglects. There is no assurance that the services rendered by any of our third party service providers will always be satisfactory or meet our customers' quality and safety standards and timing requirement. If the performance of any third party service provider is not up to the standards required by our customers, we may need to replace such third party service provider or take other actions to remedy the situation, which could adversely affect the cost and progress of our projects and may have an adverse impact on our reputation and our ability to obtain new contracts.

- ***We may incur potential liabilities arising from defaults of our third party service providers***

As the principal contractor, we may be liable to settle the outstanding wages of the employees of our third-party service providers, including subcontractors, pursuant to the Employment Ordinance and liable to pay compensation to the injured employees of our third party service providers pursuant to the Employees' Compensation Ordinance. Given the

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above, any defaults or neglects on the part of the third party service providers may also have an adverse impact on our profitability and financial conditions as we might be liable for any such defaults or neglects. Any of these factors could have a material adverse effect on our business, financial conditions and results of operations.

- ***Potential competition with joint venture partners and subcontractors***

Small-scale third party service providers may expand their business operations by accumulating work experience, improving their financial strength and diversifying their scope of services over time. Such small-scale subcontractors may become sizeable and achieve a market reputation in the future that may be comparable to us. Our joint venture partners, who may often be our direct competitors, may also decide not to partner with us in future joint venture and tender for projects on their own. In such event, our subcontractors and joint venture partners may compete with us for our customers, especially in relation to the projects that involved them. In the event that our existing customers engage our subcontractors or our joint venture partners to our exclusion in future projects, our operations and financial results may be adversely affected.

We are subject to liquidity risk in our investments in associates and joint ventures and if our associates and joint ventures do not perform as we expected them to be or do not generate sufficient revenue in any financial year, our financial condition or result of operations could be materially and adversely affected.

Our share of results of associates were losses of HK\$40.3 million, profits of HK\$13.5 million and profits of HK\$27.3 million, and our share of results of joint ventures were losses of HK\$1.2 million, losses of HK\$0.5 million and profits of HK\$0.6 million, for FY2016, FY2017 and FY2018, respectively. Our investment in associates and joint ventures may not guarantee a share of profits, and any loss incurred by such associates and joint ventures shall be apportioned among our Group and other joint venture partners. If our associates and joint ventures do not perform as expected or do not generate sufficient revenue in any financial year, our return of investments in our associates and joint ventures, and our financial condition or results of operations, could be materially and adversely affected. For instance, the substantial extension of the project period of a project undertaken by Oscar Bioenergy Joint Venture (“**OBJV**”), one of our associates, due to factors beyond our control had led to significant increase in costs, and we had in turn shared post-acquisition losses that are in excess of the cost of investment in OBJV of HK\$61.2 million, HK\$76.7 million and HK\$83.6 million as at 31 December 2016, 2017 and 2018, respectively. For details, please see “Financial Information — Description and management discussion and analysis of selected items in consolidated statements of profit or loss and other comprehensive income — Share of results of associates and joint ventures”.

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In addition, our investment in associates and joint ventures are subject to liquidity risk. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates and joint ventures reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. Therefore, the illiquidity nature of our investment in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no share of results or dividends from our associates or joint ventures, we will also be subjected to liquidity risk and our financial condition or result or operations could be materially affected.

We operate in a competitive industry, and we may experience pressure on our profit margin. We are subject to the risks associated with tendering process. Our contracts are normally awarded through competitive tendering process on a project by project basis and we face keen competition. If we fail to secure engagement for new projects on favourable terms or at all, our business and results of operation could be materially and adversely affected.

We operate in the E&M engineering industry, which is a competitive industry with a large number of competitors including local and international companies which offer similar services as ours. Some of our competitors may have more manpower, resources, licences and qualifications, longer operating histories and stronger relationship with customers and brand names. Due to the large number of competitors, we face pricing pressure which may reduce our profit margins. Further, if we cannot adapt effectively to market conditions or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts. We may also compete in other areas including for services of subcontractors and qualified employees. If we cannot obtain their services on favourable terms or at all, or are unable to compete in other areas, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our contracts for E&M engineering works are mostly awarded through competitive tendering process and there has been keen competition in the bidding for projects among various contractors in the relevant markets as there are a large number of participants in the relevant industries where we operate.

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We are mainly engaged in E&M engineering works on a project by project basis which is not recurring in nature and we cannot guarantee that we will continue to secure new projects from our customers after the completion of the projects on hand. If we fail to compete effectively or maintain our competitiveness in the relevant markets, our business, financial condition and results of operations will be adversely affected. In particular, our ability to secure contracts out of our tenders is critical to our success. There is no guarantee that we will be able to maintain our past success in tendering projects in the future or that we will be able to secure new contracts from our existing or new customers on terms that are favourable to us or at all. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

Our operations are mainly project-based. Collection of payment and our profit margin depend on the terms of the work contract and may not be regular, and progress payments and retention money in relation to our projects may not be paid or released to us on time and in full, which will adversely affect our liquidity and results of operation.

Our E&M engineering operations are project-based. Our collection of payment and our profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general progress of the relevant projects. In this connection, our income flow is irregular and subject to various factors beyond our control. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level.

Furthermore, our collection of payment, and the profit margin and time for profit recognition depend on the terms of the work contracts and the general progress of the projects and may also be irregular. If the collection pattern of our payment significantly deviates from our estimation, our financial position could be adversely affected.

As a common practice, we receive progress payments in respect of our projects from our customers on a monthly basis. The amount of payment is determined with reference to the value of the work completed and materials delivered to the site. Our customers generally withhold a certain percentage from each interim payment, up to 5% of the total contract value, as retention money. Typically, not more than 50% of this retention sum will be released to us upon practical completion of the works and the balance will be released at the end of the defect rectification period, or the whole amount of the retention money is released after the expiry of the defect liability period. There can be no assurance that progress payments or retention monies in respect of our projects will be paid on time and in full whether due to disagreement on the payment sum, a delay in the customer's settlement process or otherwise. In the event that our customers fail to make such payments on time and in full, our future liquidity position and results of operation may be materially and adversely affected.

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Our profit fluctuated during the Track Record Period and our operating results may fluctuate significantly between different periods within a financial year or on a period-on-period basis, due to various factors, some of which are beyond our control. Our historical financial and operating results therefore may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our revenues, expenses and operating results may vary from period to period and may fluctuate due to a variety of factors, some of which are beyond our control, including changes in laws, regulations and industry practices in the E&M engineering industry, increases in costs of labour and raw materials and conditions of the property market and construction industry in Hong Kong, Macau and Mainland China, as well as our ability to estimate and control costs, operating expenses and work progress for each project, as set out in the risk factor immediately above.

Our gross profit decreased by HK\$35.0 million or 3.8% from HK\$923.4 million in FY2017 to HK\$888.4 million in FY2018, and our gross profit margin decreased from 18.6% in FY2017 to 14.9% in FY2018. As the majority of our gross profit was generated from building services during the Track Record Period, a major factor contributing to the decrease in our gross profit and gross profit margin in FY2018 was the decrease of our gross profit and gross profit margin for our building services segment from HK\$600.8 million to HK\$558.5 million and from 19.4% to 12.6%, respectively, which was in turn mainly due to higher gross profit contribution of a major infrastructure building services project in Hong Kong and a contracting project for renovation works of a hotel in Macau in FY2017. For details, please see “Financial Information — Description and Management Discussion and Analysis of Selected Items in Consolidated Statements of Profit or Loss and other Comprehensive Income — Gross profit and gross profit margin”.

Period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our Shares. There is a risk that we will not be able to achieve or maintain profitability or our historical results. Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline.

Furthermore, as a result of the factors set out above, our revenue and results of operations may fluctuate significantly between different periods within a particular financial year or on a period-on-basis comparison across different financial years, and any comparison of revenue and results of operations between different periods within a particular financial year or period-on-period comparison may not be meaningful, and cannot be relied on as indicators of our performance. Any such fluctuations in the future may not match the expectations of investors and could cause fluctuations in the trading price of our Shares.

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Wrongdoing by our employees, subcontractors and outsiders may harm our reputation and business.

Due to the significant contract sum of our projects, we are susceptible to acts of fraud, bribery, corruption, kickback or other dishonest act or misconduct by our staff, subcontractors, joint venture partners or other third parties. For instance, an ex-director, Mr. Fong Chun Yau, who had left our Group since August 2015, was found guilty of bribery charges in Macau in relation to the contracts of three engineering projects awarded by the Macau government in 2004 to 2006 to joint ventures formed by third parties and a Group company, where the three joint ventures were held to have made payments to certain entities which were subsequently found to be paid to a former senior official of the Macau government. Such wrongdoing may seriously harm our reputation, business and operating results. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of such misconduct. If our Group, our senior management members, employees, subcontractors or joint venture partners commit or are alleged to have committed such misconduct, we may be subject to negative publicity, investigations, or criminal charges and penalty, which may lead to diversion of our management's attention and incurring of costs to defend against the allegation. Regardless of whether the allegation is founded or not, the consequent negative publicity may have significant adverse impact on our reputation, loss of opportunities to be invited to tender and loss of business. The misconduct, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operation and financial condition. Even if they are not committed against us, if our staff or subcontractors are involved, our reputation and corporate image may be adversely affected.

We may undertake acquisitions, investments or joint ventures, which may not be successful or which otherwise may have a material adverse effect on our ability to manage our business.

Our strategy includes plans to grow organically and through acquisitions of, investment in or participation in joint ventures with other companies. Please see "Business — Our Business Strategies" for details. Acquisitions of or investment in companies or businesses and participation in joint ventures are subject to considerable risks, including:

- our inability to integrate new operations, personnel, products, services and technologies;
- unforeseen or hidden liabilities, including exposure to claims, disputes and lawsuits associated with newly acquired companies or subject of our investment;
- the diversion of financial or other resources from our existing businesses;
- disagreement with management of acquired companies, subject of our investment, or our joint venture partners;

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- failure to comply with laws and regulations as well as industry or technical standards of the markets into which we expand;
- exposure to operation, regulatory, market and geographic risks and additional capital requirements;
- our inability to generate sufficient revenues to offset the costs and expenses of acquisitions, strategic investments or joint venture formations; and
- potential loss of, or harm to, employees or client relationships.

Any of the above risks could significantly impair our ability to manage our business and materially and adversely affect our business, results of operations and financial condition.

We may undertake technology, process and product development projects, which may not be successful or which otherwise may have a material adverse effect on our competitiveness and results of operations.

Our strategy includes plans to undertake technology, process and product development projects, such as development of wastewater treatment processes and other products and solutions for our environmental engineering segment and our ICBT segment. Please see “Business — Our Business Strategies” for details. The process of developing and commercialising new products, processes, technologies and solutions is inherently complex and involves significant risks and uncertainties, including:

- our inability to successfully develop commercially viable processes or technologies from the development projects that we have invested in or will invest in;
- our development efforts may fail to respond to the evolving needs of our customers and the changing technological standards and specifications in the relevant industry;
- any significant increase in our development expenses may outweigh the additional revenue generated or cost saved, which may adversely impact our profitability; and
- our newly developed processes, technologies and products may not be protected as proprietary intellectual property rights.

Any of these events could materially and adversely affect our competitiveness in the relevant industry, as well as our business, financial condition and results of operations.

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Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.

Our future success depends heavily on the continued services of our senior executives and other key employees. In particular, we rely on the expertise, experience and leadership of our executive Directors, our senior management and the senior management of our businesses, who play a vital role in our operation. On average, these members of our senior management have over 10 years of experience in the relevant industries. Please see the section “Directors and Senior Management” for details.

If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly, or at all, which may severely disrupt our business and affect our results of operations and prospects.

Our business is dependent on conditions and trends in the construction and E&M engineering industry which are subject to fluctuation.

Our operations are dependent on the conditions and trends in the construction and E&M engineering industry, which are subject to fluctuation. The future growth and conditions of the construction and E&M engineering industry in Hong Kong, Macau and Mainland China are likely to depend primarily upon the continued availability of major construction projects in these regions. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the governments’ spending patterns on the construction and E&M engineering industry and the general conditions and prospects of the economy. These factors may affect the availability of construction projects from the government sector and non-government sector. Some government projects or public works projects are non-recurring in nature. Any change or significant reduction or delay in the level of spending or delay of the approval on public works by the Hong Kong Government may affect our business and operation results. In the event that the Hong Kong Government reduces its level of spending on public works and we fail to secure business from other sectors, our business and profitability could be adversely affected.

There are many factors affecting the construction and E&M engineering industry, including fluctuating trends in the property market and the economy as a whole, fluctuations in interest rates and the availability of new projects in the non-government sector. As our businesses are dependent on the conditions of the construction and E&M engineering industry, if there are adverse economic conditions, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, a reduction in the capital expenditure by the governments on infrastructure projects, or if the local authorities adopt regulations that place additional restrictions or burdens on the construction industry, the construction and E&M engineering industry, and thus our business, results of operations and profits could be materially and adversely affected.

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We had recorded negative operating cash flow for FY2016. Negative operating cash flow may adversely affect our financial flexibility and liquidity.

We had net cash used in operating activities of HK\$10.5 million in FY2016 mainly as a result of the cash generated from operations before working capital change of HK\$223.4 million, taxes paid of HK\$35.9 million and negative changes in working capital of HK\$198.0 million. The change in working capital primarily reflected (i) increase in contract assets of HK\$239.2 million mainly attributable to certain non-government projects of contracting works of railway system extension in Hong Kong; and (ii) decrease in trade and retention payables of HK\$35.7 million mainly due to decrease in trade accruals of HK\$34.2 million as a result of timing of billings from our sub-contractors, partially offset by a decrease in trade receivables of HK\$61.0 million as a result of decrease in billings.

There is no assurance that we will not record negative operating cash flow in the future. Net cash outflow from operating activities may adversely affect our liquidity, and reduce our financial flexibility and our ability to obtain additional borrowings from bank, which in turn may adversely affect the implementation of our future plans.

We may experience delays or defaults in collecting our trade receivables and contract assets, or that delay in the release of retention monies or that retention monies are not fully released to us after expiry of the defect liability period may affect our operating results and liquidity position.

We make monthly progress claims to our customers in respect of the value of the work we have performed in the preceding month, and subject to our customer's confirmation of such value, we will proceed to issue the invoices with a credit term in accordance with the provision in the contract. As at 31 December 2016, 2017 and 2018, the total carrying amount of trade receivables (net of allowance for impairment) and contract assets of our Group amounted to approximately HK\$1,682.8 million, HK\$1,735.7 million and HK\$1,700.1 million, respectively. Net impairment loss in respect of trade receivables was recognised in FY2018 amounted to HK\$27.5 million, respectively, mainly as a result of the receivables from certain customers which are considered as irrecoverable as the amounts remained unsettled despite our request for settlements from these customers for months. We recorded net impairment loss reversal in respect of trade receivables in FY2017 as a result of repayment received in such year for impaired amounts as at 31 December 2016.

Our customers generally withhold a certain percentage from each interim payment, up to 5% of the total contract value, as retention money. Typically, not more than 50% of this retention sum will be released to us upon practical completion of the works and the balance will be released at the end of the defect rectification period, or the whole amount of the retention money is released after the expiry of the defect liability period. As at 31 December 2016, 2017 and 2018, our contract assets included retention receivables of HK\$325.9 million, HK\$317.6 million and HK\$375.5 million, respectively. If a customer delays its payment, or fails

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to release our retention monies to us as scheduled, our cash flow and working capital may be materially and adversely affected. Even if we are able to recover any losses incurred pursuant to the terms of the contract, the process of such recovery is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage past due debts effectively could have a material and adverse effect on our business, financial position, results of operations and prospects.

During the Track Record Period, we have not encountered any material delay in progress payment and retention money by our customers. However, there can be no assurance that such payments will be made on time by our customers in the future. Any failure by our customers to make payments to us on a timely manner may have an adverse effect on our future liquidity position.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

Our Group has foreign-currency bank balances, trade receivables, bills receivables, other receivables, trade payables, bills payables and other payables, which expose us to foreign currency risk.

While most of our costs and expenses are denominated in Hong Kong dollars and U.S. dollars, some of our sales is denominated in Renminbi and other foreign currencies. We incurred net exchange gain of HK\$0.4 million for FY2016, net exchange gain of HK\$13,000 for FY2017, and net exchange loss of HK\$3.7 million for FY2018. We also recognised exchange loss of HK\$29.2 million, exchange gain of HK\$34.5 million and exchange loss of HK\$27.1 million for FY2016, FY2017 and FY2018, respectively, in other comprehensive income, which arise from the translation of foreign operations of our Group from their functional currencies of RMB to the presentation currency of our Group of HK\$. Assets and liabilities of foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the relevant years.

The change in value of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the political and economic conditions in Mainland China. Since 1994, the conversion of Renminbi into other currencies, including Hong Kong and U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and referenced to a basket of currencies. Since the adoption of this new policy, while the value of the Renminbi against the U.S. dollar has fluctuated daily, the overall value has appreciated against the U.S. dollar. The PRC government has since made and may in the future make further adjustments to the exchange rate system.

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Despite the foreign-currency forward contracts that we have entered into during the Track Record Period, we cannot assure you that our exposure to foreign currency risk could be eliminated and any significant revaluation of the Renminbi and other currencies in which our foreign-currency bank balances, receivables and payables may materially and adversely affect our cash flows, revenues, earnings and financial position.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During 2016, we made direct sales of our escalators to a customer located in Iran, generating revenue in an aggregate amount of approximately RMB3.2 million, representing approximately 0.07% of our total revenue for the same year. Iran is subject to comprehensive sanctions during the Track Record Period and as of the date of this prospectus. Please see “Business — Business Activities in Countries subject to International Sanctions” for further information.

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would expose our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

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While we have implemented internal control measures to minimise our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of U.S., the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, please see “Business — Business Activities in Countries subject to International Sanctions”.

RISKS RELATING TO MAINLAND CHINA

Our future performance is dependent on the economy and construction industry in Mainland China.

For FY2018, 5.9% of our revenue was generated in Mainland China. Accordingly, our business, financial condition, results of operations and prospects could be affected by economic, political and legal developments in Mainland China. The economy in Mainland China differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources.

The success of our business depends on the condition and growth of the property market and construction industry in Mainland China, which in turn depends on macro-economic conditions and individual income levels in Mainland China. We cannot assure you that the economy and construction market in Mainland China will sustain the growth that they have historically experienced. Any future slowdown or declines in the economy in Mainland China could adversely affect our business, operating results and financial condition.

Mainland China’s legal system embodies uncertainties that could adversely affect our business, financial condition and results of operations.

Part of our operations is conducted in Mainland China. Our business and operations are therefore generally affected by and subject to Mainland China’s legal system and laws and regulations. Since the late 1970’s, Mainland China has been developing rapidly with many changes made to laws and regulations covering general economic matters or affecting our business and operations having been promulgated in Mainland China. However, as the changes to these laws and regulations are relatively new, and due to the limited volume of published cases and clarification, interpretation of these laws, regulations and their changes involve uncertainties. In addition, the enforcement of laws may be uncertain, and it may be

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difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Mainland China's legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The differences in judgment caused by regional differences may create additional uncertainty as to the expected outcomes of litigation. In addition, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political, economic and social changes.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. We receive revenues from our operations in Mainland China in RMB. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in Mainland China to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of Mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

RISKS RELATING TO THE GLOBAL OFFERING

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management and the laws of Bermuda relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

We are a company incorporated under the laws of Bermuda. During the Track Record Period, a majority of our businesses, assets and operations were located in Hong Kong. All of our Directors and executive officers reside in Hong Kong. Recognition and enforcement in Hong Kong, Macau or Mainland China of judgments of a court in the United States, the United Kingdom and such other jurisdictions in relation to any matter not subject to binding arbitration awards may be difficult or impossible.

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Although we will be subject to and governed by the Listing Rules and the Takeovers Code upon the Listing, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code also does not have the force of law in Hong Kong and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share purchases in Hong Kong.

In addition, since we are incorporated under the laws of Bermuda and our corporate affairs are governed by the laws of Bermuda, it may not be possible for you to bring an action against us or against our Directors or officers based on laws in Hong Kong, Macau or Mainland China in the event that you believe that your rights as a shareholder have been infringed. Our corporate affairs are governed by our Memorandum of Association and Bye-laws and by the Bermuda Companies Act and common law of Bermuda. The laws of Bermuda relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under Hong Kong laws or the laws of other jurisdictions. A summary of Bermuda companies law is set out in Appendix III to this prospectus.

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, Mainland China, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

RISK FACTORS

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net tangible asset value on a per Share basis. As a result, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Sole Global Coordinator (on behalf of the International Underwriters) exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

We have adopted the Share Option Scheme, details of which are set out in the sub-section "D. Share Option Scheme" in Appendix IV to this prospectus. Issuance of Shares pursuant to the exercise of the options granted or to be granted under the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders and the earnings per Share, and may cause dilution to the net asset per Share.

RISK FACTORS

You should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry obtained from official resources.

Facts, forecasts and other statistics in this prospectus relating to the economy and the industries on an international, regional and specific country basis have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we, the Sole Global Coordinator, the Sole Sponsor, the Underwriters nor any of our/their respective affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industrial data and other information relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “estimate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements unless required by our ongoing disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

RISK FACTORS

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering. There may be press and media coverage regarding us and the Global Offering, which included certain financial information, financial projections, valuations, capital expenditure and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such information and such information was not sourced from or authorised by our Directors or our management. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or the Global Offering. You should not rely on any such information, particularly to the extent that any such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, you are cautioned that, in making your decision about whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding-Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFER ONLY

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as at any subsequent time.

INFORMATION ON THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for the Hong Kong Offer Shares" and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants in the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the International Underwriting Agreement Date. The Global Offering is managed by the Sole Global Coordinator.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in Mainland China or the United States.

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Except as disclosed, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Branch Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by Estera Management (Bermuda) Limited in Bermuda.

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 52,500,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to cover over-allocation in the International Placing.

Further details with respect to stabilisation and the Over-allotment Option are set out in “Structure of the Global Offering — Over-allotment Option” and “Stabilisation”.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in “How to Apply for the Hong Kong Offer Shares” and on the relevant Application Forms.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only, and if there is any inconsistency, the Chinese name prevails in such cases.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB or MOP amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the RMB or MOP amounts could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB1.00 to HK\$1.25, the translations of MOP amounts into Hong Kong Dollars have been made at the rate of MOP\$1.00 to HK\$0.97, and the translations of USD amounts into Hong Kong dollars have been made at the rate of USD1.00 to HK\$7.84.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDINGS

Amounts and percentage figures, including share ownership, operating and financial data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand or the nearest decimal place, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Dr. Poon Lok To Otto (潘樂陶博士)	G-2/F, Block 3, Villa De Mer No. 5 Lok Chui Street Tai Lam Tuen Mun New Territories Hong Kong	Chinese
Mr. Cheng Siu Ngai Kevin (鄭小藝先生)	Flat 15A, Braemar Hill Mansion 41 Braemar Hill Road North Point Hong Kong	Chinese
Mr. Law Wei Tak (羅威德先生)	Flat B, 15th Floor Primrose Mansion No. 2 Taikoo Wan Road Taikoo Shing Hong Kong	Chinese
Mr. Chan Hoi Ming (陳海明先生)	Flat A, 1st Floor, Block 9 The Paramount 23 Shan Tong Road Tai Po New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Dr. Mak Kin Wah (麥建華博士)	Flat C, 6/F Evergreen Garden 18 Shouson Hill Deep Water Bay Hong Kong	British
<i>Independent non-executive Directors</i>		
Mr. Chan Fu Keung (陳富強先生)	Flat B, 6/F Sakura Court 58-60 Kennedy Road Wan Chai Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Lam Kin Fung Jeffrey (林健鋒先生)	Flat A, 26/F, Block 2 Cavendish Height 33 Perkins Road Jardine's Lookout Hong Kong	Chinese
Mr. Wong King On Samuel (黃敬安先生)	Flat B, 9/F Victoria Heights 43A Stubbs Road Mid-Levels Hong Kong	Australian

For more information on our Directors, see “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BOCOM International (Asia) Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Sole Global Coordinator	Elstone Securities Limited Suite 1601-04, 16/F West Tower Shun Tak Centre 168-200 Connaught Road Central, Hong Kong
Joint Bookrunners and Joint Lead Managers	Elstone Securities Limited Suite 1601-04, 16/F West Tower Shun Tak Centre 168-200 Connaught Road Central, Hong Kong BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong China Tonghai Securities Limited 18/F, China Building 29 Queen's Road Central Hong Kong GLAM Capital Limited Rooms 908-911 9/F Nan Fung Tower 88 Connaught Road Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Macau law:

Rato, Ling, Lei & Cortés-Advogados

Avenida da Amizade, 555

Macau Landmark

Office Tower

23rd Floor

Macau

As to Macau law:

GS Law Firm

Avenida de Marciano Baptista

n^os. 26~54

Edf. Centro Comercial “Chong Fok”

8^o andar “H”

Macau

As to Bermuda law:

Appleby

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

As to International Sanctions law:

Hogan Lovells

11th Floor

One Pacific Place

88 Queensway

Hong Kong

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law:

K&L Gates

44th Floor, Edinburgh Tower

The Landmark

15 Queen’s Road Central

Hong Kong

As to PRC law:

Jia Yuan Law Offices

Suite 2511

Landmark 4028 Jintian Road

Futian District

Shenzhen

China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Macau law:

FCLaw Lawyers & Private Notaries
13th Floor, B-E Edifício Circle Square
61 Avenida de Almeida Ribeiro
Macau

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry consultant

Frost & Sullivan Limited
1706, One Exchange Square
8 Connaught Place
Central, Hong Kong

Property valuer

Jones Lang LaSalle Limited
6th Floor, Three Pacific Place
1 Queen's Road East
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Principal place of business in Hong Kong	13th Floor, Island Place Tower 510 King's Road North Point Hong Kong
Company's website address	www.atal.com <i>(information on this website does not form part of this prospectus)</i>
Company Secretary	Ms. Li Kit Chi Fiona (李潔志) <i>Solicitor of Hong Kong</i> 13th Floor, Island Place Tower 510 King's Road North Point Hong Kong
Audit committee	Mr. Wong King On Samuel (黃敬安) (<i>Chairman</i>) Mr. Chan Fu Keung (陳富強) Dr. Mak Kin Wah (麥建華)
Remuneration committee	Mr. Chan Fu Keung (陳富強) (<i>Chairman</i>) Mr. Wong King On Samuel (黃敬安) Dr. Mak Kin Wah (麥建華)
Nomination committee	Mr. Lam Kin Fung Jeffrey (林健鋒) (<i>Chairman</i>) Mr. Chan Fu Keung (陳富強) Mr. Wong King On Samuel (黃敬安) Dr. Mak Kin Wah (麥建華) Mr. Cheng Siu Ngai Kevin (鄭小藝)
Authorised representatives	Dr. Poon Lok To Otto (潘樂陶) G-2/F, Block 3, Villa De Mer No. 5 Lok Chui Street Tai Lam Tuen Mun New Territories Hong Kong Ms. Li Kit Chi Fiona (李潔志) 13th Floor, Island Place Tower 510 King's Road North Point Hong Kong

CORPORATE INFORMATION

Compliance adviser	BOCOM International (Asia) Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong
Principal share registrar and transfer office in Bermuda	Estera Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong (with effect from 11 July 2019, Hong Kong Branch Share Registrar and Transfer Offices will change its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong)

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy or completeness.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis and prepare a report on the Hong Kong, Mainland China and Macau E&M engineering market. The report prepared by Frost & Sullivan is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$630,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the Hong Kong, Mainland China and Macau E&M engineering market for the prospective investors. The Frost & Sullivan Report includes information on the Hong Kong, Mainland China and Macau E&M engineering market as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong, Mainland China and Macau E&M engineering market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

INDUSTRY OVERVIEW

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong, Mainland China and Macau E&M engineering market. Certain information in the Frost & Sullivan Report was prepared based on industry data in respect of 2017 as the corresponding industry data in respect of 2018 was not available as at the Latest Practicable Date.

INTRODUCTION OF E&M ENGINEERING MARKET

Introduction of E&M Engineering

E&M works stands for electrical and mechanical works usually undertaken by contracting or subcontracting specialists. It is a significant component of the construction supply chain. E&M design is critical for design decision-making, accurate documentation, performance and cost-estimating and construction planning. E&M works normally include design and value engineering, supply and installation, energy audit, testing and commissioning, operation and maintenance of the building facilities

Classification of E&M Engineering

Building Services

Building services cover the design, supply, installation, testing and commissioning, operation and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical system for general buildings, and specialised buildings such as data centres, and healthcare facilities, which typically have high technical specification and requirements.

Environmental Engineering

Environmental engineering encompasses the design, construction, operation and maintenance of environmental engineering systems and treatment plants for sewage, water, solid waste, sludge and gas.

Information, Communication and Building Technologies (ICBT)

ICBT refers to the design, hardware and software development, installation and maintenance of infrastructure communication and security and access system, such as automatic passenger clearance system with biometric technology and building management, energy, automation system and extra-low-voltage system.

INDUSTRY OVERVIEW

Lifts and Escalators

Lifts and escalators generally refers to design, production, sale, installation and maintenance of lifts, escalators and moving walkways catering for different uses and requirements, including public transport heavy-duty escalators and large cargo and vehicular lifts.

Value Chain of the E&M Engineering Market in Hong Kong

The value chain of E&M the engineering market generally consists of three major parties: clients; contractors; and suppliers. Property owners, developers and government departments are major clients for construction projects in both government and non-government sectors. As a common practice in the construction market, contract owners initiate projects and issue work orders to main contractors by way of tenders. The Group serves as provider of operation and maintenance services; and/or as supplier of lifts and escalators, and other E&M engineering products. The Group may be responsible for engineering and procuring the necessary equipment, parts and materials, and the Group may engage subcontractors to carry out labour-intensive and certain specialist work. The Group may also be responsible for supervising, and is liable for, the works of our subcontractors. Other main contractors may also engage the Group or sub-contractors to carry out specialised works such as building construction, E&M engineering and fitting-out for better resources management and extended working capability. In general, E&M works may be carried out in tandem with building construction and involves quality assurance such as testing of systems and subsequent maintenance services may often be required. Subject to the requirement and scale of projects, secondary sub-contractors may also be appointed by sub-contractors. Secondary sub-contracting is more common when more specialised division of works is required (e.g. electrical works for ELV systems under E&M engineering). Both main contractors and subcontractors will be responsible for procurement of materials and equipment required for the projects from suppliers.

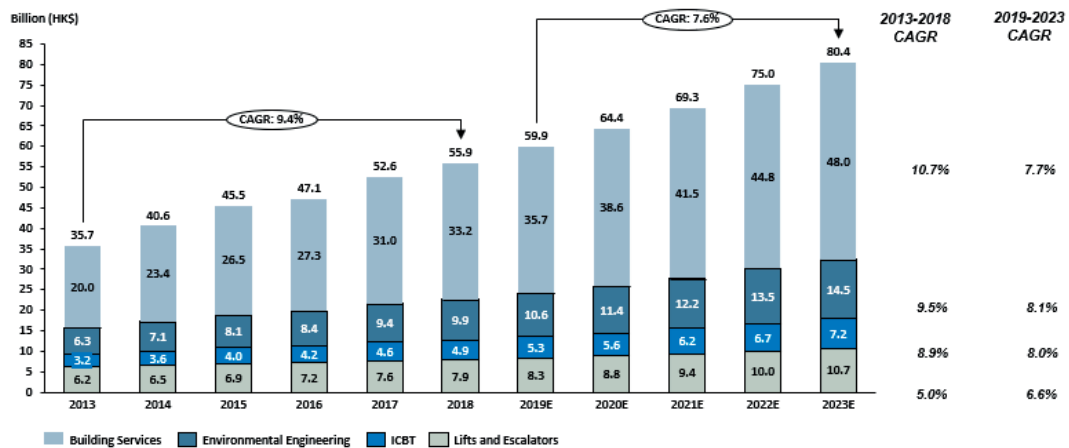
OVERVIEW OF HONG KONG E&M ENGINEERING MARKET

Market Size

Driven by a sustainable amount of construction activities for infrastructure and building development, the market size in terms of output value of E&M engineering market in Hong Kong has seen a steady growth from approximately HK\$35.7 billion in 2013 to HK\$55.9 billion in 2018, representing a CAGR of 9.4%. According to Frost & Sullivan, the overall E&M engineering market is expected to expand in the next five years at a CAGR of 7.6%, reaching HK\$80.4 billion by 2023.

INDUSTRY OVERVIEW

Market Size In Terms of Output Value of E&M Engineering Market in Hong Kong, 2013-2023E



Note: (i) The market size takes the design, supply, installation, testing and commissioning, operation and maintenance of E&M systems into consideration. (ii) The lifts and escalators segment is adjusted.

Source: Frost & Sullivan

Market Drivers and Trends

Strong public investment in infrastructure development — The Hong Kong government has been increasing public expenditures on infrastructures for years. The E&M engineering service market has been strongly driven by the continuing effort of the Hong Kong government to invest in infrastructure in recent years. According to the 2018/19 Hong Kong Budget, the annual public expenditures on infrastructures is expected to exceed HK\$100.0 billion in the next few years as the Capital Works Reserve Fund would increase to HK\$104 billion in 2018 and to HK\$130.8 billion in 2021. The rising infrastructure investment will be driving a number of new and existing infrastructure and property development projects including the third airport runway, Kai Tak Sports Park and Rail Gen 2.0. With the expansion of infrastructure facilities, the demand for building services would grow accordingly. These large developments are providing a huge growth potential for the E&M engineering service market in Hong Kong in the coming years.

Integrated building management systems — It is a rising trend that various areas of the building infrastructures and facilities are integrated to enable significant savings on installation, operating, enhancements and maintenance costs across different buildings, namely residential flats, hotels, shopping malls and offices. Advanced technologies are combined with a comprehensive service portfolio, which ensures high system availability and reliability, and facilitates seamless system upgrades and expansions — for better user experience and higher operational efficiency. This creates new opportunities for the integrated building management solutions providers with a focus on automation solutions to play a more important role in design, engineering, project management and implementation of solutions in the fields of energy efficiency, security, and guest comfort and cost management.

INDUSTRY OVERVIEW

Impetus from the expansion of data centre — Growing broadband penetration, increasing internet speed and growth in data consumption from emerging industry segments, namely digital media and e-commerce, in the region have underlined the growth potential of data centres in Hong Kong. Data centres are used to remotely store large amounts of data, manage business applications and host cloud computing operations. Relocation to centralised data centres that allows for consolidation of resources, simplified disaster recovery and centralised management has been a significant trend. The growth of data centres in Hong Kong has also been driven by the Chinese technology companies, namely Tencent Holdings, Baidu and Alibaba Group Holding, who are rapidly expanding their data centres to Hong Kong. The information technology, cloud services, media content and telecommunications sectors continue to be the main catalysts of the market while the financial services industry represents the largest customer base of data centres. The number of data centres in Hong Kong is on the rise, thus giving a rise to the building services.

Reshaping infrastructure of building facilities — The advanced technology solutions are reshaping the infrastructure of the building facilities. To enhance user experience and gain greater customer loyalty, an increasing number of property managers are placing greater emphasis on the surveillance technology and video analytics, thus creating a stronger demand for infrastructure communication, security and access systems with automated solutions. The applications of fingerprint biometric technology offer a higher level of security for physical access. For example, cameras with face recognition technology are installed to detect human faces captured in live video streams and the images are used to identify individuals in the databases of blacklisted persons by security staff. The lifts and escalators also witness a trend of more stringent requirement on safety and services such as design, installation and maintenance of lift and escalators. Concurrently, EMSD has also launched a quarterly contractor's performance rating scheme for registered lift contractors in respect to safety performance and services quality performance. Contractors with non-compliance in safety will be served with warning letter.

Market Challenges

Labour shortage — With the robust growth of construction activities in Hong Kong, the demand for labour force in the construction industry has been increasing. However, the industry has been facing serious problems of insufficient experienced and skilled labour due to aging population and the restriction of migrant labour in Hong Kong. Thus, labour shortage is one of the most common challenges faced by most E&M contractors in Hong Kong. Many contractors have been increasing the wages of construction workers to alleviate the issue of insufficient workers at construction sites which exerts extra pressure on the project cost.

Number of Workers and Average Wages

The number of workers engaged in the E&M engineering services industry in Hong Kong increased from 63,200 in 2013 to 72,800 in 2018 at a CAGR of 2.9%. However, with the fast growth of the market, there is still shortage of manpower in the E&M engineering services

INDUSTRY OVERVIEW

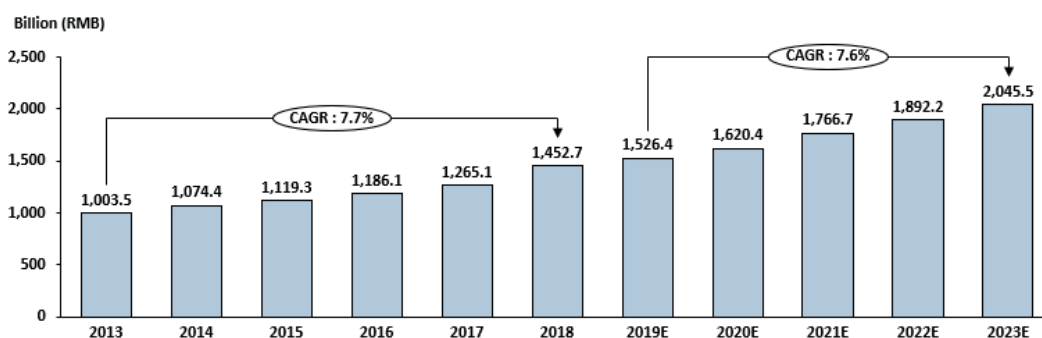
industry in Hong Kong. The average annual wages of workers in the E&M engineering services industry in Hong Kong grew from HK\$248,900 in 2013 to HK\$316,800 in 2018, indicating a CAGR of 4.9%.

OVERVIEW OF MAINLAND CHINA E&M ENGINEERING MARKET

Market Size

The estimated market size in terms of output value of the E&M engineering market in Mainland China increased from RMB1,003.5 billion in 2013 to RMB1,452.7 billion in 2018, representing a CAGR of 7.7%, driven by the development of property market, modernisation and upgrading of the transport systems. Given the accelerated urbanisation and supportive government policies in construction, demand for E&M engineering is expected to grow accordingly. According to Frost & Sullivan, it is expected that the market size of the E&M engineering market in Mainland China will reach RMB2,045.5 billion in 2023, growing at a CAGR of 7.6% from 2019 to 2023.

Market Size In Terms of Output Value of E&M Engineering Market in Mainland China, 2013-2023E



Source: Frost & Sullivan

Market Drivers and Trends

Accelerated urbanisation — With the continuing economic growth, Mainland China has experienced rapid urbanisation and industrialisation. Mainland China's urban population increased from 731.1 million in 2013 to 836.3 million in 2018, with a CAGR of 2.7%. During the same period, the urbanisation rate in Mainland China increased by 5.9%, from 54.0% in 2013 to 59.9% in 2018. Accelerated urbanisation poses an important population challenge to urban planning, especially in the need for infrastructure development and housing. The rising urban population requires the support of better infrastructure construction, which consists of reliable roads and rail, electricity, and telecommunications. In particular, the National New Urbanisation Plan (2014-2020) has pointed out that the government will focus on the renovation project of shanty towns, city villages and dilapidated buildings where about 100 million people live. This is expected to bring substantial demand for the construction industry.

INDUSTRY OVERVIEW

Among the infrastructure development projects, the public transport network is being prioritised to meet the demand due to growing urban population and economic development. According to Frost & Sullivan, the E&M industry in Mainland China is likely to benefit from this growth.

One Belt One Road initiatives — The “Belt and Road Initiative” promotes regional and cross-continental connectivity between China and Eurasia. The implementation of the “Belt and Road Initiative”, highlights five major areas, including policy coordination, infrastructure construction (including railways and highways), free trade, financial integration and people-to-people ties. Among these, infrastructure construction is the dominant feature of the initiatives, which in turn increases the investment in transport, as well as the associated energy, power and industrial infrastructure required to strengthen trade links. The US\$40 billion Silk Road Fund has been established to finance the Belt and Road Initiative. It will invest mainly in infrastructure and resources, as well as in industrial and financial co-operation. In the meantime, over 10 provinces, regions and municipalities in China are also expected to benefit from the development of the “Belt and Road Initiative,” especially the western region of China including Chongqing, Sichuan, Guizhou, Yunnan, Xinjiang, Inner Mongolia, Shaanxi, Gansu, Ningxia, where infrastructure and building construction has been undergoing rapid growth. According to Frost & Sullivan, the implementation of the “Belt and Road Initiative” is expected to present future growth opportunities for the construction industry in Mainland China.

Expansion of Hong Kong-based property developers in Mainland China — Following the economic growth and the implementation of expansionary fiscal policies, supportive policies have been launched to foster the sustainable development of the property sector in Mainland China. Such measures effectively unleashed the demand for buildings and spurred the needs for construction works. Leading Hong Kong-based property developers are expanding their business portfolio. This has prompted leading Hong Kong-based property developers and engineering companies to expand their business into Mainland China to tap the markets’ vast growth potential by leveraging their established track records and project execution capabilities. In addition, the Hong Kong-based players have contributed to the upgrading of industry practice through the quality and reliability of works, and adherence to regulatory and industry standards.

Upgrading of industry standards in Mainland China — Driven by the rapid economic growth, the development of the construction sector in Mainland China has outpaced the regulatory framework and industry standard, highlighting the concerns over safety and quality of buildings. As set out in “Project Quality Management Two-Year Action Plan” (《工程質量治理兩年行動方案》), the government have been taking actions to crack down on illegal subcontracting, enhance the mechanism for supervision, promote the modernisation of the construction industry, and elevate the quality of professionals in construction industry. In particular, the market sees a rising need for project management expertise and quality control, project coordination and planning, quality assurance, system testing and commissioning. The upgrading of industry standards is a rising trend in construction market, including E&M engineering.

INDUSTRY OVERVIEW

Market Challenges

Stricter management and regulation — The ratio of lending to gross domestic product has been increasing. The Mainland China government may take actions to lower the debt level. The government may take serious actions to regulate loans and assess the on-going projects, such as construction of buildings and upgrading of transport infrastructure, and evaluate the necessity of loans. Centralised management and evaluation of projects have been taken to optimise the allocation of resources. Stricter management and regulation might slow down the development of the construction industry, including E&M engineering.

Number of Workers and Average Wages

The number of workers engaged in construction works in Mainland China decreased from 29.2 million in 2013 to 26.4 million in 2017. The decline in number of workers over the years demonstrates the industry transformation, which shifts the focus to skilled labour and professionals. The average annual wages of workers in construction industry in Mainland China grew from RMB42,072 in 2013 to RMB60,501 in 2018, indicating a CAGR of 7.5%.

Market Landscape of the Lifts and Escalators Market in Mainland China

Driven by the continued urbanisation and construction of buildings, the market size in terms of output value of the lifts and escalators market in Mainland China had seen rapid growth from approximately RMB111.5 billion in 2013 to RMB173.4 billion in 2018, at a CAGR of 9.2%. Given the redevelopment and upgrade of building facilities for existing buildings, such growth momentum is expected to be sustained in the next five years. The market size in terms of output value of the lifts and escalators market in Mainland China is forecasted to reach RMB255.7 billion in 2023 from RMB187.3 billion in 2019, at a CAGR of 8.1%.

Overall, the lifts and escalators market in Mainland China is fragmented and competitive with a large number of solutions providers who engage in design, manufacturing, installation and maintenance. Mainland China has become the world's largest lifts and escalators market in terms of output value, and it is the world's lifts and escalators manufacturing center. Annual production of lifts and escalators is forecasted to increase from approximately 786,400 in 2019 to 1,020,300 in 2023, at a CAGR of 6.7%. Major global brands have established sole proprietorships or joint ventures in Mainland China.

Leveraging on the competitive advantage of abundant capital, stable customer base and economies of scale, the large-scale manufacturers have established strong production capability, which has thereby enabled them to develop comprehensive product portfolios, extensive distribution networks and maintenance outlets. Riding on the expedited urbanisation, aging population, fast-growing urban railway systems, gradual enforcement of lift installation policies as well as increasing needs for ongoing maintenance and upgrading of lifts and escalators in Mainland China, the lifts and escalators market in Mainland China is expected to grow in the future.

INDUSTRY OVERVIEW

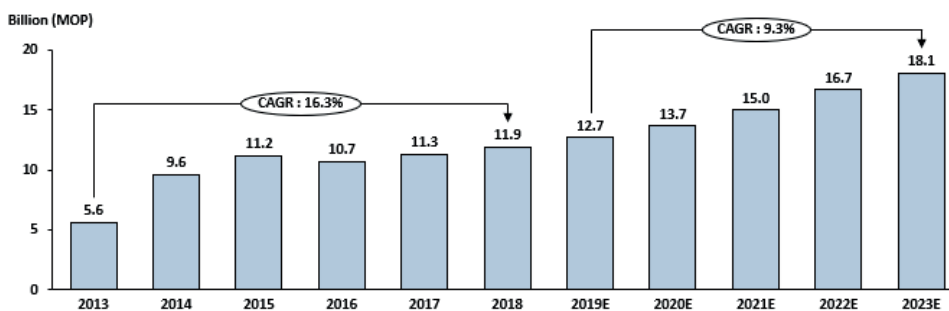
Key entry barriers of the lifts and escalators industry in Mainland China include economies of scale, financial capability and industry expertise. Existing market participants in the lifts and escalators industry in Mainland China enjoy economies of scale, thus ensuring better cost controls and effective resource deployment. Without economies of scale in operation, the new entrants do not have sufficient bargaining power to obtain favorable terms for procurement from suppliers and resources for research and development. The lack of sufficient capital hinders the development of the lifts and escalators industry in Mainland China. Lifts and escalators manufacturers generally have strong financial capability to set up and run production facilities. Extensive experience combined with in-depth industry knowledge and expertise is a strong indicator for evaluating lifts and escalators companies. Being recognized and having a good reputation allow the companies to win trust of customers and other industry stakeholders, more importantly increasing the possibilities of obtaining projects or securing contracts.

OVERVIEW OF MACAU E&M ENGINEERING MARKET

Market Size

The market size of E&M engineering services by output value in Macau witnessed a significant growth from approximately MOP5.6 billion in 2013 to MOP11.9 billion in 2018, representing a CAGR of 16.3%. The growth was primarily driven by the commencement of key hotels development projects in Macau with substantial demand for installation of E&M systems in buildings while the decline in 2016 was resulted from slowdown of the growth in construction market in Macau. According to Frost & Sullivan, the output value of E&M engineering service in Macau is expected to increase at a CAGR of 9.3% during 2019 to 2023, reaching MOP18.1 billion by 2023.

Market Size In Terms of Output value of E&M Engineering Market in Macau, 2013-2023E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Drivers and Trends

Planned land reclamation and urban development — Increasing demand for E&M engineering services in Macau is mainly driven by the urban development with new building construction. The Macau New Urban Zone, which involved approximately 2.8 square mile land reclamation plan and spanning five areas of reclaimed land situated in the Macau peninsula's northeast, south of Avenida Sun Yat Sen (NAPE) and North of Taipa island, is expected to increase the land supply in Macau by 12% and supply over 50,000 housing units. Furthermore, according to Policy Address 2017, Lands, Public Works and Transport Bureau (DSSOPT) and the Housing Bureau (IH), the government is planning to supply an additional 40,600 public housing units while the total supply is anticipated to reach approximately 50,000 units by 2026 in order to address the high demand for public housing units including subsidised home-ownership scheme (HOS) flats and social rental housing units. More E&M engineering works, such as building services, would be performed for building construction, as a result of rising housing supply. In its Policy Address 2018, the Macau Government has planned to utilise land with gross floor area of more than 470,000 square metres for public housing, and will proceed with the zoning plan for a new urban zone area in Macau, namely the New Urban Zone Area A. According to Frost & Sullivan, development projects for other public facilities such as healthcare facilities, new Macau Central Library and Corpo de Bombeiros Headquarters and Coloane Mobile Station (消防局總部暨路環行動站) are expected to commence and contribute to the growth of E&M engineering service market.

Expansion of tourism and gaming sector — As specified in the “13th Five Year Plan” promulgated by Mainland China government in 2016, Macau is positioned as “World Centre of Tourism and Leisure”. In addition, the expansion of the tourism sector in Macau is featured in the Policy Address 2017 and various initiatives had been taken. According to Macau Department of Statistics, visitor arrivals in Macau have witnessed a growth from 29.3 million in 2013 to 35.8 million in 2018. Furthermore, the number of casinos also increased from 35 in 2012 to 40 in 2017, including sizable hotel and casino projects such as The Parisian Macao, Wynn Palace Cotai Macau and Studio City. According to Frost & Sullivan, key casino projects in the pipeline, such as The Londoner Macao, Studio City Macau Phase 2 and Wynn Palace Phase 2, are expected to be the key driver to the construction and E&M engineering services market in Macau. In order to provide better customer service and experience, hotels and casinos are increasing their investments in the design and installation of building facilities, which has created a strong demand for E&M engineering services.

Renovation, maintenance and upgrade of building systems — Over the last decade, the Macau E&M engineering market has been primarily driven by the increasing demand from the expanding gaming and tourism sector. A number of sizable casinos and hotels had been completed and established for a certain period of time and require regular inspection, maintenance, renovation and upgrade. Specifically, building management and E&M systems such as electricity, wiring and surveillance system are of vital importance to support normal business activities and operation. According to Frost & Sullivan, growing awareness and emphasis towards the upgrade of building infrastructure including E&M systems is expected in light of the negative impact on power and electricity systems brought by Typhoon Hato in 2017, which resulted in huge economic loss.

INDUSTRY OVERVIEW

Cross-border development — The implementation of “Guangdong-Hong Kong-Macau Greater Bay Area” strategy is expected to create opportunities for the E&M engineering services providers in Macau. The strategy is set to connect 11 cities with an aggregate population of 100 million, contributing USD1.3 trillion of GDP. Commercial activities between these cities are expected to become more frequent under the strategy. Thus, the corresponding infrastructure, building systems and related E&M engineering services are therefore in need to support such development.

Market Challenges

Rising raw material and labour cost — Raw materials and labour cost have been increasing in Macau during 2013 to 2018. As E&M engineering industry is labour-intensive, shortage of labour supply in Macau has drastically raised the labour wages. It is expected that increased cost for E&M engineering may be passed onto the customers in the project fees.

Over-reliance on gambling sector — The E&M engineering industry is highly dependent on the development of the gambling sector and government policies, especially in land supply and planning. The demand for E&M engineering is also driven by the strategy and planning of the casinos and hotels operators in Macau. The speed of development and refurbishment of the casinos and hotels facilities may be an indicator of the growing needs for E&M engineering services.

Market Overview of the Environmental Engineering Market

Hong Kong

The output value of the environmental engineering market in Hong Kong increased from HK\$6.3 billion in 2013 to HK\$9.9 billion in 2018, at a CAGR of 9.5%. Faced with the rising awareness and requirements for environmental protection, it is increasingly essential that engineering systems and treatment plants for sewage, water, solid waste, sludge and gas are designed and constructed to meet the growing demand. The demand for environmental engineering services is forecasted to experience rapid growth and reach HK\$14.5 billion in 2023, representing a CAGR of 8.1% from 2019 to 2023.

Environmental engineering industry essentially concerns the engineering activities of environmental resources management which includes recycling, reprocessing, water and sewage treatment, soil and air testing. With the robust economic development in Hong Kong in the past century, there is a growing importance of environmental engineering activities to enable a sustainment development in Hong Kong. The on-going awareness of environmental protection leads to an increasing demand for environmental engineering services and provides a strong growth momentum to the environment engineering industry.

INDUSTRY OVERVIEW

As the environmental engineering industry covers a wide range of application fields like environmental chemistry, water treatment, waste management, and process engineering and encompasses almost all engineering activities from civil engineering to chemical engineering, it is expected that in the coming future, contractors with the ability to offer multi-disciplinary engineering services are going to gain a competitive edge in Hong Kong when tendering for environmental engineering or civil work projects.

Mainland China

The environmental engineering market in Mainland China experienced a rapid growth due to continued capital investment and increasing public and government concerns about environmental protection.

Fixed asset investment is one of the indicators of economic developments of a country. The importance of fixed asset investment in Mainland China has risen in recent years to serve the function of stimulating the economy. Total investment in fixed assets in construction projects in relation to management of water conservancy and environmental facilities increased from RMB3,075.3 billion in 2013 to RMB6,810.1 billion in 2017, representing a CAGR of 22.0%. Meanwhile, total investment in fixed assets in construction projects in relation to environmental management experienced growth of CAGR 29.5% from 2013 to 2017. The increase in fixed asset investment has been increasing the number of treatment plants for sewage, water, solid waste, sludge and gas, thus promoting the growth of environmental engineering in Mainland China.

The environmental engineering works offered in Mainland China mainly involve the design and construction of environmental engineering treatment facilities, and the operation of treatment facilities. Other service areas include research and development of environmental technologies, environmental monitoring, and environmental consultancy services. Solid waste management is one of the key focuses in Mainland China, covering the integrated development and utilisation of intergrown and associated ores in the mining process; solid waste, wastewater, waste gases, residual heat and residual pressure generated in the production processes; and the recovery, utilisation and renewal of various kinds of waste resources generated in the course of production and consumption.

Market Overview of Data Centre Service

Hong Kong

The overall information technology solutions industry in Hong Kong has enjoyed continuous growth from business transformation, such as proliferation of cloud computing and rising infrastructure requirements, and sustained rise in research and development expenditure.

INDUSTRY OVERVIEW

The rising trends in the business sector include transition to complex hybrid technology landscape and application of data analytics. The internet had become an important means of communication in large and medium enterprises, with the penetration rate of 100% and 99% respectively. Cloud computing service is the delivery of computing resources (hardware and software) by a party (the service provider) over the internet to a user. Around 72% of the enterprises in Hong Kong used cloud computing services in 2017. The proportion of enterprises using cloud computing services in the information and communications sector amounted to 94% in 2017. In 2017, the research and development expenditure in Hong Kong amounted to HK\$19.7 billion, up from HK\$18.3 billion in 2016. Benefited from innovation, the use of computer software application / systems in electronic payment system, customer relationship management and enterprise resource planning is expected to rise in the future. As information technology solutions are playing a facilitating role in business transformation, the needs for network infrastructure, cyber security and cloud would increase accordingly.

The recent development of cloud computing technology and data analytics has popularised cloud-based services. It has resulted in a rising demand for refined computing system from both the public and private sectors. According to the Hong Kong Census and Statistics Department, the total number of establishments using cloud-based services reached 240,000 in 2017, which experienced a 60% growth from 2015. Clients are shifting the focus from traditional on-premise and enterprise-class infrastructure solutions to cloud solutions. The deployment of multi-cloud solutions has increased demand for private clouds, networking, data storage and virtualisation, as well as public-cloud integration, which has in turn increased the demand for data centers. As Hong Kong will continue to expedite the business innovation and transformation of technology, it is estimated that the demand for data centres would continue to grow in the future.

China

The number of internet users exceeded 828 million individuals in 2017, around 58.3% of the entire population in China. It is expected to continue to expand at a CAGR of approximately 6.6% between 2019 and 2023 as the use of internet is becoming more common due to the wide uptake of smartphones. It is expected that around 67.3% of Mainland China will have access to internet in 2020 as IT infrastructure improves in the future. Mobile devices are one the most common medium Chinese users use to access the internet. A CAGR of approximately 9.5% was recorded between 2013 and 2018 in the number of mobile device users in Mainland China, but the growth rate is expected to slow down and the mobile devices market in Mainland China is becoming saturated with the use of mobile devices, in particular smartphones, are becoming increasingly common among Chinese individuals. The CAGR of mobile internet users is expected to slow down to approximately 7.6% between 2019 and 2023.

The development of data centres services in Mainland China has been benefiting from the supportive government policies in IT development, huge private sector investment and rising emphasis on innovation, and accelerated urbanization.

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Policy support is one of the most important factors for the rapid development of IT solutions industry in Mainland China. According to the Ministry of Science and Technology, the PRC will increase its annual per capita spending on research and development to RMB500,000 by 2020, up from RMB370,000 in 2014. The new plan stresses the need for the financial sector to support the deepening of reform, promote the innovative development of inclusive finance, while striking an appropriate balance between development and security. Such policy support from government encourages the sustainable development of the IT industry in Mainland China in the next few years. Moreover, the country continues to push for innovation-driven development. According to National Bureau of Statistics, research and development spending in Mainland China rose 11.6% year-on-year to RMB1.75 trillion in 2017, one percentage point higher than in 2016. The supportive government policies and rise in research and development spending is expected to boost scientific and technological innovation in Mainland China, thereby benefiting the emerging technologies and development of information technology solutions, including data centres. The demand for design and construction of data centres is expected to grow accordingly.

Apart from strong government backing, huge private sector investment and rising emphasis on innovation are also important factors promoting the development of information technology solution industry in the PRC. The development of the information technology industry is driven by business expansion and innovation. The market saw strong growth in data-intensive computing that includes artificial intelligence (AI), the internet of things (IoT), virtual reality (VR), online-to-offline (O2O) services, smart cars and online payments. In order to support these new business innovations, Mainland China is scaling up its information technology infrastructure and technical expertise through cloud technology. Organisations in Mainland China are adopting cloud services such as content delivery networks, server load balancers, object storage services and database management tools to power their businesses. The growth, investment and adoption of the cloud in Mainland China are growing rapidly, which in turn expedite the development of data centres in Mainland China.

With continuous economic growth, Mainland China has experienced rapid urbanisation and industrialisation. According to the National Bureau of Statistics of China, Mainland China's urban population increased from 731.1 million in 2013 to 836.3 million in 2018, with a CAGR of 2.7%. During the same period, the urbanisation rate in Mainland China increased by 5.9%, from 54.0% in 2013 to 59.9% in 2018. The accelerated urbanisation and industrialisation requires the delivery of new products and services to market in shortened time frames. Business transformation, such as the proliferation and adoption of the cloud, is increasingly seen in the Mainland China market. Together with the rising disposable income and continuous business expansion, the need for information technology solutions and data centres is on the rise.

INDUSTRY OVERVIEW

Southeast Asia

The internet user base of Southeast Asia has been surging over the past two years. According to reports by Google, the number of monthly active internet users has reached 350 million at the end of 2018, representing a growth of 90 million new users compared to 2015 and thus Southeast Asia has become the third-largest market globally in terms of internet users in 2018. Moreover, consumers in the region have been spending more time on mobile internet than any other market. On average, consumers in Southeast Asia spend 3.6 hours per day on the mobile internet in 2018 whereas consumers the US spend an average of 2.0 hours per day on the mobile internet. E-commerce in Southeast Asia is also experiencing robust growth. According to Frost & Sullivan, the total expenditure on online retail platforms in Southeast Asia is expected to increase from approximately US\$10 billion in 2018 to over US\$55 billion in 2023.

The data centre services market in Southeast Asia is currently witnessing a growth momentum, primarily due to the supportive government policies, improved infrastructure and network capabilities, and changing attitudes of local enterprises.

Active government initiatives are acting as the driving force to the development of data services in Southeast Asia. In particular, Malaysia is pitching Iskandar Malaysia (in Johor Bahru) as the next data centre hub. Entry Point Project (EPP3) was launched to establish Malaysia as a world-class data centre hub by 2020. The primary goal of Entry Point Project is to promote Malaysia as a regional data centre hub to attract investments in the industry. Under EPP3, the development of data centres could be improved in three primary ways: (i) incentives for data centres to attain international certifications to cultivate an industry of high standards and reliability, (ii) facilitating courses in universities, organizes training programs, workshops, and provision of certifications to make available skilled and capable industry personnel, (iii) provision of reliable power, water, bandwidth, and supporting infrastructure to improve data centre capacity.

Improved infrastructure and network capabilities from fibre-based internet connections and new submarine cables support the growth of data centres services. The governments of certain Southeast Asian countries are working on improving wireless connection and increasing the broadband adoption rate among SMEs. International connectivity is also expected to improve through boosting available bandwidths, provision of redundant routes, and lowering the costs of connectivity for both domestic and international uses.

The changing attitudes of local enterprises promotes the adoption of data centre solutions. There is better understanding and appreciation of the benefits of leveraging on specialist service providers to facilitate their information technology operations. Enterprises are becoming more educated and informed about using third-party data centre services. Offerings from data centre operators have also matured, with a wider range of services and options for customers. These factors continue to drive demand, especially for next-generation entrepreneurs building their businesses through the use of the cloud.

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The aforementioned factors support the growth of data centres services in Southeast Asia, which in turn increase the demand for design and construction of data centres in Southeast Asia.

Cost Structure Analysis

The average daily wages of E&M workers in Macau, including electricians and electrical workers, air-conditioning mechanics, recorded a significant growth at a CAGR of 5.6% and 6.9% during 2013 to 2018, while the price of electric wire recorded a decline during the same period of time.

COMPETITIVE LANDSCAPE OF E&M ENGINEERING MARKET

Competition overview in Hong Kong

The electrical & mechanical engineering market in Hong Kong is fragmented with the top five players accounting for 21.3% of the entire market in terms of revenue. According to Frost & Sullivan, the Group recorded the revenue of HK\$5.1 billion for the provision of E&M engineering services, accounting for 9.1% of the market share in Hong Kong.

Ranking and Market Share of Leading Electrical & Mechanical Engineering Contractors by Revenue (Hong Kong), 2018

Rank	Company	Estimated Revenue in 2018 (HK\$ Billion)	Approximate Market Share (%)
1	The Group	5.1	9.1%
2	Company B	3.0	5.4%
3	Company C	2.3	4.1%
4	Company D	0.9	1.6%
5	Company E	0.6	1.1%
	Top five subtotal	11.9	21.3%
	Others	44	78.7%
	Total revenue of E&M engineering in Hong Kong	55.9	100.0%

Note:

- (i) Company B is an E&M engineering service player in Hong Kong, providing a comprehensive range of E&M engineering and environmental engineering services, with operations in Mainland China and Macau
- (ii) Company C principally engages in the design, supply, installation and maintenance of electrical and mechanical engineering services in Hong Kong and Macau.
- (iii) Company D is a comprehensive construction services group, including building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, precast products manufacturing and trading, property development, hotel and property investment, information technology solution and services.
- (iv) Company E is a specialist in the field of building services installation in Hong Kong.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competition Overview in Macau

The competitive landscape of the E&M engineering market in Macau is similar to that in Hong Kong, with the top players taking up a leading presence in the market. The E&M engineering industry in Macau is highly fragmented with the top five players accounting for 13.4% of revenue generated by E&M engineering services in 2018.

Competition Overview in Mainland China

The E&M engineering market in Mainland China is relatively fragmented with thousands of players. The majority of the top market players are state-owned enterprises, and private players account for a majority in number of players but with small market share in terms of revenue. Entry barriers to the E&M engineering industry in Mainland China are similar to those in the Hong Kong market. In particular, there are different classes of qualifications for E&M engineering companies (classes I and II for E&M engineering general contractors and classes A, B and C for specialist contractors), with different requirements in capital, experience, equipment, and personnel assets.

The Group engages local consultants in Mainland China on its projects from time to time. Given local market expertise, such as knowledge of local regulatory requirements, and industry recognition, local consultants are equipped with professional technical knowledge in relation to market demand and trends. The local consultants are familiar with the industry practice, such as environmental and fire safety standards, project specifications and regulatory requirements in the relevant areas of Mainland China and are therefore able to ensure, through provision of design, installation, testing and commissioning services, compliance with the regulations and performance requirements prescribed by the relevant authorities and end users for the environmental engineering equipment supplied by the Group. Appointment of local consultants in relation to trading of environmental engineering equipment is consistent with industry practice in Mainland China.

It is not uncommon for E&M contractors to employ project consultants in building development and infrastructure projects. The scope of consultancy services may include (i) structural design of design of the buildings, infrastructures and E&M components; (ii) design of electrical and mechanical systems and processes; (iii) architectural design of the buildings and infrastructures; (iv) environmental impact assessment; (v) testing and commissioning; (vi) contractual advice, contract administration and claims. Given the particular project needs, it is not uncommon for E&M contractors to engage consultants to perform the aforementioned functions, which may require specialised expertise and project reference.

INDUSTRY OVERVIEW

Entry Barriers

Technical know-how and licensing requirement — As a specialised field of construction and engineering service, E&M engineering service requires strong technical knowledge, management experience and resources in building design, testing, installation and maintenance of a wide variety of systems such as ELV systems, information and communication technology systems, lift and escalators and HVAC systems. In addition, licensing requirement may serve as a key barrier for new entrants and different registration schemes for contractors and workers have been put in place by government and authorities such as Buildings Department, Housing Authority in Hong Kong and Land, Public Works and Transport Bureau in Macau. E&M engineering contractors must employ qualified professionals and workers to conduct relevant installation and maintenance services. Given the shortage of specialised workers in the industry, new entrants face difficulties in commencing and sustaining their business in E&M engineering service industry. The Group is the largest E&M engineering group in terms of number of E&M engineering related categories registered under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works of the Development Bureau, as at 18 June 2019.

Track record and relationship with stakeholders — To ensure the quality and integrity of E&M systems, clients of E&M engineering service such as property developers and project owners, generally demonstrate a strong preference towards established contractors with proven track record of successful completion of sizable projects. Furthermore, existing market participants generally maintain an established relationship with stakeholders such as project owners, main contractors, sub-contractors and material suppliers while new market entrants without previous experience and connection in the industry face difficulties in securing business or commencing E&M engineering services.

Management and delivery capabilities — Successful delivery of E&M engineering services relies on competency in project management. In Hong Kong, sizable E&M engineering projects are usually undertaken by major E&M contractors with proven track record in management and coordination. Attributable to the complexity of E&M engineering works with different specialised sub-segments in the aspects of HVAC and lifts and escalators, abundant experience in project management is considered as pre-requisite in E&M engineering service market as project owners generally prefer experienced E&M contractors to avoid any potential failure in E&M systems upon completion.

REGULATORY OVERVIEW

HONG KONG REGULATORY OVERVIEW

A. Contractors Registration Regimes

Public Works Contracts

A contractor who wishes to tender for and carry out public works in Hong Kong must apply to be admitted to either of the following approved lists maintained by the WBDB:

- the List of Approved Suppliers of Materials and Specialist Contractors for Public Works, which comprises suppliers and specialist contractors who are approved for carrying out public works in one or more of the 50 categories of specialist works; or
- the List of Approved Contractors for Public Works, which comprises contractors who are approved for carrying out government construction works in one or more of the five major categories of building and civil engineering works, namely buildings, port works, roads and drainage, waterworks and site formation.

Although approvals granted by WBDB are not required to be renewed annually, audited accounts of the approved contractors shall be submitted to WBDB annually, and may be produced to relevant government works departments prior to awarding contracts to ensure that the approved contractors meet the capital requirements prescribed by WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category of specialist works.

As at the Latest Practicable Date, our Group members were registered with the WBDB as specialist contractors for over 15 categories of specialist works. For details, please refer to “Business — Licences and Permits”.

Private Works Contracts

Non-government sector construction works cover projects launched by private developers as well as any other entities not being government departments and statutory bodies. To carry out non-government sector construction works, a contractor must be registered on either the list of register of general building contractors or the relevant list of register of specialist contractors with the Buildings Department and/or other relevant government departments in Hong Kong.

Buildings Ordinance

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), the Buildings Authority keeps three contractors’ registers, namely the general building contractors’ register, the specialist contractors’ register and the minor works contractors’ register. Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

REGULATORY OVERVIEW

Housing Authority Projects

In relation to work contracts concerning the public housing and ancillary facilities maintained by the Housing Authority, the Housing Authority normally invites tenders from contractors who are admitted to its Lists of Works Contractors (each a “**HA List**”). An applicant satisfying the admission criteria to a HA List will be admitted initially with a “probationary” status, during which it will be eligible to tender for a limited number and value of contracts with the Housing Authority. Upon satisfactory completion of a contract with the Housing Authority or of comparable size and complexity with other major clients such as the Development Bureau and private developers in Hong Kong, a listed contractor with “probationary” status may apply to the Housing Authority for a “confirmed” status.

Subcontractor Registration Scheme

Subcontractors, which are involved in, among others, foundation works and ancillary services, in Hong Kong may apply for registration under the Subcontractor Registration Scheme (“**SRS**”) managed by the Construction Industry Council in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. Where a contractor is to subcontract or sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the SRS), he shall engage subcontractors who are registered under the relevant trades in the Primary Register for the purposes of execution of such part of the public works.

B. Licences and Registrations Required for Our Building Services Business

B1. Electrical Works

Registration under the Electricity Ordinance

Under section 2 of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), “electrical work” means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the certification of design of that installation. Persons who are engaged in work on electrical installations other than fixed electrical installations, such as portable electrical home appliances, need not be registered.

Only a registered electrical worker (“**REW**”) registered with the EMSD under the Electricity Ordinance shall do the electrical works specified in his certificate of registration. As at the Latest Practicable Date, 452 of our Group’s technical staff were REW.

To qualify as a registered electrical contractor (“**REC**”) registered with the EMSD under the Electricity Ordinance, a corporate applicant must employ at least one REW. No contractor shall do business as an electrical contractor or carry out electrical works unless it is a REC. As at the Latest Practicable Date, Anlev Elex Elevator, ATAL Building Services Engineering, ATAL Data Centre Infrastructure, ATAL Engineering and ATAL Technologies were RECs.

REGULATORY OVERVIEW

Validity period and renewal of registration

A registration for REW or REC is valid for the period shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a REW or REC shall apply to the Director of the EMSD for renewal of its/his registration within one to four months prior to the date of expiry of the registration.

Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors for Electrical Installation, Specialist Contractors for Industrial Type Electrical Installation and Specialist Contractors Uninterruptible Power Supply Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of (i) low voltage electrical installations, (ii) electrical installations that are of high voltage or in specialised locations, such as airports, transportation systems, sewage treatment plants and industrial environments, and (iii) static-type, uninterruptible power supply systems (“**UPS systems**”) and other equipment and systems, which are mainly deployed to support computer operations, respectively. As at the Latest Practicable Date, ATAL Engineering was registered as a Specialist Contractor for Electrical Installation, a Specialist Contractor for Industrial Type Electrical Installation and Specialist Contractors for Uninterruptible Power Supply Installation.

Undertaking Housing Authority projects

As at the Latest Practicable Date, ATAL Engineering was registered on the HA List of Electrical Contractors and eligible to tender for contracts for the supply, installation and/or maintenance of electrical systems with the Housing Authority.

B2. Mechanical, Ventilation and Air-conditioning (MVAC) Systems

Registered Specialist Contractor in the Ventilation Sub-register

To undertake ventilating system works under the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong) in respect of the design, construction, inspection and certification of ventilation systems with ducting and trunking passing across building compartments, a contractor shall be a registered specialist contractor in the ventilation sub-register under the Buildings Ordinance. As at the Latest Practicable Date, ATAL Building Services Engineering and ATAL Engineering were registered specialist contractors in the ventilation sub-register under the Buildings Ordinance.

Registered Minor Works Contractor

To carry out works concerning the erection or alteration, removal of, and/or strengthening of the supporting structure for, air-conditioning units, water cooling towers and solar water heating system, a contractor shall be a registered minor works contractor eligible to perform the relevant types of minor works as particularised under Part 3 of Schedule 1 of the Buildings (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong). As at the Latest Practicable Date, ATAL Building Services Engineering was a registered minor works contractor.

REGULATORY OVERVIEW

Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors for Air-conditioning Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of air-conditioning installations. As at the Latest Practicable Date, ATAL Engineering was registered as a Specialist Contractor for Air-conditioning Installation.

B3. Fire Service

Registration under the Fire Services (Installation Contractors) Regulations

To undertake works in respect of the installation, maintenance, repairs or inspection of any fire service installation or equipment in Hong Kong, a contractor shall be a registered fire service installation contractor (“**RFC**”) with the Fire Services Department in at least one of the three classes under the Fire Service (Installation Contractors) Regulations (Chapter 95A of the Laws of Hong Kong):

- Class 1: Registered contractors who are fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) for the detection and warning of smoke or fire.
- Class 2: Registered contractors who are fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains (a) pipes and fittings designed or adapted to carry water or other fire extinguishing medium; or (b) any type of electrical apparatus other than those specified in Class 1.
- Class 3: Registered contractors who are fit to maintain, repair and inspect portable equipment.

As at the Latest Practicable Date, ATAL Building Services Engineering and ATAL Engineering were registered as RFCs in Classes 1 and 2. Registration as a RFC is not subject to expiry. However, the qualifications of RFCs are subject to continuous review by the Fire Services Department.

Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors for Fire Service Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of fire service installations. As at the Latest Practicable Date, ATAL Engineering was registered as a Specialist Contractor for Fire Service Installation.

Undertaking Housing Authority projects

As at the Latest Practicable Date, ATAL Engineering was registered on the HA List of Fire Services and Water Pump Contractors and eligible to tender contracts for the supply, installation and/or maintenance of fire services and water pump systems with the Housing Authority.

REGULATORY OVERVIEW

B4. Plumbing and drainage works

Registration as Licenced Plumbers

Plumbing installation that receives water supply from the Water Authority has to comply with the provisions of the Waterworks Ordinance (Chapter 102 of the Laws of Hong Kong), Waterworks Regulations (Chapter 102A of the Laws of Hong Kong), Hong Kong Waterworks Standard Requirements for Plumbing Installation in Buildings, and Water Supplies Department Circular Letters issued to licenced plumbers and authorised persons.

Under section 15(1) of the Waterworks Ordinance, only a licenced plumber or a public officer authorised by the Water Authority shall construct, install, maintain, alter, repair or remove pipes and fittings in buildings and between the building and a connection to the Government's main for (i) a supply of water solely for the purposes of firefighting (i.e. fire service); and (ii) a supply of water (other than the pipes and fittings forming part of a fire service) (i.e. inside service). As at the Latest Practicable Date, 19 of our Group's technical staff were licenced plumbers. A plumber's licence shall be valid up till and including 31 December in the year in which it is issued and may be renewed annually upon payment of a prescribed fee for a further period of 12 months from the date of expiry.

Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors for Plumbing Installation are eligible to tender for and carry out public works in Hong Kong concerning the construction, repair and maintenance of plumbing installations. As at the Latest Practicable Date, ATAL Building Services Engineering was registered as a probationary Specialist Contractor for Plumbing Installation.

C. Licences and Registrations Required for Our Environmental Engineering Business

C1. Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) (the "**WDO (Constructions Waste)**") and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "**WDO (Chemical Waste)**").

Under the WDO (Construction Waste), construction waste can only be disposed at prescribed facilities. A main contractor who undertakes construction work with a value of HK\$1 million or above will be required to, within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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Under the WDO (Chemical Waste), anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be packaged, labelled and stored properly before disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

C2. Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors in the following categories are eligible to tender and carry out the following public works in Hong Kong:

Specialist Contractor for Supply and Installation of Water Treatment Plant	:	the design, manufacture and installation of water treatment plant in public supply systems for treating raw water to potable standard acceptable to the Water Supplies Department and for processing water treating effluent to a quality acceptable for disposal
Specialist Contractor for Electrical and Mechanical Installation for Sewage Treatment and Screening Plant	:	the design, supply, installation and maintenance of electrical and mechanical plant for sewage pumping stations, sewage screening and degritting plants and primary/secondary sewage treatment works

As at the Latest Practicable Date, ATAL Engineering was registered as specialist contractors with the WBDB in each of the above categories.

D. Licences and Registrations Required for Our ICBT Business

D1. Energy Audits

The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) sets out the requirements to ensure energy efficiency of and perform energy audit for several types of buildings. Developers of certain types of newly constructed buildings are required to obtain certification from a registered energy assessor that the four types of building services installation (namely, air-conditioning installation, electrical installation, lift and escalator installation as well as lighting installation) comply with the design standards of the relevant building energy code. As at the Latest Practicable Date, we had 6 registered energy assessors. The registration is valid for ten years and is renewable upon submission of, among others, specified form accompanied by a prescribed fee.

D2. Security and Guarding Services Ordinance

Established under the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong) (“**SGSO**”), the Security and Guarding Services Industry Administrator (“**SGSA**”) administers a licensing scheme to regulate the security industry in Hong Kong. In particular, companies offering security services and individuals providing security work are regulated under a licence regime and a permit regime, respectively, under the SGSO.

REGULATORY OVERVIEW

Licence Regime

Any person other than a company acting under and in accordance with a licence issued or renewed by SGSIA under the SGSO (“**SCL**”) who supplies, agrees to supply, or holds himself out as supplying any individual to do security work for another person for reward in contrary to section 11 of the SGSO commits an offence and is liable on conviction to a fine of HK\$100,000 and to imprisonment for 2 years under section 31(1) of the SGSO. A SCL is not assignable or transmissible, and is generally valid for five years.

A SCL holder may perform the following types of security work under the SGSO:

- (i) Type I security work: Provision of security guarding services
- (ii) Type II security work: Provision of armoured transportation services
- (iii) Type III security work: Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device.

As at the Latest Practicable Date, Analogue Technical Agencies, Anlev Elex Elevator, ATAL Building Services Engineering, ATAL Data Centre Infrastructure, ATAL Engineering and ATAL Technologies were SCL holders for Type III security work.

Permit Regime

Some of our employees are involved in the installation and maintenance of security devices and are required to obtain permits issued or renewed by the Commissioner of Police under the SGSO (“**SPP**”). Under section 10 of the SGSO, no individual shall do, agree to do, or hold himself out as doing or as available to do, security work for another person unless he does so under and in accordance with a SPP or otherwise than for reward. A SPP is not assignable or transmissible, and is generally valid for a period of five years.

Under the current SPP permit regime, a SPP holder may perform security work under 4 categories. Categories A, B and C consist guarding work and Category D involves installation, maintenance and/or repairing of a security device and/or designing a system incorporating a security device. As at the Latest Practicable Date, 72 of our employees were SPP holders for Category D security work.

D3. Satellite Master Antenna Television Licence (“**SMATV Licence**”)

A Satellite Master Antenna Television (“**SMATV**”) system, which consists of one or more satellite receiving dish antennas, is usually installed at the rooftop of a building. Satellite television programmes received by these antennas are distributed by cable to individual households of the building. In accordance with the Telecommunications Ordinance (Chapter 106 of Laws of Hong Kong) (“**TO**”), a person is required to obtain a SMATV Licence for the installation, maintenance and operation of SMATV system.

REGULATORY OVERVIEW

An applicant of SMATV Licence should be a company registered under the Companies Ordinance, and there is no restriction on foreign ownership. As at the Latest Practicable Date, ATAL Building Services Engineering was a SMATV Licence holder. A SMATV Licence is valid for one year and may be renewed on an annual basis on payment of the prescribed fee, at the discretion of the Office of the Communications Authority.

D4. Wireless Internet of Things Licence (“WIoT Licence”)

On 1 December 2017, the Communications Authority announced that a new licensing regime for the provision of Wireless Internet of Things (“WIoT”) platforms and services has been established with a view to underpinning the preparation of Hong Kong for embracing the new era of Internet of Things (IoT) and the Fifth Generation (5G) mobile services, as well as various smart city applications in the future.

WIoT services refer to a wireless data communications service for automated data-only machine-to-machine type communications to and/or from radiocommunications installations, apparatus, equipment and device, but does not include any service which carries real-time voice communications, and any other service subject to licensing under a carrier licence, and under the TO or any other ordinance. Under the TO, a person is required to obtain a WIoT Licence for the establishment, maintenance and operation of wireless networks and systems for the provision of WIoT service in Hong Kong based on wireless technologies operating in the 920 — 925 MHz band and/or other frequency bands on a shared and uncoordinated basis.

An applicant of WIoT Licence should be a company registered under the Companies Ordinance. As at the Latest Practicable Date, ATAL Technologies was a WIoT Licence holder. A WIoT Licence is valid for five years and, subject to the discretion of the Communications Authority, may be extended for a further period of up to five years.

D5. Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors for the following categories are eligible to tender and carry out the following public works in Hong Kong:

- (i) Specialist Contractors for Burglar Alarm and Security Installation : the supply, installation and maintenance of central control station, UPS system, surveillance system and other equipment, where applicable for building and amenity projects
- (ii) Specialist Contractors for Video Electronics Installation : the supply, installation and maintenance of video camera and related equipment commonly used for closed circuit TV system, video recording/display system and other similar systems
- (iii) Specialist Contractors for Audio Electronics Installation : the supply, installation and maintenance of amplifier, microphone and related equipment commonly used for public address system, intercom system, audio system and other similar systems

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- (iv) Specialist Contractors for Broadcast Reception Installation : the supply, installation and maintenance of television and FM radio signal aerials, amplifiers and other equipment for building and amenity projects
- (v) Specialist Contractors for Radio Electronics Installation : the supply, installation and maintenance of very high frequency (VHF) or ultra-high frequency (UHF) radio transceiver, microwave radio system and related ancillary equipment at hilltop site and different venues

As at the Latest Practicable Date, ATAL Building Services Engineering was registered as specialist contractors with the WBDB in categories (i) to (v) as stated above.

E. Licences and Registrations Required for Our Lifts and Escalators Business

E1. Registration under the Lifts and Escalators Ordinance

Under the Lifts and Escalators Ordinance (Chapter 618 of the Laws of Hong Kong) (“LEO”):

- (i) responsible persons for lifts and escalators (including owners of, or persons who have management or control of, the lifts and escalators) must ensure that:
 - (a) lift works and escalator works concerning the installation, major alteration or demolition of their lifts and escalators or are otherwise likely to affect the safe operation of their lifts and escalators are only carried out by a registered lift contractor or a registered escalator contractor respectively; and
 - (b) their lifts and escalators are kept in a proper state of repair and in safe working order, for instance, by causing their lifts and escalators to be examined and certified in safe working order by a registered lift contractor or a registered escalator contractor (as the case may be) before putting into use and operation and after major alteration, and periodically at interval not exceeding 1 year for lifts and 6 months for escalators; and
- (ii) in general, no person shall personally carry out any lift/escalator works unless he is a registered lift/escalator engineer or a registered lift/escalator worker qualified to carry out the works and employed by a registered lift/escalator contractor who undertakes the works or other qualified persons under the LEO, or unless he is under direct supervision of the abovementioned qualified person at the place at which the works are carried out.

As at the Latest Practicable Date, Anlev Elex Elevator is a registered lift contractor and a registered escalator contractor, and 102 of our Group’s technical staff were qualified persons for carrying out lift works and escalator works under the LEO. Registered lift/escalator contractors are required to renew their registration every five years. Under Lifts and Escalators (General) Regulation, a registered lift/escalator contractor shall apply to the Director of the EMSD for renewal of its/his registration within one to four months prior to the date of expiry of the registration.

REGULATORY OVERVIEW

E2. Undertaking contracts in the government sector

Contractors registered with the WBDB as Specialist Contractors for Lift, Escalator and Passenger Conveyor Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of various kinds of lifts, escalators and passenger conveyor installations, lifting platform for barrier free access, and associated equipment and systems. As at the Latest Practicable Date, Anlev Elex Elevator was registered as a Specialist Contractors for Lift, Escalator and Passenger Conveyor Installation.

E3. Undertaking Housing Authority projects

As at the Latest Practicable Date, Anlev Elex Elevator was registered on the HA List of Lift and Escalator Contractors with “probationary status” and eligible to tender for certain contracts for the supply, installation and/or maintenance of lifts and escalators with the Housing Authority.

F. Labour, Health and Safety Laws and Regulations

F1. Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (“**FIUO**”) provides for the safety and health protection to workers in an industrial undertaking. Under the FIUO, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by, so far as reasonably practicable, *inter alia*, (i) providing and maintaining plant and work systems that do not endanger safety or health, (ii) making arrangement and providing necessary information, instruction, training, and supervision for ensuring safety and health, and (iii) providing and maintaining a safe and healthy work environment. A proprietor who contravenes these duties wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

F2. Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. Employers must as far as reasonably practicable ensure the safety and health in their workplaces. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

F3. Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (“**OLO**”) imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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G. Environmental Protection Laws and Regulations

G1. Air Pollution Control Ordinance

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation to the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall use the best practicable means for preventing the emission of noxious or offensive emissions from such premises, and for preventing the discharge, whether directly or indirectly, of such emissions into the atmosphere, and for rendering such emissions where discharged harmless and inoffensive.

G2. Water Pollution Control Ordinance

The Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) regulates, among others, the discharge from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal sewers or unpolluted water to storm water drains, river courses and water bodies), they are subject to licensing control by the Environmental Protection Department.

G3. Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) (“EIAO”) is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the EIAO (which includes public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted.

According to the EIAO, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the EIAO (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK\$2 million and to imprisonment for six months, (ii) on a second or subsequent conviction on indictment to a fine of HK\$5 million and to imprisonment for two years, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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PRC REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO SPECIAL EQUIPMENT

According to the Special Equipment Safety Law of the PRC (中華人民共和國特種設備安全法) promulgated on 29 June 2013 and implemented on 1 January 2014 and the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例) promulgated by State Council on 11 March 2003 and further amended on 24 January 2009, and implemented on 1 May 2009, enterprises manufacturing or using special equipment are required to establish and strive to perfect the safety and energy-saving management system, job safety and energy-saving accountability system for the special equipment. Special equipment mentioned above refer to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting appliances, passenger ropeways, large amusement facilities, and special vehicles used in the factory, which involve a high degree of safety risks.

Under the principle of categorised supervision and administration, the state applies a licensing system to the manufacturing, installation, reform and maintenance of special equipment. A special equipment producer shall obtain the Manufacture Licence of Special Equipment (特種設備製造許可證), as well as Installation, Alteration, Repair & Maintenance Licence of Special Equipment (特種設備安裝改造維修許可證) if enterprises actually engaging in elevator installation, alteration, repair and maintenance. Enterprises shall meet the following conditions and be licenced by the department responsible for special equipment safety supervision and administration before production: (i) having professional technical personnel required by its production; (ii) having equipment, facilities and work places required by its production; (iii) having sound quality assurance, safety management and job responsibility rules.

Special equipment producers shall carry out production activities in accordance with these regulations and with the requirements of the safety technical code enacted and promulgated by the department of special equipment safety supervision and administration under the State Council. Producers shall be responsible for the safety performance and energy efficiency index of the special equipment manufactured by them, shall not manufacture special equipment in non-conformity to safety performance requirements and energy efficiency indexes, and shall not manufacture special equipment specifically eliminated by national industrial policies.

The installation, reform and maintenance of elevators must be carried out by the entities manufacturing elevators or the entities that are commissioned or agreed upon by contract and have obtained licences. Entities manufacturing elevators shall be responsible for the elevators' quality and the quality problems involved in safe operations.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated on 22 February 1993 and subsequently amended on 8 July 2000, 27 August 2009 and 29 December 2018, the quality of products should satisfy the following requirements: (i) no unreasonable risks of personal and property safety and reaching the state standard and industry standard of securing personal health, personal safety and property safety (if any); (ii)

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have the functions that the products should have, except for the defect that have been explained; (iii) reach the standards that are stated on the products or its packing and meet the quality stated by product illustration and sample.

Violation of the Product Quality Law may result in the imposition of fines and penalties, the suspension of operations, an order to cease operations, or even criminal liability in severe cases..

According to the Standardisation Law of the PRC (中華人民共和國標準化法) promulgated on 29 December 1988, amended on 4 November 2017, standards include national standards, industry standards, local standards, group standards and enterprise standards. National standards are further classified into compulsory standards and voluntary standards. Compulsory national standards shall be developed for technical requirements that protect human health and life and property safety. An elevator producer shall follow national standards Safety Specifications on Elevator Manufacturing and Installation (電梯製造與安裝安全規範) promulgated by the Standardisation Administration of the PRC in elevator manufacturing and installation.

According to the Guiding Opinions on Strengthening Quality Safety Work over Elevators (關於加強電梯質量安全工作的意見) promulgated by General Office of the State Council on 1 February 2018, elevator manufacturing enterprises shall take responsibility for the quality of elevator manufacturing and installation as well as effectively conduct tracking, monitoring and technical services of elevators in use.

According to the Guiding Opinions on further Strengthening Safety Work over Elevators (關於進一步加強電梯安全工作的意見) promulgated by the General Administration of Quality Supervision Inspection and Quarantine of the PRC (the “GAQSIQ”) on 14 January 2013, the GAQSIQ will gradually establish new maintenance system with elevator manufacturing enterprises as the main responsible party. The GAQSIQ will also actively promote elevator manufacturing enterprises or their authorised entities on elevators’ maintenance that elevator manufacturing enterprises shall be responsible for their authorised entities and conduct professional training for the maintenance personnel.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION CONTRACTING

According to the Construction Law of the PRC (中華人民共和國建築法), promulgated on 1 November 1997 and amended on 22 April 2011, 23 April 2019 the Provisions on the Administration of Qualifications of Enterprises in Construction Industry (建築業企業資質管理規定) promulgated by the Ministry of Housing and Urban-Rural Development on 22 January 2015, enterprises engaging in the new construction, expansion and rebuilding of civil engineering projects, construction projects, pipeline equipment installation projects, and fitment projects etc (hereinafter referred to as “**construction activities**”) shall apply for Construction Enterprise Qualification Certificate (建築業企業資質證書), and may only carry out construction activities within the scope of their respective qualifications and business, and may not contract projects in the name of other construction enterprises in any form.

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LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Supervision and administration of production safety are primarily regulated by the Production Safety Law of the PRC (中華人民共和國安全生產法) (the “**Production Safety Law**”), which was promulgated on 29 June 2002 and amended on 31 August 2014. This law requires manufacturing enterprises to meet the relevant legal requirements, such as providing their staff with training and a handbook on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations. Any manufacturing enterprise which is unable to provide the required safe working conditions may not engage in manufacturing activities. Violation of the Production Safety Law may result in the imposition of fines and penalties, the suspension of operations, an order to cease operations, or even criminal liability in severe cases.

According to the Regulations on Production Safety Licence (安全生產許可證條例), promulgated and effective on 13 January 2004 and amended on 29 July 2014, construction enterprises shall apply for a Production Safety Licence (安全生產許可證) before engaging in construction activities. Construction enterprises engaging in construction activities without obtaining the Production Safety Licence (安全生產許可證) may result in the imposition of fines and penalties, the suspension of operations, an order to cease operations, or criminal liability in severe cases.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Ministry of Ecology and Environment of the PRC is responsible for the supervision of environmental protection in implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

Environmental protection is primarily regulated by the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated on 26 December 1989 and amended on 24 April 2014; the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) amended and effective on 26 October 2018; Regulation on the Implementation of the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法實施條例), effective on 1 January 2018; the Law on Prevention of Water Pollution of the PRC (中華人民共和國水污染防治法) amended on 27 June 2017 and effective on 1 January 2018; the Law on Prevention of Air Pollution of the PRC (中華人民共和國大氣污染防治法) amended and effective on 26 October 2018 ; the Law on the Prevention of Environmental Pollution Caused by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法), amended and effective on 7 November 2016.

TAXATION LAWS AND REGULATIONS

Enterprise Income Tax

Enterprise income tax is primarily regulated by the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) which was promulgated on 16 March 2007 and

REGULATORY OVERVIEW

subsequently amended on 24 February 2017, 29 December 2018 and the Implementation Regulations to the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例), promulgated by the State Council on 6 December 2007 and effective on 1 January 2008.

According to this EIT Law and its Implementation Regulations, foreign-invested enterprises in China are subject to the enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within China shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside China and income that is derived outside China but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within China but has income from the PRC, and a non-resident enterprise that has establishment or premises in China but its income has no actual connection to such establishment or premises in China, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from inside China.

Value-Added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the “**VAT Regulations**”), promulgated by the State Council on 13 December 1993, with its latest amendment on 19 November 2017, and Implementation Regulations to the VAT Regulations of the PRC (中華人民共和國增值稅暫行條例實施細則), which were amended by the Ministry of Finance (the “**MOF**”) on 25 December 1993 and with its latest amendment on 28 October 2011, entities or individuals engaged in sale of goods, provision of processing services, repairs and replacement services (the “**labor services**”), sale of services, intangible assets, real property or importation of goods within the territory of the PRC shall pay value-added tax.

According to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (營業稅改徵增值稅試點方案) promulgated by the MOF and the State Administration of Taxation (the “**SAT**”), the government launched gradual taxation reforms starting from 1 January 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

Furthermore, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), entities and individuals engaged in sales of services, intangible assets or real property within the territory of the PRC are value-added taxpayers which are divided into general taxpayers and small-scale taxpayers, and shall pay value-added tax rather than business tax according to these Measures from 1 May 2016. Taxpayers may be subject to a tax rate of 6%, 11% or 17% according to different taxable activities.

According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rate* 財政部、國家稅務總局關於調整增值稅稅率的通知, which was promulgated on 4 April 2018 and effective on 1 May 2018, the VAT tax rates on sales or imported goods are adjusted from 17% and 11% to 16% and 10%, respectively.

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According to the Notice of the MOF and the SAT on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises (Cai Shui [2019] No.13) 財政部、稅務總局關於實施小微企業普惠性稅收減免政策的通知(財稅[2019]13號), which was promulgated on 17 January 2019, from 1 January 2019 to 31 December 2021, small and micro enterprises meet the standards under the notice can enjoy corresponding tax deductions for taxes such as VAT and EIT.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform* 財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告, promulgated by MOF, SAT and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% and 10% applies currently, it shall be adjusted to 13% and 9%, respectively.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN CHINA

Foreign Investment

The foreign investment is primarily regulated by the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “**Catalogue**”), which was promulgated and implemented on 20 June 1995, with its latest amendment on 28 June 2018. Pursuant to the Catalogue, the foreign investment industries are divided into three categories in terms of foreign investment, which are “encouraged”, “restricted” and “prohibited”. All industries not listed under one of these categories are deemed to be “permitted”, while elevator manufacturing is not subject to the approval under the special entry management according to the Catalogue.

The establishment procedures, approval procedures, foreign exchange matters, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Foreign Investment Law of the PRC (中華人民共和國外商投資法) promulgated on 15 March 2019 and will implement on 1 January 2020. The Rules for the Implementation of the WFOE Law (中華人民共和國外資企業法實施細則), promulgated on 12 December 1990 and with its latest amendment on 19 February 2014. According to the amendments, for wholly foreign-owned enterprise which the special entry management system does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be filed for record. The special entry management system shall be promulgated or approved by the State Council.

According to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the “**Provisional Measures**”) promulgated on 8 October 2016 and amended on 30 July 2017, 29 June 2018 establishment and modifications of foreign invested enterprises which are not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities. Within the record-filing scope stipulated in Provisional Measures, foreign-invested enterprises shall fill in online and submit an application for record-filing of the change of foreign-invested enterprises and the relevant documents, and handle the record-filing procedures. After the completion of record-filing, foreign-invested enterprises may obtain relevant record-filing receipts.

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According to the Foreign Investment Law of the PRC* (中華人民共和國外商投資法, the “**Foreign Investment Law**”) promulgated by the NPC on 15 March 2019 and shall come into effect as of 1 January 2020, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, the Wholly Foreign-owned Enterprises Law of the PRC* 中華人民共和國外資企業法 shall be repealed on 1 January 2020.

Regulations on Foreign Exchange

The Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated on 29 January 1996, with its latest amendment on 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated on 20 June 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in the PRC.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) which became effective on 1 June 2015, the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment were cancelled and the foreign exchange registration under domestic direct investment would be directly reviewed and handled by banks. In addition, the annual inspection of the direct investment-related foreign exchange was canceled, which was changed to stock equity registration.

Regulations on Dividend Distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments, however, Implementation Regulations to the EIT Law of the PRC reduced the rate from 20% to 10%.

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

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LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademarks

According to the Trademark Law of the PRC (中華人民共和國商標法)(the “**Trademark Law**”) promulgated on 23 August 1982, with its latest amendment on 23 April 2019, and the Implementation Regulations on the Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated on 3 August 2002 and amended on 29 April 2014, in China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. Twelve months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection.

Patents

According to the Patent Law of the PRC (中華人民共和國專利法) promulgated on 12 March 1984, with the last amendment effective on 1 October 2009, patent protection is divided into three categories, namely, invention patents, utility patents and design patents. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application.

LAWS AND REGULATIONS RELATING TO LABOUR

Employment Contracts

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labour Contract Law**”), which was promulgated on 29 June 2007 and amended on 28 December 2012, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Employee Social Insurance and Housing Provident Funds

According to the Social Insurance Law of The PRC (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and amended on 29 December 2018, and the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which was promulgated on 3 April 1999 and amended on 24 March 2002, 24 March 2019 employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

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MACAU REGULATORY OVERVIEW

A. Macau licensing and Registration Regime of Engineering and Construction Works

In Macau, for purposes of the applicability of licensing and registration system, engineering and construction works are mainly divided into three categories: simple work for residential unit (家居簡單裝修工程), simple work for non-residential unit (非家居簡單裝修工程) and non-simple work (非簡單裝修工程). To classify the work as simple or not, generally speaking, it depends on whether there will be alteration of interior division or usage of the unit involved.

However, to commence any construction works in Macau, it is required to obtain a work notification or application (for non-simple work) with respect to each project. As for construction work to be taken place in a non-residential unit or fitting-out work which is not a simple one, such notification or application for work has to be submitted together with a declaration of responsibility signed by an individual or company registered arising from such fitting-out work and purchase the required insurance of industry accident and occupational disease. A contractor (whether or not incorporated in Macau) carrying out engineering and construction works, is required to obtain a licence (for non-simple work) and register with the Land, Public Works and Transport Bureau of Macau (澳門土地工務運輸局) (the “DSSOPT”) before the beginning of the works.

If the main contractor has obtained such licence from the said Bureau for the relevant works, sub-contractor(s) (including those incorporated in Hong Kong) as appointed by such main contractor are not required to obtain any licence from the relevant Macau authorities. Moreover, the direction of any works carried out in Macau must be done by a technician also duly registered with the DSSOPT.

According to the General Construction Works Regulation, in order to legally carry out construction works in Macau, a constructor, individual or corporate, must register with the DSSOPT, and such registration shall be renewed annually.

The registration as a constructor with the DSSOPT is valid for a period of one year, *i.e.*, until the end of the civil year in which it was requested, and its renewal must be requested during the month of January of each subsequent civil year. Failure to comply with this deadline will result in the expiration of the registration as constructor with the DSSOPT.

For each project, the constructor should have a technician responsible for the works, who must also be registered as such with the DSSOPT. The qualifications of the applicant technician shall be assessed based on the documents submitted to the DSSOPT at the time of registration, namely a professional certificate and a declaration under oath regarding the observation and fulfilment of regulatory and technical provisions applicable to technicians responsible for works.

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B. Laws and regulations in relation to the leasing of construction installations and equipment

There are currently no specific laws and regulations governing the leasing service of construction installations and equipment. Such activity is subject to the general rules of the Macau Civil Code and the Macau Commercial Code relating to the provision of services.

C. Laws and Regulations in relation to Taxation

All corporations engaging in commercial activities in Macau are liable to Corporate Profits Tax and should be registered with the Macau Financial Services Bureau for tax purposes.

D. Laws and Regulations in relation to Environmental Protection

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated 11 March 1991 (the Macau Environmental Law), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also, injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environmental Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

In relation to noise pollution in particular, Law no. 8/2014, which entered into force on 22 February 2015 and revoked Decree Law no. 54/94/M, establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7 p.m. and 9 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8 p.m. and 8 a.m. on weekdays.

In relation to water and marine pollution, in particular, Decree Law no. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety of the water installations and their users, whereas Decree Law no. 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

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E. Laws and Regulations in relation to Labour, Health and Safety

The legal regime of labour matters in Macau is developed based on Law no. 4/98/M, dated 27 July 1998 (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labour legislations in different aspects. Besides the above legislation, Law no. 7/2008, dated 18 August 2008 (Labour Relations Law) plays an important role in labour legal regime. It stipulates the basic requirements and conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement. In addition, all the working conditions of labour relations should not be lower than the basic conditions stipulated therein.

As an employer, a contractor (whether or not it is incorporated in Macau) shall have to comply with the conditions prescribed under Decree Law no. 44/91/M (approval of regulation of working safety and hygiene of civil construction of Macau) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fines of up to MOP30,000 and precautionary measures will be imposed according to Decree Law no. 67/92/M (determination of sanctions for the non-compliance of regulation of working safety and hygiene of civil construction of Macau).

As stipulated under Law no. 4/2010 (approval of social security regime) and Decree Law no. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), a contractor (whether or not it is incorporated in Macau) has to participate and contribute to the mandatory social security funds and to purchase compulsory industrial accident insurance for its Macau employees in accordance with relevant applicable legislation, otherwise, an administrative fine of up to MOP1,333 and MOP6,250, respectively will be charged as legal sanction.

All employees of a contractor (whether or not it is incorporated in Macau) who works in Macau have to be Macau residents, non-permanent or permanent, or to be holders of working permits in case of foreign workers. Except for situations stated under Administrative Regulation no. 17/2004, dated 14 June 2004, partially revoked by Law no. 21/2009 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will be considered as illegal workers in Macau and the employers will be criminally liable under Law no. 6/2004, dated 2 August 2004, altered by Law no. 21/2009 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine of up to MOP20,000.00 per employee under the above-mentioned administrative regulation.

In relation to the issue of illegal workers in Macau, only the party who is directly responsible for the employment of illegal workers in Macau shall have criminal or administrative liability under Macau laws.

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly

REGULATORY OVERVIEW

time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Department, in general, and DSSOPT with respect to construction sites, in particular.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorisations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Moreover, an employer must comply with the rules provided under Decree Law no. 44/91/M (General Regulation of Working Safety and Hygiene in the Construction Industry) and Decree Law no. 34/93/M (Legal Regime of Noise at Work), in order to provide a safe, clean and environmentally friendly working conditions for employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law no. 67/92/M and Decree Law no. 48/94/M.

Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), employers must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated on 18 July 1995 in Bermuda and is the holding company of our Group. Since the incorporation of our Company, our founder, Dr. Poon, has controlled all of our operating subsidiaries. For details on the shareholding structure of our Group companies, see “Reorganisation — Reorganisation Steps” in this section below.

Immediately upon the Capitalisation Issue and the Global Offering (without taking into account the Shares to be issued upon the exercise of the Over-allotment Option and the options of which may be granted under the Share Option Scheme), Dr. Poon, through The Otto Poon Family Trust, Ardik Investment and Arling Investment, will hold approximately 63.48% of the voting rights in our Company.

OUR HISTORY

Our Group was founded in 1977 by Dr. Poon and through years of history, has developed into a well-established electrical, mechanical and environmental engineering group headquartered in Hong Kong which serves customers primarily in Hong Kong, Macau and Mainland China.

Standing by our motto of “We commit, we perform, we deliver”, our management has, in 40 years, managed to grow the scale of operations of our Group substantially. We started off as a trading company which focused on the selling of E&M equipment. Building on our accumulated experience, we expanded into the contracting and maintenance service market in the late 1970s and subsequently, with our well-developed skill sets, we managed to obtain various licences and qualifications which enabled us to become an electrical, mechanical and environmental engineering contractor to serve customers in both the government and non-government sectors.

We provide electrical, mechanical and environmental engineering-related services to a wide spectrum of customers in different segments, including building services engineering, environmental engineering, ICBT solutions and lift and escalators.

Our first Group company was incorporated in 1977 with the company name “Analogue Technical Agencies Limited” by Dr. Poon using his own personal resources, with shares allotted and issued to other minority shareholders, namely, Seconda Limited, Mr. Fong Chun Yau (also a former director and former shareholder of a number of our other Group companies prior to the Track Record Period), Mr. Cheng and Mr. Law over the years. Its name was changed to “ATAL Engineering Limited (安樂工程有限公司)” in 1994. Pursuant to the reorganisation of our Group in September 1995, ATAL Engineering became a wholly owned subsidiary of our Company. Immediately prior to the reorganisation, ATAL Engineering was owned as to 93.0% by Dr. Poon, 2.2% by each of Mr. Cheng, Mr. Law and Mr. Fong Chun Yau, and 0.4% by Seconda Limited. In the reorganisation, HSBC International Trustee Limited (the trustee of The Otto Poon Family Trust) and Seconda Limited (as trustee of Mr. Robert Simone)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

subscribed for 9,556 Shares and 44 Shares at par value, respectively, and Mr. Cheng, Mr. Fong Chun Yau, Mr. Law and Mr. David Cheung Kwok Kuen (each an employee of our Group at the relevant time) subscribed for 600 Shares, 600 Shares, 600 Shares and 600 Shares at par value respectively. Immediately upon completion of the reorganisation, our Company was held as to 79.6% by HSBC International Trustee Limited, 5% by each of Mr. Cheng, Mr. Law, Mr. Fong Chun Yau and Mr. David Cheung Kwok Kuen, and 0.4% by Seconda Limited. In June 1999, HSBC International Trustee Limited subscribed for an additional 600 new shares at par value. At the same time, our Company repurchased 600 shares from Mr. David Cheung Kwok Kuen at a consideration of HK\$500,000 since Mr. David Cheung Kwok Kuen resigned from our Group with effect from 1 April 1998. In April 2010, Mr. Robert Simone transferred the beneficial interest in his 44 Shares to Dr. Poon at a consideration of HK\$1 million as he wished to dispose of his shares in our Company. Subsequently, in December 2014, Seconda Limited also transferred the legal title in the 44 Shares to Dr. Poon at nil consideration. To the best knowledge of our Directors, the respective considerations for the repurchase of Shares from Mr. David Cheung Kwok Kuen by our Company in June 1999 and the transfer of the beneficial interest in Shares from Mr. Robert Simone to Dr. Poon in April 2010 were determined based on arm's length negotiations between the relevant parties, taking into account (i) the financial performance and net asset value of our Company at the time of each of the relevant transactions and (ii) the respective contributions of Mr. David Cheung Kwok Kuen and Mr. Robert Simone to our Company. In June 2017, Dr. Poon transferred his 44 Shares to Ms. Ng Yuk Ling, Margaret by way of gift as a recognition of her contribution to the development of our Group as a long-term employee. Since June 2017 and immediately prior to the Reorganisation, our Company had been held as to 84.63% by HSBC International Trustee Limited, 5% by each of Mr. Cheng, Mr. Law and Mr. Fong Chun Yau, and 0.37% by Ms. Ng Yuk Ling Margaret.

Upon completion of steps 1 to 4 of the Reorganisation (the details of which are disclosed in "Reorganisation" in this section below) and up to the Latest Practicable Date, our Company was held as to 84.63% by Arling Investment, 5% by Mr. Cheng, 5% by Mr. Fong Chun Yau, 5% by Mr. Law and 0.37% by Ms. Ng Yuk Ling Margaret.

Arling Investment is an indirectly controlled entity of Dr. Poon, while Mr. Cheng (an executive Director and chief executive officer of our Company), Mr. Law (an executive Director) and Ms. Ng Yuk Ling Margaret (executive secretary to Dr. Poon) are employees of our Group. Mr. Fong Chun Yau had first joined our Group in July 1978 and had been primarily responsible for overseeing the Hong Kong, Macau and PRC environmental engineering business segment of our Group. Mr. Fong Chun Yau was also a former director, supervisor and/or shareholder of a number of our Company's subsidiaries. During his service period, Mr. Fong Chun Yau assumed the typical responsibilities and duties similar to other directors, including preparation of tender, business terms negotiation and on-going monitoring of various project progress. Following the Macau Incident (details of which are set out below in the paragraph head "The Macau Incident" in this section), Mr. Fong Chun Yau had resigned and ceased his various offices within our Group prior to his departure in August 2015.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

KEY BUSINESS MILESTONES

The following table sets out the key business milestones of our Group:

Year	Event
1977.....	Our Group was founded by Dr. Poon
1978.....	We secured our first sewage treatment plant project in Hong Lok Yuen, Hong Kong
1985.....	We secured our first major computer centre installation project in Hong Kong
1995.....	We were first certified to ISO9001
1999.....	We completed one of the world's largest wastewater treatment plants
2002.....	We set up our principal Mainland China office in Beijing
2002.....	We set up our 24-hour, 365-day call centre to provide round-the-clock after-sale service and technical back-up to our customers
2002.....	We were first certified to OHSAS 18001
2003.....	We completed the building management system for the then tallest building in Central, Hong Kong
2003.....	We first tapped into the Macau market by securing our first project in Macau
2004.....	We secured the border control system project, i.e. the Automatic Passenger and Vehicle Clearance System, including the "e-Channels"
2004.....	We set up our manufacturing plant in Nanjing to manufacture elevators
2005.....	We were first certified to ISO 14001
2011	We secured our first major infrastructure project for a railway operator listed in Hong Kong
2011	We secured our first major data centre project for a listed company in Hong Kong
2014.....	We secured our first building services project in the healthcare sector
2014.....	We secured the first organic waste treatment facilities project in Hong Kong through a joint venture
2017.....	Our Group's 40th anniversary
2017	We secured our first HK\$100 million escalator contract
2017	Nanjing Canatal, an associate of our Company, was listed on the main board of the Shanghai Stock Exchange. Please see "Our Interest in Nanjing Canatal" below for further information
2018.....	We secured one of the largest data centre projects of the Hong Kong Government as at the Latest Practicable Date
2019.....	We secured our first modular integrated construction (MiC) project in building services installation in Hong Kong, whereby integrated modules completed with finishes, fixtures and fittings are manufactured in a prefabrication factory and then transported to site for installation

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR GROUP COMPANIES

As at the Latest Practicable Date, our Group comprised of our Company and the following subsidiaries:-

Name of subsidiary	Principal business activities	Date of incorporation	Date of commencement of business	Place of incorporation	Share capital structure ⁽¹⁾
Analogue Building Services (Macao) Limited (安諾屋宇服務(澳門)有限公司)	Designing, installing and maintenance services on building services systems and fire systems engineering	30 April 2014	30 April 2014	Macau	MOP 25,000.00
Analogue Technical Agencies Limited (安樂工程貿易有限公司)	Supplying electrical and mechanical materials and equipment and providing associated installation services	15 February 1994	23 May 1994	Hong Kong	HKD1,014,973.26
Analogue Technical Agencies (Shanghai) Limited* (安樂建築工程服務(上海)有限公司)	Supplying electrical, mechanical and environmental materials and equipment and providing associated installation and maintenance services	22 July 2009	22 July 2009	PRC	USD4,000,000
Anlev Elex Elevator Limited (安力電梯有限公司)	Providing installation and maintenance services of lifts, escalators and travellators	29 January 1991	31 March 1992	Hong Kong	HKD55,000,000
Anlev (HK) Limited (安諾電梯有限公司)	Designing and trading of escalators and moving walkways	5 March 2001	5 March 2001	Hong Kong	HKD4,000,000
Anlev Industrial Limited (安諾工業有限公司)	Investment holding	22 May 2012	22 May 2012	Hong Kong	HKD119,340,001
ATAL Building Services Engineering Limited (安樂機電設備工程有限公司)	Electrical, mechanical and building services contractor in design, installation and maintenance of building and infrastructure projects	19 April 1999	1 December 2009	Hong Kong	HKD40,000,000

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of subsidiary	Principal business activities	Date of incorporation	Date of commencement of business	Place of incorporation	Share capital structure ⁽¹⁾
ATAL Building Services (Macao) Limited (安樂屋宇服務(澳門)有限公司)	Designing, installing and maintenance services on building services systems and fire systems engineering	12 February 2010	26 February 2010	Macau	MOP25,000.00
ATAL Data Centre Infrastructure Limited (安樂數據中心基建有限公司)	Providing data centre and critical facilities infrastructure supports	11 March 2011	14 March 2011	Hong Kong	HKD20,000,000
ATAL Engineering Limited (安樂工程有限公司)	Electrical, mechanical and environmental engineering contractor on construction and infrastructure projects	7 October 1977	7 October 1977	Hong Kong	HKD40,000,000
ATAL Engineering (Macao) Limited (安樂工程(澳門)有限公司)	Electrical, material and environmental engineering contractor on construction and infrastructure projects	21 December 2004	21 December 2004	Macau	MOP25,000.00
ATAL Engineering (Shanghai) Limited* (安樂設備安裝工程(上海)有限公司)	Electrical, material and environmental engineering contractor on construction and infrastructure projects	28 February 2005	28 February 2005	PRC	RMB52,000,000
ATAL Environmental Engineering Limited (安樂環境工程有限公司)	Dormant	19 April 1999	Not yet commence	Hong Kong	HKD2
ATAL Management Services Limited (安樂管理服務有限公司)	Provision of property management services	5 February 2018	5 February 2018	Hong Kong	HKD10,000
ATAL Technologies Limited (安樂科技工程有限公司)	Provision of solution to the integration of information technology, communications and security systems, and in the development of related technologies and applications	19 September 2001	19 September 2001	Hong Kong	HKD19,000,000

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of subsidiary	Principal business activities	Date of incorporation	Date of commencement of business	Place of incorporation	Share capital structure ⁽¹⁾
ATAL Technologies (Macao) Limited (安樂創新科技(澳門)有限公司)	Inactive	16 January 2008	22 January 2008	Macau	MOP25,000.00
LATA Limited	Investment holding	26 March 2018	26 March 2018	Hong Kong	HKD10,000
Nanjing Analogue Technologies Limited* (南京安樂軟件科技有限公司)	Manufacturing and sale of hardware, software and electronic systems	29 August 2009	29 August 2009	PRC	USD210,000
Nanjing Anlev Elevator Limited* (南京安諾電梯有限公司)	Manufacturing and sale of escalators and moving walkways	29 July 2003	29 July 2003	PRC	USD15,300,000
Pedarco International Limited	Development, production and marketing of automated movement systems	3 July 2013	3 July 2013	Hong Kong	HKD203,000

Note:

The share capital structure of subsidiaries incorporated in Hong Kong refers to their respective issued share capital and that of subsidiaries incorporated in Macau and the PRC refers to their respective registered share capital. As at the Latest Practicable Date, the registered capital of ATAL Engineering (Shanghai) was RMB52,000,000, among which US\$4,900,000 (equivalent to approximately RMB35,960,782) was paid-up and the remaining RMB16,039,218 shall be paid-up by 31 December 2020 pursuant to its articles of association. As at the Latest Practicable Date, save for the registered capital of ATAL Engineering (Shanghai), all share capital under the “Share capital structure” column were fully paid-up.

Our Interest in Nanjing Canatal

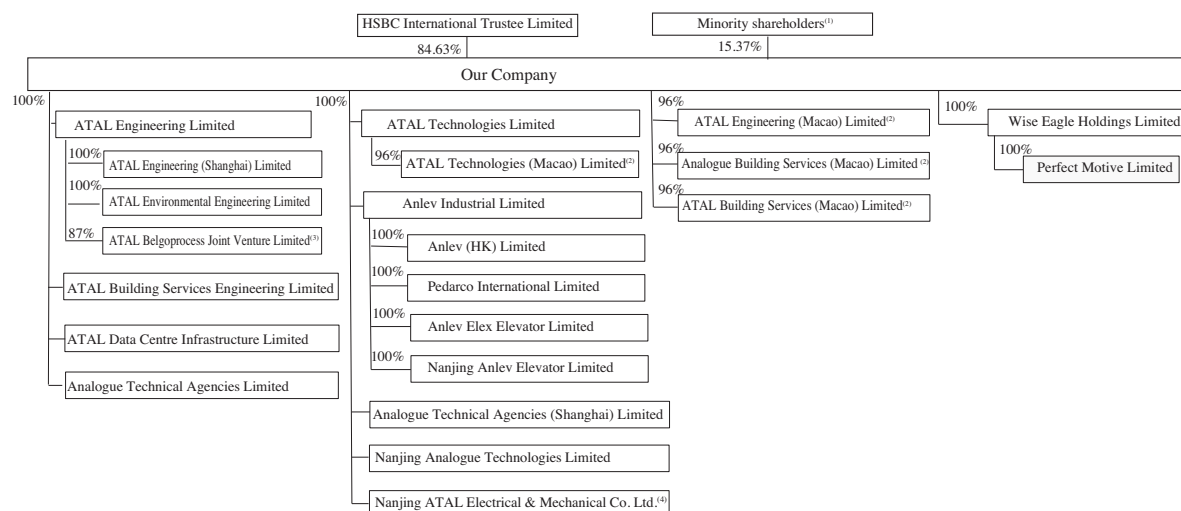
In 2003, we set up Nanjing Canatal, a joint venture in Mainland China in which we held 55%. Nanjing Canatal is engaged in research and development and production of precision air-conditioning systems, such as data room air-conditioning systems, with advanced energy-saving and temperature control technologies. It offers a wide range of precision air-conditioning and refrigerating system products, has built up a wide sales network in Mainland China, and has been recognised by numerous awards. In November 2017, Nanjing Canatal was listed on the main board of the Shanghai Stock Exchange. As at the Latest Practicable Date, we held 25.81% of Nanjing Canatal.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

Shareholding and Corporate Structure prior to Implementation of the Reorganisation

The following chart illustrates the simplified shareholding and corporate structure of our Group immediately prior to the Reorganisation:



Note 1: Apart from the shareholding of HSBC International Trustee Limited, our Company was owned as to 5% by Mr. Cheng, 5% by Mr. Fong Chun Yau, 5% by Mr. Law and 0.37% by Ms. Ng Yuk Ling Margaret.

Note 2: Each of (i) ATAL Technologies (Macao) and (ii) ATAL Engineering (Macao), Analogue Building Services (Macao) and ATAL Building Services (Macao) was held as to 4% by Dr. Poon on behalf of (i) ATAL Technologies and (ii) our Company, respectively.

Note 3: ATAL Belgoprocess Joint Venture was owned as to 13% by Belgoprocess, a joint venture partner of ATAL Belgoprocess Joint Venture, prior to its deregistration on 15 June 2018.

Note 4: Nanjing ATAL Electrical & Mechanical was wholly-owned by our Company prior to its de-registration on 25 July 2018.

Reorganisation Steps

In preparation for the Listing, we have implemented the following Reorganisation steps:

1. Incorporation of Ardik Investment

Ardik Investment has been incorporated on 8 December 2017 as a wholly owned subsidiary of HSBC International Trustee Limited, the trustee of The Otto Poon Family Trust.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2. Incorporation of Arling Investment

Arling Investment has been incorporated on 8 December 2017 as a wholly owned subsidiary of HSBC International Trustee Limited, the trustee of The Otto Poon Family Trust.

3. Transfer of 10,156 issued shares (representing 84.63%) in the share capital of our Company from HSBC International Trustee Limited to Arling Investment

On 22 December 2017, HSBC International Trustee Limited transferred its interest in the said 10,156 shares of our Company to Arling Investment in consideration of Arling Investment issuing 1 share in Arling Investment to HSBC International Trustee Limited.

4. Transfer of the entire issued share capital of Arling Investment to Ardik Investment

On 22 December 2017, HSBC International Trustee Limited transferred its interest in the entire issued share of Arling Investment to Ardik Investment in consideration of Ardik Investment issuing 1 share in Ardik Investment to HSBC International Trustee Limited.

5. Transfer of 4% of the registered share capital of each of our Macau subsidiaries from Dr. Poon to our Group

In order to streamline our corporate and shareholding structure, on 16 May 2018, Dr. Poon transferred to LATA, our wholly-owned subsidiary, his MOP 1,000 quota in each of (i) ATAL Technologies (Macao) and (ii) ATAL Engineering (Macao), Analogue Building Services (Macao) and ATAL Building Services (Macao) (representing 4% of each of their registered share capitals) which he held on behalf of (i) ATAL Technologies and (ii) our Company, respectively, since the respective dates of incorporation of the Macau-incorporated subsidiaries. Upon completion of the said quota transfers, each of our Macau-incorporated subsidiaries became wholly-owned by our Company.

6. Allotment and issuance of 9,999 new shares in Wise Eagle to our Company

On 18 April 2018, our Company subscribed for, and was allotted and issued with, an additional 9,999 new shares in Wise Eagle at par in contemplation of the declaration of dividend by way of distribution in specie of its shareholding interest in Wise Eagle as detailed below. Wise Eagle wholly owns Perfect Motive, a property holding company, which owns 12/F and 13/F of Island Place Tower, North Point, Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

7. Disposal of the entire issued share capital of Wise Eagle by our Company by way of distribution in specie

On 18 April 2018, our Company declared and paid a dividend by way of distribution in specie of its shareholding interest in Wise Eagle. Following the payment of such dividend, Wise Eagle became held as to 84.63%, 5%, 5%, 5% and 0.37% by Arling Investment, Mr. Cheng, Mr. Fong Chun Yau, Mr. Law and Ms. Ng Yuk Ling, Margaret respectively, and our Company ceased to hold any interest in Wise Eagle.

8. Increase our authorised share capital

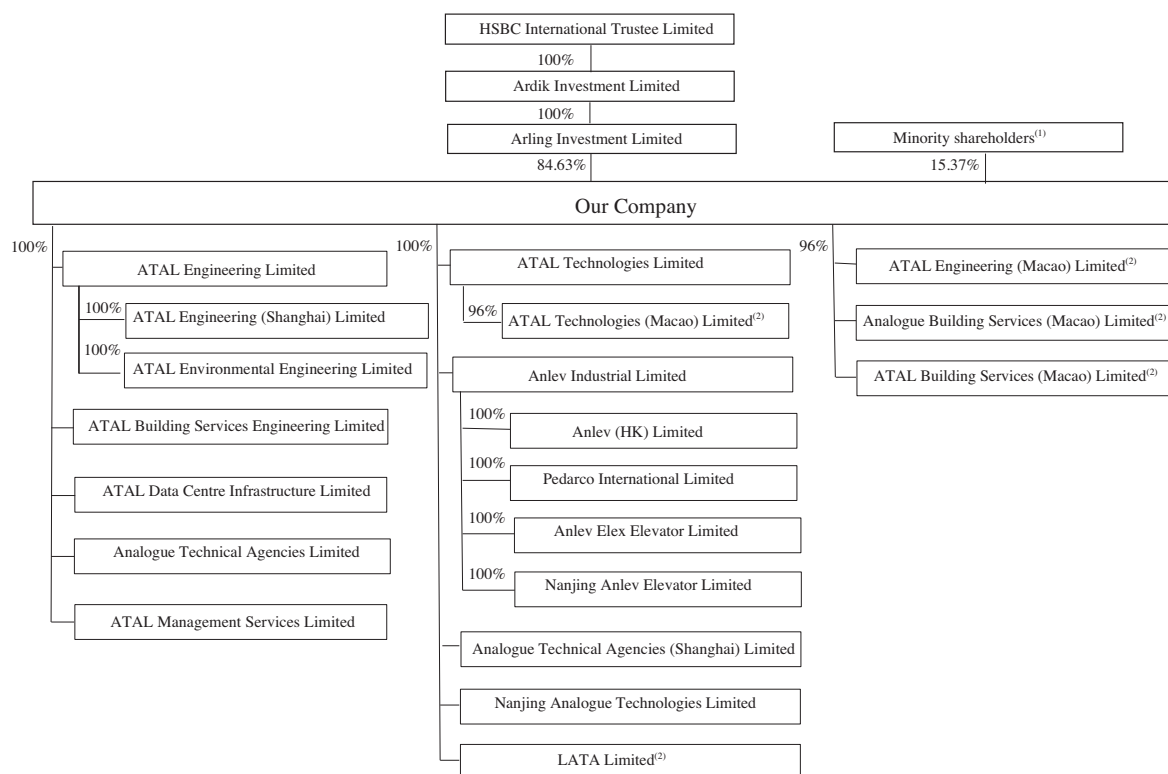
In contemplation of the Global Offering, the authorised share capital of our Company was increased, pursuant to the written resolutions of our Shareholders passed on 14 September 2018, by HK\$1,000,000,000 by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each, ranking *pari passu* in all respects with the then existing shares of our Company. Immediately following such increase, the authorised share capital of our Company was US\$12,600 divided into 12,600 shares with a par value of US\$1.00 each and HK\$1,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.01 each.

On the same day, our Company allotted and issued 7,921,680 Shares to Arling Investment at par value for HK\$79,216.80, 468,000 Shares to each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law at par value for HK\$4,680 respectively, and 34,320 Shares to Ms. Ng Yuk Ling Margaret at par value for HK\$343.20, which were set-off against and funded out of the repurchase price paid by our Company for the repurchase of 10,156 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$10,156 from Arling Investment, 600 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$600 from each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law, and 44 shares of our Company with par value of US\$1.00 each from Ms. Ng Yuk Ling Margaret for a total repurchase price of US\$44.

Following the said repurchase, the authorised but unissued share capital of our Company was diminished by cancellation of all the unissued share capital of our Company with par value of US\$1.00 each in the share capital of our Company pursuant to the written resolutions of our Shareholders passed on 14 September 2018. After such cancellation, our share capital has become HK\$1,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.01 each.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart illustrates the shareholding and corporate structure of our Group immediately following completion of the above Reorganisation:



Note 1: Our Company is owned as to 5% by Mr. Cheng, 5% by Mr. Fong Chun Yau, 5% by Mr. Law and 0.37% by Ms. Ng Yuk Ling Margaret.

Note 2: Each of (i) ATAL Technologies (Macao) and (ii) ATAL Engineering (Macao), Analogue Building Services (Macao) and ATAL Building Services (Macao) is owned as to 96% by (i) ATAL Technologies and (ii) our Company, respectively, and 4% by our wholly-owned subsidiary, LATA.

As at the date of this prospectus, with the exception of the Capitalisation Issue which is expected to take place on the Listing Date, all steps of our Reorganisation have been properly and legally completed and settled and no approval is required from the relevant regulatory authorities.

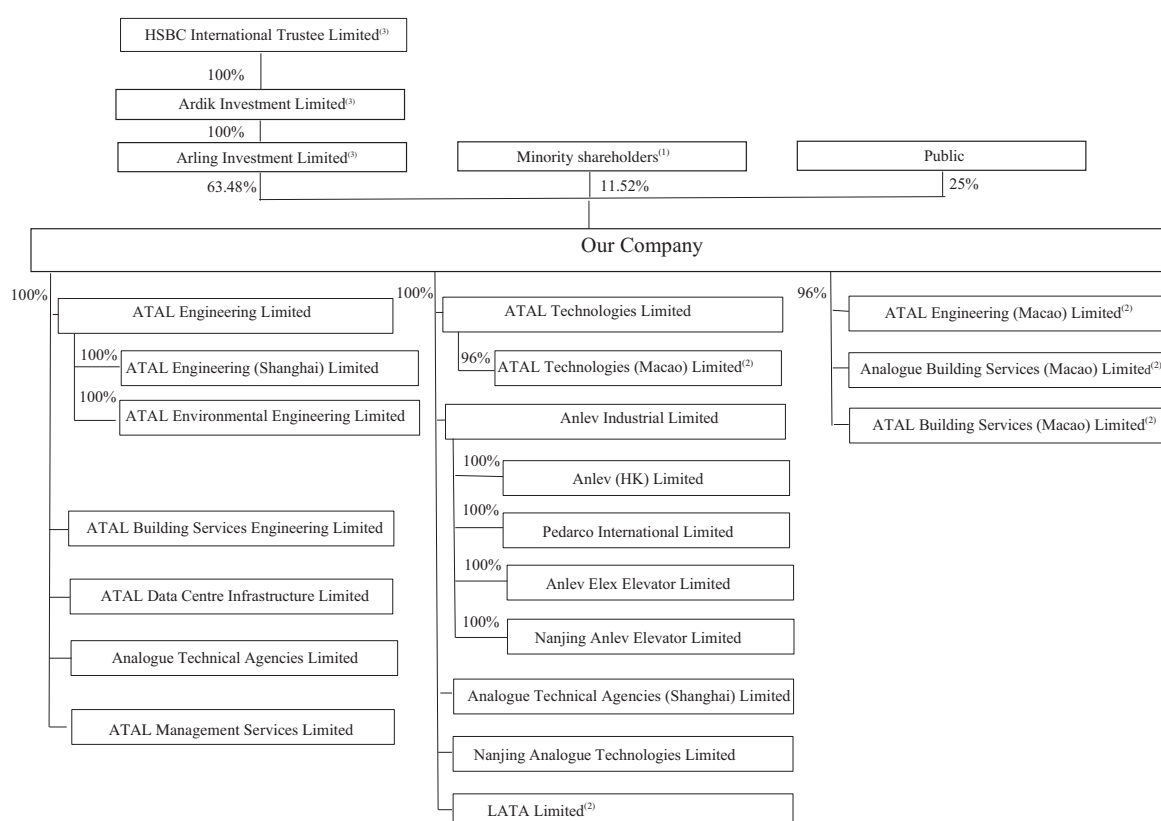
CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 14 September 2018 (details of which are set forth in Appendix IV to this prospectus), conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to issue a total of 1,040,640,000 Shares, credited as fully paid, at par to our Shareholders whose names appear on the register of members of our Company at the close of business on 11 October 2018 (or any other date as

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted) to their then respective shareholdings by way of capitalisation of the sum of HK\$10,406,400 standing to the credit of the share premium account of our Company, and such Shares to be issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing Shares.

The following chart illustrates our shareholding and corporate structure upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option):



Note 1: Our Company will be owned as to 3.75% by Mr. Cheng, 3.75% by Mr. Fong Chun Yau, 3.75% by Mr. Law and 0.27% by Ms. Ng Yuk Ling Margaret upon completion of the Global Offering and the Capitalisation Issue.

Note 2: Each of (i) ATAL Technologies (Macao) and (ii) ATAL Engineering (Macao), Analogue Building Services (Macao) and ATAL Building Services (Macao) is owned as to 96% by (i) ATAL Technologies and (ii) our Company, respectively, and 4% by our wholly-owned subsidiary, LATA.

Note 3: Pursuant to the trust deed of The Otto Poon Family Trust, HSBC International Trustee Limited shall, and shall procure Ardik Investment to, act in accordance with and implement the written directions of Dr. Poon, being the settlor of The Otto Poon Family Trust, including directions in respect of the voting and other powers attributable to their interest (whether directly or indirectly) in Arling Investment. HSBC International Trustee Limited and Ardik Investment are thus not entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company and will not be our Controlling Shareholders under the Listing Rules upon completion of the Capitalisation Issue and the Global Offering.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Macau Incident

Mr. Fong Chun Yau (“**Mr. Fong**”), an ex-director of our Company, was found guilty by the Courts of Macau of 3 counts of bribery charges (the “**Macau Incident**”) as he was identified as the person-in-charge of ATAL Engineering at the relevant time in 2004 to 2006, when ATAL Engineering formed joint ventures with 3 other joint venture partners, who are referred to below as joint venture partner A (“**Partner A**”), joint venture partner B (“**Partner B**”) and joint venture partner C (“**Partner C**”) and were awarded the contracts of three projects from the Macau government. Based on information available to our Company, (i) Partner A was an environmental services and solutions provider in the fields of water, air and waste treatment as well as new energy recovery and headquartered in Belgium, with strong project references including municipal wastewater treatment plants in Mainland China, Macau and Belgium, water treatment plants in the Middle East and Africa, and waste treatment plants in Belgium and Saudi Arabia; and (ii) Partner B and Partner C were respectively the Hong Kong and Macau subsidiaries of a construction contractor listed on the Main Board of the Stock Exchange and principally engaged in building construction and civil engineering operations as well as other peripheral operations such as foundation work, mechanical and electrical engineering and infrastructure investment. As at the Latest Practicable Date, Partner B was registered on the WBDB’s List of Approved Contractors as an approved contractor for Public Works for the categories of Buildings, Port Works, Roads and Drainage, Site Formation and Waterworks.

According to the judgment of Court of First Instance of Macau (the “**CFI Judgment**”), it was found that ATAL Engineering, Partner B and Partner C paid their agreed portion of consultancy fees to entities understood to be the respective consultant responsible for the three projects for advising the joint venture on the project management, tender preparation and other aspects of which the consultant claimed to possess local knowledge. Such payment was directed to the consultant of the relevant joint venture projects.

However, such consultancy fees were found to be subsequently paid to Mr. Ao Man Lung (“**Mr. Ao**”), who was the former Secretary for Transport and Public Works of the Macau as bribery money for Mr. Ao’s assistance in causing the relevant contracts of the three projects to be awarded to the joint ventures formed among Partner A, Partner B, Partner C and ATAL Engineering.

According to the CFI Judgment, the bribery case concerned 3 projects in Macau which were awarded to the joint ventures formed between ATAL Engineering and other third parties respectively, as described below. These 3 projects are (i) “the Design/Build and Operation/Maintenance of the Macau Cross Border Industrial Zone Wastewater Treatment Plant” (the “**First Project**”), which was awarded to the First Project JV (as defined below) in 2005; (ii) “the Design/Build and Operation/Maintenance of the Macau Cross Border Industrial Zone - 2nd Phase of Wastewater Treatment Plant” (the “**Second Project**”), which was awarded to the Second Project JV (as defined below) in 2006; and (iii) “Design and Build of the 2nd Phase Macau Coloane Wastewater Treatment Plant” (the “**Third Project**”), which was awarded to the Third Project JV (as defined below) in 2006. Mr. Fong was a member of the management committee of each of the above joint ventures, and participated in the management and supervision of the operations of these joint ventures together with other management committee members.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The First Project

While our Group had been engaged in certain building works in Macau, we (including ATAL Engineering) did not at the relevant time have much experience in the Macau construction and engineering industry, and as invited by Partner A, ATAL Engineering decided to form a joint venture with Partner A and Partner B for the purpose of bidding the First Project (the “**First Project JV**”), which was our first environmental engineering project in Macau. ATAL Engineering, Partner B and Partner A were interested in the First Project JV by 27.79%, 39.23% and 32.98%, respectively.

Prior to the parties forming the joint venture for carrying out the First Project, it was agreed amongst them that Partner A would be responsible for employing and dealing with the technical and marketing intelligence consultant(s) (the “**Consultant(s)**”) for the preparation of the relevant tenders, and each joint venture partner should be responsible to pay for its own share of the consultancy fee. With confidence in Partner A’s expertise in this aspect, ATAL Engineering accepted that such Consultant be engaged by Partner A, and ATAL Engineering understood that the Consultant would be responsible for advising the joint venture for the First Project on the project management, tender preparation and other aspects of which it claimed to possess local knowledge. It is confirmed that apart from such consultancy fee as mentioned, no other fees had been paid to the Consultant(s).

After the First Project JV had been awarded the contract for the First Project through the usual tendering process, ATAL Engineering (Macao) received an invoice from an associated company of Partner A (the “**Partner A Associated Company**”) for a sum of MOP 555,621, as consultancy fee for the First Project, which was calculated based on 3% of ATAL Engineering’s portion of the awarded contract sum. Apart from Partner A Associated Company acting as the consultant of the First Project, Partner A Associated Company has no other relation with our Group, our Directors and senior management.

Upon Partner A identifying to ATAL Engineering that Partner A Associated Company was the Consultant for the First Project, a payment request form was prepared under ATAL Engineering’s then accounting procedures for the payment of consultancy fee for the First Project to Partner A Associated Company in accordance with the terms of the joint venture agreement for the First Project JV. In accordance with the then internal policy of ATAL Engineering, Mr. Cheng and Mr. Law co-signed the cheque for a sum of US\$68,050 (equivalent to MOP 555,621) in the name of ATAL Engineering for remittance to the bank account of Partner A Associated Company in Hong Kong.

The Second Project

Following the practice for the First Project, the same joint venture for the First Project (the “**Second Project JV**”) secured the variation works (i.e. the Second Project) by means of submission of variation quotation which was accepted by Macau government for upgrading the process of the waste water treatment plant to tertiary treatment.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

According to the CFI Judgment, a sum of MOP 90,000, as consultancy fee, should be payable to Partner A Associated Company for the Second Project.

The Third Project

Similar to the First Project and the Second Project, another joint venture was formed among Partner A, Partner C and ATAL Engineering (the “**Third Project JV**”). ATAL Engineering, Partner C and Partner A were interested in the Third Project JV as to 24.767%, 48.455% and 26.778%, respectively.

Prior to forming the Third Project JV, it was again agreed amongst the joint venture partners that each of them should be responsible to pay for its own share of the consultancy fee to be incurred for the Third Project.

Following the Third Project JV’s success in obtaining the contract for the Third Project through the usual tendering process, ATAL Engineering submitted a cheque to pay a consultancy fee to the consultant company to the Third Project (“**Third Project Consultant**”) in the sum of HK\$1,882,056.40, which was calculated based on 3.4% of the awarded contract sum translated into Hong Kong dollars. At the time of which the consultancy fee payment was made, to the best of the then directors’ knowledge, apart from Third Project Consultant acting as the consultant of the Third Project, Third Project Consultant has no other relation with our Group, our Directors and senior management. It was only subsequently revealed to our Directors when investigation and prosecution was brought regarding the Macau Incident, that Third Project Consultant was in fact one of the shareholders of Partner A Associated Company.

The abovementioned consultancy fees were found to be subsequently paid to Mr. Ao, who was the former Secretary for Transport and Public Works of Macau, by a representative of Partner A, as bribery money for Mr. Ao’s assistance in causing the relevant contracts of the three projects to be awarded to the three joint ventures formed among Partner A, ATAL Engineering and Partner B/Partner C. Our Directors believed that they were only performing their contractual obligations under the various agreements and had no knowledge of any bribery arrangements until the Macau government stepped in to investigate.

According to the CFI Judgment (which was reaffirmed by the Macau Court of Second Instance (“**CSI**”)), Mr. Fong was found guilty of the bribery offence and was sentenced to imprisonment for 2 years and 10 months, for which probation has been granted by the court for a period of 3 years on the condition that Mr. Fong shall, within 3 months from the date of judgment, pay MOP 200,000 to the Macau government. A general manager of Partner A, the head of civil engineering department of Partner B and a general manager of Partner C were also found guilty of the bribery offence according to the CFI Judgment.

Upon the handing down of the judgment by CSI, the Macau Incident was concluded and as such Mr. Fong decided to resign as a Director of our Company and ceased his various offices with our Group prior to his departure in August 2015.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Following his departure, Mr. Fong joined one of the General Consultants (as defined in “Business — Subcontracting and Consultancy Arrangements — Consultancy Arrangements”). During the Track Record Period, we had engaged this General Consultant and/or its associate on more than 25 projects, among which Mr. Fong was deployed to two of these projects. The contract sum for these two projects as at 31 December 2017 were HK\$466 million and HK\$190 million, respectively, and both projects had been completed as at the Latest Practicable Date. In addition, for the purpose of satisfying the contract requirements of another project, a joint venture set up by ATAL Engineering and two other joint venture partners solely for the purpose of this project has employed Mr. Fong as the project director. The awarded contract sum for this project was HK\$3,142 million and this project was still on-going as at the Latest Practicable Date, however, Mr. Fong had resigned from all his positions with this joint venture with effect from 1 January 2018. We, accordingly, did not have any direct or indirect business relationship with Mr. Fong as at the Latest Practicable Date.

Internal control on selection of joint venture partner(s) and their vendor(s)

To the best knowledge of the Directors, at the relevant time, in selecting our Group’s joint venture partners, our Group had taken into account certain criteria, including, amongst others, the assessment of proposed partner’s financial capability, competency in technological and financial aspects, organizational structure, track records and job reference.

The above assessment and selection method had been adopted in the selection of the joint venture partners in the First Project, the Second Project and the Third Project. ATAL Engineering considered Partner A as a reputable international company that specialised in waste water treatment works which not only possessed its own patented biological treatment technology, but also had a strong management team and long-term local experience in Macau. Partner B and Partner C were considered by ATAL Engineering as a well-established civil engineering company that possessed strong local experience in Macau at the relevant time.

With confidence in the competency and local experience of Partner A, Partner B and Partner C, ATAL Engineering accepted the consultant(s) as recommended by the respective joint venture partner(s) in the First Project, Second Project and Third Project, and apart from the due diligence on joint venture partners as mentioned above, there were no additional due diligence carried out on the consultants recommended by the selected partners back then.

In light of the Macau Incident, we have engaged an independent internal control consultant to assess the sufficiency of the internal control system of our Group. We have adopted written procedures for the assessment and approval of suppliers and subcontractors as recommended by the internal control consultant, which outlines the steps and the respective personnel responsible for the assessment and approval process. Such procedures and selection criteria (including but not limited to performance track records, legal and regulatory compliance history and financial strengths) extended to the selection of joint venture partners and their significant vendors (including consultants) and subcontractors, and such selection shall be approved by the proper level of management.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Macau Counsel's legal advice

As advised by GS Law Firm, the Macau Counsel whom have been engaged by our Company for the purpose of issuing legal advice in relation to the Macau Incident (the “**Macau Counsel**”) under the relevant laws and regulations in Macau, criminal offences are generally the liability of the subject defendant. However, where such offence involves money laundering and if there are circumstances which suggest that a company is involved in criminal offences, the Macau government is under the strict obligation to take action against such company.

As advised by the Macau Counsel, all investigations conducted by Macau Judicial Police and Commission Against Corruption, as well as the trial at both the Court of First Instance and the Court of Second Instance in Macau (“**Macau Courts**”) have been concluded, and there has been no evidence proving that Mr. Fong was aware that the consultancy fees paid under the joint venture agreements of the First Project, the Second Project and the Third Project were to be paid to any company owned by Mr. Ao.

The Macau Counsel advised that the Macau Courts had come to the conclusion that bribery had taken place based on a few key elements at the relevant time:

- (i) cheques had been issued and/or payment had been wire-transferred from our Group (on behalf of the Joint Ventures), as consultant fees to the contracted consultant which was to provide professional consultancy services to the three projects;
- (ii) the final beneficiaries of these amounts are two BVI companies, which ultimately controlled by Mr. Ao (despite the fact that neither our Group nor the relevant joint venture would be able to obtain such ownership structure through any commercial background checks in Hong Kong and Macau);
- (iii) Mr. Ao was the Secretary for Transport and Public Works of Macau;
- (iv) contracts of the First Project, Second Project and Third Project were awarded to the respective joint ventures formed by ATAL Engineering, Partner A and Partner B/Partner C; and
- (v) Macau Courts convicted Mr. Fong, together with the other defendants, of crimes of bribery, mainly based on the fact that the final beneficiary of those amounts (the consultant fee) is Mr. Ao, who was the official person entitled to approve the related three projects.

Having considered the judgment from the Courts of Macau and the fact that no actions have been taken against our Group, the Macau Counsel is of the view that the conviction resulted from the Macau Incident is solely a personal liability of Mr. Fong. Should there be any evidence which suggests that our Group or any of our Directors / employees (other than Mr. Fong) had been involved in the bribery, actions should have been taken by the Macau

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

government. Further, apart from Mr. Fong, the legal liability arising from the Macau Incident has not been found to involve any other Group companies, shareholders and employees. Given the nature of the criminal liability, the Macau Counsel confirmed that, in respect of the Macau Incident, the legal consequences and liability will not extend beyond Mr. Fong's personal capacity. Further, under the applicable laws and regulations of Macau, the limitation period for prosecution relating to bribery and money laundering activities ranges from 2 to 10 years from the time of the relevant event. The relevant projects and founded bribery actions took place in 2004 to 2006, and as such, the Macau Counsel concluded that, the limitation period for prosecution (if any) against our Group or any of our employees has already expired and no action could be brought against our Group or any of our employees.

The Macau Counsel confirmed that the consultancy fee arrangement as stipulated in the relevant joint venture agreements of the three projects does not violate any Macau laws and regulations. Further, regarding the validity of the relevant contracts in the three projects relating to the Macau Incident, the Macau Counsel advised that unless the Courts of Macau or the administrative department of the government of Macau declare such contracts void, the legality and validity of these contracts should not be affected by the conviction of Mr. Fong.

Our Directors' view

Based on the Macau Counsel's advice, our Directors are of the view that the Macau Incident did not involve any wrongdoing or criminal acts by our Group or any of our current directors or officers and no charges were laid against any such persons. As such the Macau Incident has been concluded and does not have any legal impact on our Group. Further, the three projects have been duly completed prior to the Track Record Period and none of the contracts have been declared void by the Courts of Macau or the administrative department of the government of Macau.

BUSINESS

OVERVIEW

We are a leading E&M engineering group in Hong Kong which provides multi-disciplinary and comprehensive E&M engineering and technology services to a wide range of projects and sectors in Hong Kong, Macau and Mainland China. We also manufacture lifts and escalators and sell them internationally. According to the Frost & Sullivan Report, we were the largest E&M engineering service provider in Hong Kong with a market share of approximately 9.1% in terms of revenue in 2018.

Established in 1977, we began as an E&M equipment trading company and have evolved into a comprehensive engineering service provider. Our principal business encompasses (i) *Building services* — the design, installation and maintenance of E&M engineering systems in buildings, data centres, healthcare and infrastructure facilities, (ii) *Environmental engineering* — the design, build, operation and maintenance of environmental treatment systems, (iii) *Information, Communications, and Building Technologies (ICBT)* — the design, hardware and software development, engineering, installation and maintenance of information and communication technologies solutions and intelligent and green building technologies solutions, and (iv) *Lifts and escalators* — the design, manufacturing, installation and maintenance of lifts and escalators. We generate our revenue from our four business segments through (1) contracting services on a project basis, (2) providing operation and maintenance services, and (3) sale of goods. Throughout our development, we have been driven by our vision of becoming an innovative, leading and sustainable multi-disciplinary engineering group.

We strive to ensure the quality, timeliness and cost-efficiency of our services and have gained trust and respect from our customers. Our motto is “We commit, we perform, we deliver.” We believe that we are viewed as a dependable contractor for projects with differing degrees of technical complexity. This reputation is based on our ability to deliver engineering excellence, our innovative and technologically advanced services and products, and our responsiveness to customer needs. With a workforce of over 2,000 professional, technical and supporting employees, a wide range of experience and expertise, and ability to innovate, we are in a good position to capture growing business opportunities in the E&M engineering market.

Set out below is a summary of our four principal businesses. Please see “Business Segments” below in this section for a breakdown of our revenue by segments during the Track Record Period.

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Our Business Segments	Building Services	Environmental Engineering	Information, Communication and Building Technologies	Lift and Escalators
Major Services and Products	<ul style="list-style-type: none"> ➢ Design, installation, testing and commissioning and maintenance of the following systems for a wide range of buildings: <ul style="list-style-type: none"> • Heating, ventilation systems and air conditioning systems • Fire service systems • Plumbing and drainage systems • Electrical and extra low voltage systems 	<ul style="list-style-type: none"> ➢ Total E & M solutions for the design, build, operation and maintenance of: <ul style="list-style-type: none"> • Environmental engineering systems • Treatment plants for sewage, water, solid waste, sludge and gas 	<ul style="list-style-type: none"> ➢ Design, hardware and software development, engineering, installation and maintenance of <ul style="list-style-type: none"> • information and communication technology (ICT) solutions, e.g. automated passenger and vehicle clearance systems • intelligent and green building technology solutions, e.g. renewable energy solutions, building energy management systems, and automation and central control solutions 	<ul style="list-style-type: none"> ➢ Design, supply and installation of a wide range of lifts and escalators offered under the trade name of “Anlev” and manufactured in our production facilities in Nanjing, Mainland China ➢ Provision of maintenance services for lifts and escalators
Business Highlights	<ul style="list-style-type: none"> ➢ Strong track record in our provision of building services for commercial and residential buildings ➢ Specialised in providing building services for: <ul style="list-style-type: none"> • Data centres • Healthcare facilities, e.g. hospitals • Civil infrastructure, e.g. transportation systems 	<ul style="list-style-type: none"> ➢ Engaged in projects involving government clients ➢ Engaged in the construction of a majority of large-scale waste water treatment plants in Hong Kong 	<ul style="list-style-type: none"> ➢ With extensive in-house expertise in areas such as security, biometrics, hardware and software development 	<ul style="list-style-type: none"> ➢ Production of lifts and escalators catering to different uses and requirements ➢ Exports to Asia, Europe, North America, Africa and Australia, including escalators for underground railway systems in Korea, the United Kingdom, Italy and Australia

With over 40 years of operating history, we have built up an extensive client network in a broad spectrum of sectors with our one-stop E&M capability. Our clients include leading property developers and construction companies, companies in the banking, healthcare, entertainment, hospitality, education, information technology, data centre, utilities and transportation sectors, government and public organisations.

The combined strengths of our four business segments have given us a proven track record in major multi-disciplinary and multi-interface projects. During the Track Record Period and up to the Latest Practicable Date, we have been awarded 127 projects with individual awarded contract sum over HK\$10 million for which tenders were submitted during the aforementioned period. From the commencement of the Track Record Period to the Latest Practicable Date, we had completed 11 major projects with individual awarded contract sum over HK\$200 million (“**Major Projects**”), comprising nine and two Major Projects in Hong Kong and Mainland China, respectively. As at the Latest Practicable Date, we had 17 Major Projects in progress with a total awarded contract sum of HK\$5,108.2 million, including 14 Major Projects for building services, two Major Projects for environmental engineering services, and one Major Project for ICBT.

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Our notable projects during the Track Record Period and up to the Latest Practicable Date include:

- E&M engineering installation services for the Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities, vehicle clearance plazas and ancillary buildings and facilities, with scope of work including building services, environmental engineering, ICBT and lift installations;
- Construction of the Stonecutters Island Sewage Treatment Plant, which has a capacity to treat 2.45 million m³ of wastewater per day, making it one of the world's largest chemically enhanced primary treatment plants;
- Design and construction of Hong Kong's first organic waste treatment plant at Siu Ho Wan which converts organic wastes to biogas to generate electricity, with a daily capacity to treat 200 tons of organic waste;
- Integrated building service installations for the expansion of the science park in Pak Shek Kok, Hong Kong;
- Integrated E&M engineering works for a major Government data centre complex in Cheung Sha Wan, Hong Kong;
- Design and construction of a data centre in Hong Kong for a major state-owned telecommunication group in Mainland China;
- Design, manufacture, systems integration, installation and maintenance of Hong Kong's Automatic Passenger and Vehicle Clearance System, including the "e-Channels", at Hong Kong's border crossing points;
- Renovation of the Central Mid-levels escalator system in Hong Kong with 18 escalators and 3 walkways;
- Development of major casinos and hotels for an international integrated resort developer and operator in Macau; and
- Integrated building service installations at the Conghua Training Facility, a race horse training centre in Conghua, Guangzhou, Mainland China, for a non-profit horse racing club in Hong Kong, pursuant to a contract entered into between our Group and a subsidiary of a leading construction company listed in Shanghai, Mainland China and principally engaged as main contractor in building and infrastructure construction in Mainland China (being Customer F as disclosed in "Customers — Top Five Customers — FY2017" in this section below).

During the Track Record Period, our revenue increased from HK\$4,411.7 million in FY2016 to HK\$5,966.0 million in FY2018, representing a CAGR of 16.3% from FY2016 to FY2018. Our profit for the year increased from HK\$120.8 million in FY2016 to HK\$315.3 million in FY2018, representing a CAGR of 61.6% from FY2016 to FY2018.

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OUR COMPETITIVE STRENGTHS

We believe we possess the following strengths which have contributed to our success and will enable us to achieve future growth.

We are a leading E&M engineering service provider with in-depth experience and a proven record, well-positioned to capture opportunities in the market.

- ***Our leading industry position and achievements***

We are a leading E&M engineering service provider in Hong Kong, with substantial operations in Macau and Mainland China. According to the Frost & Sullivan Report, we were the largest E&M engineering service provider in Hong Kong with a market share of approximately 9.1% in terms of revenue in 2018.

We possess a wide range of relevant licences and qualifications necessary for engagement in E&M engineering projects in Hong Kong, Macau and Mainland China. By virtue of our track record and project portfolio, we are included on various lists of approved contractors maintained by the departments of the Hong Kong Government responsible for E&M engineering and other public works. According to the Frost & Sullivan Report, our Group is the largest E&M engineering group in terms of number of E&M engineering-related categories registered under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works of the WBDB as at 19 September 2018.

Our quality and achievements have been recognised in the market through the numerous awards we have received over the years. We have received many awards from the Labour Department, the Construction Industry Council and the Occupational Safety and Health Council which recognise our outstanding safety and environmental standards and performances, such as the Gold Award in the category of Public Work Sites — Repair, Maintenance, Alteration and Addition Works in the 21st Considerate Contractors Site Award Scheme. Our innovative project, the Tunnel Access Control System, won the Best Smart Hong Kong (Internet of Things Application) Bronze Award in the Hong Kong ICT Awards. We were engaged in the upgrading of the Stonecutters Island Sewage Treatment Plant, a crucial part of the Harbour Area Treatment Scheme, which was awarded with a Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎) as one of the most technically advanced projects in China. We were also engaged in the design and construction of a data centre which was awarded the China Construction and Engineering Luban Prize (中國建築工程魯班獎).

- ***Our illustrious project portfolio***

We have worked on a large number of landmark projects of a high degree of complexity and sophistication.

Our building services segment has been engaged in the E&M engineering installations services for the Hong Kong-Zhuhai-Macao Bridge, Hong Kong boundary crossing facilities, vehicle clearance plazas and ancillary buildings and facilities; the development of a number of

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major casinos and hotels in Macau; the design and construction of a data centre in Hong Kong for a major state-owned telecommunication group in Mainland China; building services projects for the railway system extension; and a major private hospital building in Hong Kong.

Our environmental engineering projects include the Harbour Area Treatment Scheme, which was recognised as one of the Ten Hong Kong People Engineering Wonders in the 21st Century by the Hong Kong Institute of Engineers in 2013. The segment has participated in the design and construction of over 100 water and wastewater treatment facilities in Hong Kong and in many parts of Mainland China. These include the Shandong Weihai Water Treatment Works; Jilin Changchun No.5 Water Treatment Works; Hebei Tangshan Water Treatment Works; and Hunan Hengyang Water Treatment Works. We are also engaged in a number of design, build and operate projects of sewage and waste treatment facilities in Hong Kong, including the sewage treatment plants at Pillar Point and San Wai, the organic waste treatment plant at Siu Ho Wan in Hong Kong, and the sludge handling vessels for the Stonecutters Island Sewage Treatment Plant.

Our ICBT projects include the design, manufacturing, installation and maintenance of automatic passenger and vehicle clearance systems, including the “e-Channel” systems, at boundary control points in Hong Kong; and the supply, installation, testing and commissioning of integrated building management systems (BMS) for two phases of the science park in Pak Shek Kok which is one of the largest BMS installations in Hong Kong.

Our lifts and escalators segment has supplied lifts and escalators to many major developments in Hong Kong, including transportation terminals, universities, hospitals and amusement parks. We have also supplied escalators for subway systems in Korea, the United Kingdom, Italy and Australia.

- ***Well-positioned to capture growth opportunities***

With our industry expertise, track record of projects and solid customer relationships, we are frequently invited to participate in tenders for major projects. According to the Frost & Sullivan Report, it is expected that revenue in the E&M engineering industry in Hong Kong, Macau and Mainland China will grow at CAGR of approximately 7.5%, 9.3% and 7.6%, respectively, between 2019 and 2023. We believe we are well-positioned to capture opportunities in the market and achieve further revenue growth.

We provide comprehensive E&M engineering services for a wide range of sectors, have capability to integrate such services and have developed significant expertise in specialised market segments.

With over 40 years of operating history, we have gained the experience and capability to provide one-stop E&M engineering services, from design, supply, installation, testing and commissioning, operation and maintenance, to 24-hour, 365-day emergency support services.

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We cover a wide range of E&M engineering systems installed in many different types of buildings and facilities. Our scope of services covers the following areas:

E&M engineering systems	Our major services	Types of buildings and facilities	Client sectors
<ul style="list-style-type: none"> • Environmental systems for water, wastewater, solid waste, sludge, gas, combined heat and power • HVAC • Electrical and ELV systems • Fire services • Plumbing and drainage • Building and energy management systems • Information and communication technology systems • Lifts and escalators 	<ul style="list-style-type: none"> • Design • Supply • Installation • Testing and commissioning • Operation and maintenance • Design and build • Manufacturing 	<ul style="list-style-type: none"> • Commercial • Industrial • Residential • Data centres • Healthcare facilities • Infrastructure • Transportation terminals and stations 	<ul style="list-style-type: none"> • Banking • Hospitality • Information technology • Transportation • Utilities • Education • Entertainment • Government departments • Property developers

We have developed substantial expertise in certain specialties. These include building services for data centres, healthcare facilities and infrastructure; environmental engineering services in the design, construction, operation and maintenance of treatment plants of sewage, water, solid waste, sludge and gas; ICBT business; and the design, manufacturing, installation and maintenance of lifts and escalators.

We are able to undertake project coordination and design management to meet clients' basic concepts and requirements under integrated service contracts, coordinating and liaising with various service providers and suppliers. We are also able to provide design-and-build solutions for our clients.

With our integrated capabilities, we can handle major multi-disciplinary and multi-interface projects and serve clients across a broad range of market sectors such as banking, information technology, data centres, healthcare, education, utilities, transportation and entertainment and hospitality. Our integrated approach provides us with cross-referral opportunities, business synergies and cost savings through economies of scale.

Given our comprehensive knowledge, expertise and experience in all areas of E&M engineering services, we are able to secure integrated E&M engineering contracts for large-scale projects in both the government and non-government sectors.

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We are able to develop innovative E&M engineering technology and promote a culture of innovation.

We take pride in our ability to develop innovative E&M engineering technology which we can apply to our services and products to improve efficiency and to meet customer requirements. We promote a culture of innovation through our in-house innovation and research and development teams and our cooperation with universities.

- ***Development of innovative E&M engineering technology***

Among our initiatives to develop E&M engineering technology, our environmental engineering segment successfully developed a compacted and highly rated sedimentation process for application to waste water and sewage treatment plants during the Track Record Period. The process enhances treatment capacity without increasing the environmental footprint. As at the Latest Practicable Date, this newly developed process had been applied in 22 of our environmental engineering projects. We have also applied a new activated sludge process using anammox technology to achieve a substantial reduction in nitrogen and nitrate pollutants generated during the sewage treatment process.

Our innovative approach has also been demonstrated in our lifts and escalators segment. We designed and developed an automated pedestrian overpass system (PEDARCO) for crossing of canals, railway lines and highways, which has obtained patent internationally. We have made use of new technologies in our development of our automated passenger and vehicle clearance systems.

- ***Promotion of a culture of innovation***

In order to further promote a culture of innovation, in 2017, we formed an innovation committee to drive research and development on technology innovations and process innovations, and to encourage and incubate new ideas. We believe that our innovative solutions and technologies will help us expand our business in new and emerging sectors with high demands for technological knowledge and technical knowhow, as well as present us with more business growth opportunities and reinforce our strong brand name and reputation.

We have been cooperating with universities in Mainland China for research and development of environmental engineering technologies. In 2016, we began a five-year project with Shanghai Jiao Tong University to support the joint research and development of specialised waste water treatment techniques, in order to strengthen our environmental engineering research and development capabilities and knowhow. The cooperation encompasses anaerobic biological wastewater treatment; landfill leachate treatment; high-salinity industrial wastewater treatment; advanced sewage treatment processes with excess sludge reduction, and solutions for remediation of heavy metal contaminated soils. We are also collaborating with a Hong Kong-based nanotechnology and advanced materials research and development centre on a market-driven research and development project on the application of nano bubbles in large-scale waste water treatment and recycling to achieve energy savings.

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We adhere to stringent quality, safety and environmental standards in order to deliver high quality services and products and provide safe working condition, and we strongly promote corporate social responsibility in our business operations.

We endeavour to ensure the quality, timeliness and cost-efficiency of our services. We believe that we have gained the trust and respect of our customers through our commitment to provide high quality services. Our consistent delivery of quality services has been instrumental in developing our reputation as a dependable contractor on projects of a wide range of technical complexity.

While our businesses cover diverse areas of E&M engineering services, our operations are managed under an integrated quality assurance and control system. This system makes it possible to implement, coordinate, and monitor each stage of our projects effectively. Our customers value us for our reputation for quality, reliability and compliance with regulatory and industry standards. We consider these as primary considerations when they select E&M engineering service providers. Our quality, safety and environmental department provides quality assurance, promotes work quality, health and safety, and environmental awareness, as well as working to prevent environmental pollution at any of our sites. We monitor and verify work processes, work sites, and materials to ensure that we deliver high quality E&M engineering services to our customers. Our comprehensive occupational health and safety management system promotes safe working practices and safety awareness among our employees, in order to prevent accidents and work injuries.

We hold the ISO 9001:2015 certification for our quality assurance procedures and quality management system. Our occupational health and safety management system is certified and in compliance with OHSAS 18001:2007, and our environmental management system is recognised with an ISO 14001:2015 certification. Our work accident rates in Hong Kong and Macau were substantially lower than the industry average during the Track Record Period, reflecting the effectiveness of our quality and safety management.

We believe that our stringent quality assurance system and strong commitment to occupational health and safety, as well as sound environmental management, reinforces our reputation as a preferred E&M engineering services provider.

We are strongly committed to integrate corporate social responsibility into our business operations. We have a long history of working on environmental initiatives and contributing to the community. We aim to align the initiatives of corporate social responsibility, by encouraging our staff members to participate in volunteering activities to serve the community. We have participated in Hong Kong Quality Assurance Agency CSR Advocate Index Scheme, which targets to drive continuous improvement with regard to CSR and sustainability issues. We have achieved an outstanding performance under the scheme. We are committed to contribute

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to the sustainable development of the community. To acknowledge our contribution to the community, The Community Chest of Hong Kong granted our Group an Award of Merit at its Annual Awards Ceremony 2017/2018. We seek to abide by the following principles in the conduct of our business.

- **Compliance:** We respect all applicable laws and regulations and seek to uphold a high standard of honesty and integrity.
- **Environment:** Environmental issues are increasingly shaping our business. We are committed to preserve our natural environment and we always endeavour to “use wisely, waste less and emit less”.
- **Ethics:** We consider it essential that we act professionally and ethically in all business dealings. We have adopted an equal opportunities policy and seek to develop fair and mutual trust in employee relationships.
- **Health and Safety:** We are committed to keeping the people we employ safe from injuries and we are committed to maintaining a healthy workplace.
- **Community:** We actively participate in community and charitable activities to support those in need and encourage our staff to care for and contribute to our communities.
- **Innovation and Training:** We continually look for innovative ways to apply our expertise to all areas of our work and we provide many opportunities for training and professional development.

We have built up an extensive client network with leading companies and organisations in different sectors and have well-established relationship with our suppliers and subcontractors.

- ***Extensive client base with leading companies***

We maintain strong business relationships with an extensive network of customers, including blue-chip property developers and leading construction companies in Hong Kong, and other major companies and organisations. Many of these relationships have been built up over decades. Our client sectors include banking, property development, education, entertainment, hospitality, information technology, data centre, transportation, and utilities, as well as departments of the Hong Kong Government responsible for E&M engineering work, architectural services, environmental projects, and hospital management. Our environmental engineering segment has long-standing relationships with the Hong Kong Government and municipal government authorities in Mainland China for construction of wastewater, water and solid waste treatment plants.

We provide flexible solutions, services and products for our customers to meet their needs, respond to their requests, and support their maintenance and operational needs. Because of our strong client relationships and goodwill, we are frequently invited to participate

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in tenders for major projects and have a high number of repeating clients, enabling us to capture market opportunities. Many of our major customers are repeat customers, with whom we have decades of business relationships. Our long-standing client base provides us with a stable flow of sizeable E&M engineering projects, and enables us to obtain valuable market information and intelligence about changing customer requirements and technological trends, which in turn helps us to better serve our customers.

- ***Well-established relationship with our approved subcontractors and suppliers***

We maintain a list of approved subcontractors and suppliers that are reliable and meet our stringent quality requirements. We had on average over ten years of experience with most of our five largest subcontractors and suppliers during the Track Record Period. We believe that our reputation in the industry, on-time settlement of fees, and fair treatment of subcontractors and suppliers help to strengthen our long-term relationships with them. These relationships make it possible for us to procure the necessary services and supplies as and when we require them, and reduce the risk of shortages or delays in delivery of materials or services that might cause material disruption or cost overruns on our projects. This in turn helps ensure that we are able to provide our customers with on-time, quality services.

We have a highly qualified and experienced management team with a proven track record supported by our dedicated professional teams

Most of our executive Directors have served our Group for over 30 years and most members of our senior management team have served our Group for over 20 years and possess in-depth knowledge and experience in the E&M engineering industry. Our core management team, including our founder, chairman and executive Director, Dr. Poon, our executive Directors and the directors of our business units are mostly qualified engineers and have been instrumental to our growth through the years.

Dr. Poon has over 45 years of experience in the E&M engineering business. He is highly recognised by academic and industry institutions for his expertise and contribution to the industry and serves in various advisory committees and institutions. He is the past president of the Hong Kong Institution of Engineers, past chairman of the Hong Kong Branch of the Institution of Mechanical Engineers and life president of Hong Kong Federation of Electrical and Mechanical Contractors Limited. Our non-executive Director and deputy chairman, Dr. Mak Kin Wah has held various executive management positions and won the director of the year award of the Hong Kong Institute of Directors. Mr. Cheng, our executive Director and chief executive officer, and Mr. Law and Mr. Chan Hoi Ming, both executive Directors, each have over 30 years of experience in the E&M engineering industry and have been with our Group for 25 years or more. Please see “Directors and Senior Management” for further information. In addition to our core management, we have a loyal and dedicated team of about 200 senior executives and executive employees, who on average have been with our Group for more than 10 years.

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Our professional team has extensive industry experience and technical knowledge in E&M engineering. Our engineers possess the relevant professional qualifications, skills and experience required for the practice of E&M engineering. Our project managers and our engineering employees possess the relevant engineering licences and academic qualifications to participate in E&M engineering projects. As at 31 December 2018, (i) our employees in Hong Kong and Macau include over 110 qualified engineers, environmental specialists, green building specialists, certified energy assessors, specialists in building information management, and registered safety officers; (ii) we have over 530 licensed practitioners in different E&M engineering specialties and trades; and (iii) in Mainland China, we have over 25 employees with professional qualifications, including registered constructors and accredited senior and middle-ranked technical workers certified under the relevant certification regimes as well as safety officers in Mainland China.

Our employees are our core asset. We dedicate significant resources to their career development and invest in continuous learning for employees at all levels. We have established award and recognition schemes to promote the loyalty and dedication of our employees and to align their interests with those of our Group.

OUR BUSINESS STRATEGIES

We intend to capitalise on expansion opportunities with the following strategies.

Continue to expand our existing E&M engineering services and consolidate our leading market position

We intend to expand the operations of each of our business segments. We believe that our building services business will continue to provide us a stable stream of large-scale E&M engineering projects. We will seek to capture market opportunities in expanding markets, such as building services for data centres, healthcare facilities and infrastructure, environmental engineering and ICBT. We also plan to expand our sales of lifts and escalators in Mainland China and internationally.

Expansion of our building services segment

We will be expanding the customer base of our building services segment, seeking reputable customers that demand quality. We will be selective in taking on new projects and target high-value, technically challenging projects with attractive profit margins and market visibility.

We intend to use approximately 20% of the net proceeds from the Global Offering for supporting the expansion and development of our building services segment, which is expected to be allocated equally between the further development and expansion of our building services for (i) data centres and (ii) healthcare and infrastructure projects, as set out below.

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Building services for data centres

Demand for the design and construction of data centres is expected to grow, driven by the rise of the “Big Data” analytics, applications of the Internet of Things (IoT), and cloud computing among other trends.

According to the Frost & Sullivan Report:

- **Hong Kong data centre services market:** It is estimated that market demand for data centre services in Hong Kong would continue to grow, mainly because (i) the rising trends in the business sector has given rise to increasing needs for network infrastructure, complex hybrid technology and application of data analytics and cloud computing and (ii) the growing popularity of cloud-based services has resulted in rising demand for refined computing model from both public and private sectors.
- **Mainland China data centre services market:** Market demand for the design and construction of data centres is expected to increase in Mainland China in the next few years, primarily attributable to (i) the increase in Mainland China’s annual per capita spending on research and development under the 13th Five Year Plan for National Science and Technology Talent Development, which encourages scientific and technological innovation in Mainland China and in turn boosts the demand for supporting technologies and databases; (ii) the strong growth in data-intensive computing in Mainland China that has given rise to the growth, investment and adoption of cloud technology, which is usually operated through and supported by data centres; and (iii) rapid urbanisation and industrialisation, as well as the rising disposable income and continuous business expansion in Mainland China, which demands higher speed in the delivery of new products and services to market and triggers the need for business transformations through technologies such as cloud technology.
- **Southeast Asia data centre services market:** The data centre services market in Southeast Asia is also witnessing growth momentum, primarily due to (i) the supportive government policies for the development of data services in Southeast Asia, including the Entry Point Project which aims to establish Malaysia as a regional data centre hub by 2020; (ii) the ongoing efforts of the governments of various Southeast Asian countries on improving wireless connection and increasing broadband adoption rate among small and medium enterprises in Southeast Asia; and (iii) increasing willingness of Southeast Asian entrepreneurs to leverage on specialist service providers, including those for data centre services, to facilitate their information technology operations.

For details on the market outlook of data centre services in Hong Kong, Mainland China and Southeast Asian countries, please see “Market Overview of Data Centre Service” in “Industry Overview”.

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We intend to expand our data centres business in Hong Kong and expand our presence in Mainland China and other countries in Southeast Asia to capture the above new business opportunities. We plan to cooperate closely with our existing business contacts and trading partners in Mainland China and Southeast Asia to explore future opportunities for tendering of building services projects for data centres in those regions, and apply the allocated net proceeds from the Global Offering as initial investments required by the projects awarded to our Group.

Building services for healthcare and infrastructure facilities

In the healthcare sector, the Hong Kong Government has announced a HK\$200 billion budget for the next 10 years, which will provide significant opportunities for the construction of healthcare facilities and related infrastructure. For infrastructure more broadly, Hong Kong has numerous large infrastructure projects, either in the pipeline or underway, including construction of the third runway at Hong Kong's Chek Lap Kok International Airport and expansion and upgrading of existing airport facilities; tunnel, road, and railway extension projects; and public housing complexes in Hong Kong's "new towns", which will create demand for E&M engineering services.

The Hong Kong Government is expected to continue to increase its investment and spending on the healthcare and infrastructure facilities sectors in the coming years to tackle the adverse social implications arising from the ageing population in Hong Kong, and to continuously enhance the competitiveness of Hong Kong. As announced in the Hong Kong Government's 2016 Policy Address, it will deploy sufficient resources and enhance the supporting infrastructure to keep improving the healthcare services and facilities provided by the public sector. For this purpose, the Hong Kong Government has set aside HK\$200 billion for the implementation of the 10-year hospital development plan, which includes the construction of one new acute hospital at the Kai Tak Development Area, redevelopment or expansion of the existing eleven public hospitals in Hong Kong, construction of three new community health centres and construction of a new supporting services centre. The Hong Kong Government has also announced in its 2017 Policy Address that it will kick-start the next round of public hospital development planning in the coming five years.

In 2018, we were awarded with several healthcare and infrastructure facilities projects, including E&M works for three hospitals in Kowloon East, Hong Kong.

We aim to leverage our experience in healthcare and infrastructure E&M engineering projects to capture future opportunities and explore future opportunities for tendering of increasing number of building services projects for healthcare and infrastructure facilities in Hong Kong, and apply the allocated net proceeds from the Global Offering as initial investments required by the projects awarded to our Group.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 16 tenders with individual contract value over HK\$10 million for healthcare and infrastructure facilities and data centres projects, among which we have been awarded two contracts with an awarded contract sum of HK\$64.4 million for the design and build of cooling

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modules for a data centre in Tseung Kwan O, Hong Kong, as well as the supply and installation of electrical and MVAC systems in the Hong Kong International Airport; three were unsuccessful; and we are awaiting the results of eleven of them (which have an aggregate contract sum of HK\$2,095.1 million); and we had been awarded eight tenders for healthcare and infrastructure facilities and data centres projects during FY2018, with awarded contract sum of HK\$1,466.9 million. Based on preliminary market information and our Group's estimates, we plan to submit 28 further bids for a number of projects in Hong Kong ("**Future Healthcare and Infrastructure Facilities and Data Centres Tenders**") in the coming two years with an estimated aggregated contract sum of approximately HK\$31.7 billion, including redevelopment works for hospitals; renovation of healthcare institutions; E&M engineering works for airport terminals and associated facilities as mentioned above; and data centre services for major telecommunication operators or companies in Hong Kong. Our Directors intend to utilise (i) approximately HK\$25.0 million out of the proceeds from the Global Offering as tender preparation costs (such as feasibility studies and design costs) for these Future Healthcare and Infrastructure Facilities and Data Centres Tenders; and (ii) approximately HK\$42.1 million out of the proceeds from the Global Offering as initial project costs (such as performance bond, project administration and start-up labour and subcontracting costs, which normally accounts for approximately 3-6% of awarded contract sum) for (a) the healthcare and infrastructure facilities and data centres projects which we submitted tenders as at the Latest Practicable Date and are expected to be awarded to our Group; and (b) projects under the Future Healthcare and Infrastructure Facilities and Data Centres Tenders which are expected to be awarded to our Group.

Expansion of our environmental engineering segment

According to the Frost & Sullivan Report:

- **Hong Kong environmental engineering market:** The market size in terms of output value of the environmental engineering market in Hong Kong had increased from HK\$6.3 billion in 2013 to HK\$9.8 billion in 2018, at a CAGR of 9.2%. In view of the increasing awareness of environmental protection and increasingly stringent environmental policies and requirements, it is forecasted that demand for environmental engineering services in Hong Kong will experience rapid growth and reach HK\$14.5 billion in 2023, representing a CAGR of 8.1% from 2019 to 2023. As the environmental engineering industry involves a wide range of different applications in environmental engineering and waste treatment, contractors who are capable of offering multi-disciplinary engineering services, such as our Group, are more likely to gain a competitive edge in Hong Kong when tendering for environmental or civil work projects.
- **Mainland China environmental engineering market:** The environmental engineering market in Mainland China has experienced a rapid growth in light of (i) the substantial growth in total investment in fixed assets in construction projects relating to environmental management at a CAGR of 29.5% from 2013 to 2017 which had led to the construction of an increasing number of environmental treatment plants in Mainland China in recent years; and (ii) the increasing environmental concerns of the public and the Mainland China government.

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For details on the market outlook of environmental engineering services in Hong Kong and Mainland China, please see “Industry Overview — Market Overview of the Environmental Engineering Market”.

We plan to expand our environmental engineering business and explore opportunities in the environmental engineering services market in Asia, with particular focus on capturing the abovementioned increasing demand for environmental engineering services in the Hong Kong and Mainland China markets. Our advanced technology and experience with landmark projects in environmental engineering in Hong Kong and Mainland China gives us confidence that we can succeed.

The Outline of the 13th Five-Year Plan for Economic and Social Development of Mainland China listed environmental protection industry as one of the key areas for further development, and specified that the municipal wastewater treatment rates in cities and towns are to reach 95% and 85% respectively by 2020. It is encouraging the non-government sector to invest in infrastructure through public-private partnership (PPP) projects. We intend to partner with investors and state-owned enterprises to identify opportunities to participate in public-private partnership projects of high potential. We also plan to identify opportunities for turnkey and operation projects jointly with state-owned enterprises and leading construction and engineering companies in Mainland China, with whom we have long-standing business relationships, in Mainland China, Southeast Asia and One-Belt-One-Road countries.

In order to capture the growth opportunities in the environmental engineering market, we intend use approximately 30% of the net proceeds from the Global Offering for enhancing our engineering capabilities in the environmental engineering segment, including:

- a. acquisition of, investment in, cooperating or forming joint ventures with companies which are engaged in environmental engineering treatment and equipment to increase our competitiveness in the market. In particular, we target companies which are:
 - i. environmental equipment suppliers in our supply chain for vertical integration, including suppliers of equipment that improves the processes of wastewater treatment plants, in terms of process effectiveness, energy efficiency, and reduction of footprint by using less chemicals; and
 - ii. contractors with existing client base and sales network, with which we can further expand our market presence and market share.

In selecting the above target companies for acquisition or investment by our Group, we will primarily consider suppliers and contractors that (i) are engaged in environmental engineering works, in particular those that have developed new or specialised environmental engineering treatment processes or equipment with market potential, (ii) have proven track records, strong work references and established customer networks in our target markets, including Hong Kong, Mainland China, Southeast Asia and Europe, (iii) are equipped with personnel who

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have the relevant environmental engineering experience and expertise, as well as the necessary licences and qualifications to carry out the relevant environmental engineering works in our target markets, and (iv) are expected to complement our environmental engineering business and allow us to create synergy with them, for example by combining their stronger presence in overseas markets with our environmental engineering capabilities, in order to enhance our brand awareness and reputation in those overseas markets and enable our Group to build up market experience and knowledge in respect of those overseas markets. We consider that investing in, or co-operating with, an established company in the environmental engineering field is an efficient means to enhancing our environmental engineering capabilities, as considerable time is often required for the relevant personnel to develop new environmental engineering treatment technologies or acquire knowledge, expertise and experience in respect of new environmental engineering capabilities. We have not commenced the process of identifying such a target company and have not entered into any agreement with any target company.

- b. additional investment in development of advanced environmental process technologies. Currently we are investing in several projects relating to our environmental engineering business, such as stream black water treatment process for reducing the sedimentation foot print, dissolved air flotation process for waste water treatment, anammox process and nano aeration process for energy-saving through our internal project engineering efforts or our cooperation with universities and other institutions. These projects are expected to be ongoing until around mid-2020. We believe that these environmental process technologies will enhance the efficiency and reduce the power consumption of wastewater treatment plants and sludge digestion plants, and plan to further invest and develop these technologies to improve our environmental engineering capabilities to support the expansion of our environmental engineering business, particularly in Mainland China and One-Belt-One-Road countries to capture new business opportunities under the Outline of the 13th Five Year Plan for Economic and Social Development of Mainland China and the One-Belt-One-Road initiative. We also plan to develop the quadrogen technology, a process to upgrade biogas to biomethane in the next two years.

Expansion of our ICBT segment

We plan to expand our ICBT business to capitalise on opportunities created by the “Smart City” initiatives of the Hong Kong government, the digitalisation of building technologies and the development of Internet of Things (IoT). The Hong Kong Government announced the “Smart City Blueprint for Hong Kong” in 2017, which maps out development plans for the next five years to promote the adoption of technology and innovation and outlines strategies and initiatives in six major areas, namely, smart mobility, smart living, smart environment, smart people, smart government and smart economy. These trends and initiatives are driving investment in information technology infrastructure and creating growth opportunities for the ICBT solutions for building and urban facilities. With increasing emphasis on energy saving in buildings, we will leverage our expertise in retro-commissioning, energy modelling and control optimisation to capture new business.

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To capture the vast potentials of the ICBT segment, we intend to use approximately 20% of the net proceeds from the Global Offering for enhancing the engineering capability of our ICBT segment, including:

- a. additional investment in the development of building technologies, commencing in 2019, including the setting up of dedicated research and development teams to develop: (i) a cloud-based intelligent building platform to support the development and ongoing operation of our chiller plant control energy optimisation, automatic fault detection and diagnostics (FDD), and energy analytics and visualisation; and (ii) Internet of Things (IoT) solutions, such as IoT network and infrastructure, big data artificial intelligence analytic and visualisation tools, and IoT sensors to improve our information communication technology (ICT) product and service offerings to capture future growth opportunities. This will include the recruitment of 40-45 experienced staff members, including relevant experts, qualified personnel in the relevant areas and other operation staff, and expenses on the research and development processes. The recruitment of staff is expected to commence in 2019, and will include relevant experts, qualified personnel in the relevant areas and other operational staff, ranging from assistant engineers to senior engineer and manager grade personnel, with expected average salaries of approximately HK\$50,000 per month per employee; and
- b. acquisition of, or investment in, companies which possess innovative technology to undertake projects in IoT, Big Data, security and Smart City.

We target to acquire companies that (i) are engaged in the design, hardware and software development, engineering, installation and maintenance of information and communication technologies solutions and intelligent and green building technologies solutions, in particular those that have developed new or specialised technologies or products with market potential, (ii) have proven track records, work references and established customer networks in the relevant information technology areas and/or the markets which we intend to expand into, including Mainland China and Southeast Asia, (iii) are equipped with personnel who have the relevant experience and expertise, and (iv) are expected to complement our ICBT business and allow us to create synergy with them.

Expansion of our lifts and escalators segment

Our production facilities and operation for lifts and escalators are based in Mainland China and the products are mainly sold internationally, but not up to now in Mainland China's domestic market.

According to the Frost & Sullivan Report, Mainland China has become the world's largest lifts and escalators market in terms of output value, with annual production of lifts and escalators estimated to be increasing from 0.8 million units in 2019 to 1.02 million units in 2023, representing a CAGR of 6.3%. The Mainland China lifts and escalators market is expected to continuously grow under the influence of expedited urbanisation, aging

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population, fast-growing urban railway system, gradual enforcement of lift installation policies, as well as increasing needs for ongoing maintenance and upgrading of lifts and escalators in Mainland China. Nevertheless, the overall lifts and escalators market in Mainland China remains fragmented with a high number of industry players, including major global lift and escalator brands that have been expanding into Mainland China to capture its rising market demand. For more information on the market landscape of the Mainland China lift and escalator market, please see “Industry Overview — Market Landscape of the Lifts and Escalators Market in Mainland China”.

With our existing lifts and escalators production facilities situated in the world’s lifts and escalators manufacturing centre and largest lifts and escalators market, we are value engineering our lift and escalator products to develop new product models compliant with PRC safety and technical requirements at more competitive costs, with a view to developing sales in Mainland China to gain market share and capture its rising demand for lifts and escalators, as well as new markets internationally in 2019. Despite the keen competition in the lifts and escalators market in Mainland China, we believe the quality and safety of our lifts and escalators and our strong project references will enable us to expand into the Mainland China market, which is placing more focus on quality and safety and implementing tightened standards. For overseas sales, we are exploring opportunities with our existing and new distributors to expand our sales of lifts and escalators.

Our lift and escalator operation had recently developed an automated pedestrian overpass system (PEDARCO), which provides a comfortable and safe passage over motorways, railway lines and canals. PEDARCO picks up pedestrians on one side of a motorway, travels upwards and transports the pedestrians across the motorway, and travels downwards on the other side of the motorway. Unlike conventional footbridges and subways, PEDARCO carries children, elderly, the less able and handicapped pedestrians across motorways while vehicles continue to pass through these motorways underneath the PEDARCO. Our Directors believe that there is strong market potential for PEDARCO, in particular in areas with growing aged populations and caring communities. However, a major challenge that we currently face in our development of PEDARCO is the large size of its components, which could not be fully accommodated by our current production facilities in Nanjing.

We intend to use approximately 20% of our net proceeds from the Global Offering for the expansion and development of our lifts and escalators segment, including:

- a. expanding our existing manufacturing facilities and constructing a new production plant in Nanjing, which is expected to complete in the second half of 2019 and 2020 respectively, (i) mainly to support our expected growth in sales of lifts overseas, in Mainland China and in Hong Kong, as we expect that our existing production facilities will be unable to cater for the expected growth in demand for our products from these markets; and (ii) accommodate the development and future manufacturing of PEDARCO, which is intended to be used mainly for acquisition of land and construction of production facility thereon, setting up and upgrading of production lines for lifts and for escalators, and operating expenses in the next two

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to three years. For details, please see “Our Operations — Operations of our Lifts and Escalators Segment — Production capacity and utilisation rate of our production facilities” in this section below; and

- b. setting up of export sales office(s) and sales and service centres in Mainland China and conducting marketing campaign to promote our brand and products in the relevant regions.

Summary of Estimated Investment Costs and Timeline for Implementation of Our Business Strategies

We set forth below a summary of the estimated investment costs/capital expenditure and timeline for implementation of our business strategies for each of our business segments disclosed above:

Business strategies for each of our business segments	Estimated investment costs/ capital expenditure for			Total estimated investment costs/capital expenditure after Listing	Estimated investment costs/capital expenditure to be funded by net proceeds from the Global Offering <i>(Notes)</i>	Estimated investment costs/capital expenditure to be funded by internal financial resources
	the period from the Listing to 31 December 2019	the year ending 31 December 2020	the year ending 31 December 2021			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Expansion of our building services segment	12.0	75.4	—	87.4	67.1	20.3
(i) further development and expansion of our building services for data centres in Hong Kong, Mainland China and Southeast Asia						
(ii) further development and expansion of our building services for healthcare and infrastructure in Hong Kong						
Expansion of our environmental engineering segment	9.0	66.0	44.0	119.0	100.7	18.3
(i) acquisition of, investment in, cooperating or forming joint ventures with companies which are engaged in environmental engineering treatment and equipment.....						
(ii) additional investment in development of advanced environmental process technologies						

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Business strategies for each of our business segments	Estimated investment costs/ capital expenditure for			Total estimated investment costs/capital expenditure after Listing	Estimated investment costs/capital expenditure to be funded by net proceeds from the Global Offering <i>(Notes)</i>	Estimated investment costs/capital expenditure to be funded by internal financial resources
	the period from the Listing to 31 December 2019	the year ending 31 December 2020	the year ending 31 December 2021		HK\$ million	HK\$ million
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of our ICBT segment	6.0	72.0	—	78.0	67.1	10.9
(i) additional investment in the development of building technologies						
(ii) acquisition of, or investment in, companies which possess innovative technology to undertake projects in Internet of Things (IoT), Big Data, security and Smart City						
Expansion of our lifts and escalators segment	14.0	56.0	70.0	140.0	67.1	72.9
(i) expanding our existing manufacturing facilities and constructing a new production plant in Nanjing						
(ii) setting up of export sales office(s) and sales and service centres in Mainland China and conducting marketing campaign						
Total	41.0	269.4	114.0	424.4	302.0	122.4

Notes:

1. Based on an estimated net proceeds from the Global Offering at the Offer Price of HK\$1.20, assuming that the Over-allotment Option is not exercised.
2. We plan to fund each of the above expansion plan for our business segments mainly with the net proceeds from the Global Offering, and shall allocate our internal financial resources to and/or obtain bank financing for such expansion plans where necessary.

Please also see “Future Plans and Use of Proceeds” for more details of the use of our net proceeds from the Global Offering.

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Implementation of our acquisition and investment strategies

In relation to the above acquisition and investment strategies, as at the Latest Practicable Date, we had not identified any targets, commenced any due diligence process, entered into any definitive agreement or engaged in any active discussion with any potential target in relation to the same. The implementation of the relevant strategies is subject to the assumptions that we will be able to identify available targets in the areas in which we are interested, the price and acquisition/investment terms are commercially favourable, and the agreements for the acquisition/investment can be reached between us and the relevant third parties.

Before we make an acquisition, we will conduct preliminary review and feasibility studies on the potential target. In assessing acquisition opportunities, we will consider factors including the following: the quality of the target company's business and assets, taking into account our corporate strategy and long-term plan; synergies in terms of technology, know-how, management expertise and business compatibility; the target company's geographical location; costs and benefits of the acquisition; financial requirements; and prospects for the overall competitiveness and sustainability of our existing and future businesses. If the acquisition target meets these criteria in our preliminary assessment, we will engage legal advisers, if necessary, to advise us on any legal issues arising from an acquisition as well as ensuring that the acquisition and operation of the target company will comply with applicable laws or regulations.

Develop innovative E&M engineering solutions, processes and technologies

We plan to strengthen our development of technologies and processes for our E&M engineering services to improve efficiency and competitiveness. In addition, we plan to enhance our innovation capability to improve our business operation efficiency and competitiveness.

In 2018, we have established our innovation roadmap to strive for excellence in business operation. Our innovation roadmap adopts a two-pronged approach, with the first prong focusing on pursuing process improvement in two major domains, namely smart workflow and workplace safety, and the second prong focusing on pursuing technological developments in four major domains, namely advanced environmental processes, smart and green building, smart and green city, and smart and green construction process. With the establishment of our innovation roadmap, we target to initiate a number of innovation projects in process improvement and technological development every year, which we expect will generate high and positive impact in the abovementioned six major domains and contribute to our business performance. To achieve this target, we recruited an innovation manager and a building information modelling (BIM) manager in early 2018, who are dedicated to leading our Group in initiating the innovation projects under the supervision of our innovation committee.

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Increase efficiency, strengthen financial management, quality and risk management and invest in human resources

- ***Improve E&M engineering technical capability and operational efficiency***

We will continue to improve the technical capability and operational efficiency of our E&M engineering services. We plan to invest in new hardware and technical software, including advanced BIM systems. BIM systems generate digital representations of the physical and functional characteristics of buildings and are used to support decision making to plan, design, construct, operate and maintain buildings and facilities. BIM assists in smooth project execution under conditions of tight budgets, limited manpower, accelerated schedules, and limited or conflicting information. It can be used to provide virtual construction of a facility prior to its actual physical construction, in order to reduce uncertainty, improve safety, work out problems, and simulate and analyse potential impacts. This will enable us to pre-fabricate or pre-assemble some systems off-site, minimise waste on-site and deliver products on a just-in-time basis, avoiding stock piling equipment and materials on-site.

- ***Strengthen cost controls and financial management of our operations***

Effective cost controls are critical to maximising profitability and maintaining competitiveness. We strengthen our internal controls and budgeting system to improve efficiency, resource utilisation and returns. Leveraging our project experience and data on project costs and expenditures, we will be able to achieve more accurate project return estimates in the early stages of project planning. We maintain a set of tender price benchmarking parameters for certain business segments, for high level price comparisons of projects of a similar nature and to avoid submission of underpriced tenders. We will continue to closely monitor our capital and cash positions, particularly subcontracting fees, labour costs and material costs, which have increased in recent years.

- ***Improve quality assurance and risk management processes***

Maintaining quality and providing a safe, healthy and environmentally-friendly working environment are of utmost importance to our business. We plan to strengthen our quality, safety and environmental department by hiring more qualified personnel and conducting more safety and quality training, on-site coaching and guidance, streamlining and refining our procedures and work instructions.

We will continue to strictly implement our risk management system and if any tender or project is identified as high risk or extra high risk in any of our dimensional risk class ratings, we will convene a risk management committee in which our management will review and decide on the respective risk containment and mitigation measures.

- ***Invest in human resources through recruitment***

In order to support our future growth, we intend to recruit additional employees, including engineering and other staff to support our business expansion.

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OUR CORPORATE CULTURE

Our corporate culture is to uphold values of professional excellence, sustainability, and responsibility to the communities in which we operate.

We have our roots in Hong Kong. We have evolved from a company trading E&M equipment to a full-service E&M engineering company. We believe we have played a part in shaping Hong Kong with our products and services, as the E&M engineering solution provider behind many of Hong Kong's landmark projects.

We have transitioned to a fully digital age, where we are adopting new digital techniques in construction and engineering, from BIM and BMS to data analytics for predictive analysis of building and system performance. Through these changes, we have preserved values that are distinctively those of Hong Kong, in our eagerness to step up to the biggest challenges, and some that are our own, such as our commitment to green technologies and sustainability. Tying these together is our desire to contribute to the communities we share — with the denizens of Hong Kong, Macau, Mainland China, and the many markets where we operate now and in the future.

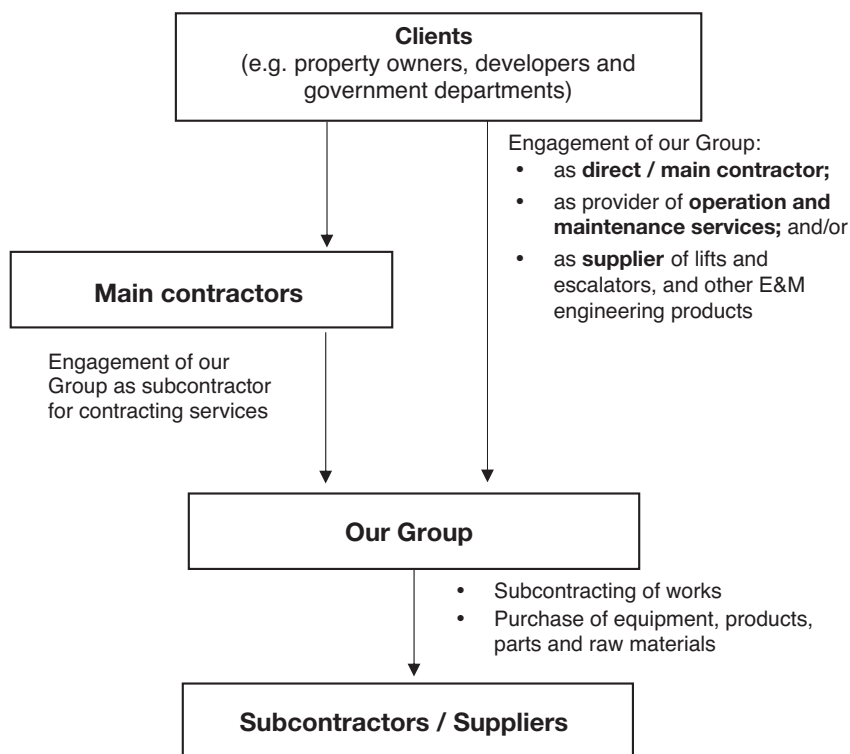
OUR BUSINESS MODEL AND BUSINESS SEGMENTS

Our principal businesses comprise (i) the installation and maintenance of building service systems in a wide range of buildings and infrastructure facilities; (ii) the design, construction, operation and maintenance of environmental treatment systems; (iii) ICBT business; and (iv) the design, manufacturing, installation and maintenance of lifts and escalators.

We generate our revenue from: (1) contracting services on a project basis, for which we receive progress payments based on completed work or milestones achieved pursuant to the tender documents and contracts; (2) operation and maintenance services, which are generally performed in accordance with the customer work orders; and (3) the sale of lifts and escalators, and trading of products which are ancillary to our E&M engineering services.

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The diagram below illustrates the business model of our principal business operations.



Contracting Services on a Project Basis

In FY2016, FY2017 and FY2018, contracting services, all on a project basis accounted for 87.6%, 85.7% and 87.5% of our revenue, respectively. Typically, in E&M engineering projects, we are engaged by either (a) the property owner or developer, referred to as the client or employer of the project (in which case we act as a direct or main contractor) or (b) the main contractors (in which case we act as a subcontractor).

Regardless of whether we act as the main contractor or a subcontractor, we are responsible for engineering and procuring the necessary equipment, parts and materials, and we may engage subcontractors to carry out labour-intensive and certain specialist work. We supervise, and are responsible for, the works of our subcontractors.

For certain large-scale projects, we sometimes form joint ventures with other companies to bid for and undertake work on a project-by-project basis.

For projects in which we act as an E&M engineering subcontractor, the clients usually engage an architect or consultant to produce specifications or drawings for the project and a main contractor to take overall responsibility for the construction work. We are engaged by the main contractor to carry out the E&M engineering work as contractually specified. For some projects, we were engaged as a direct or main contractor by clients directly. As main contractor, we are usually responsible for overseeing the entire project, managing the work site, and managing suppliers, subcontractors and service providers throughout the course of the project.

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Depending on the business segment and the relevant contract, our services may include design, procurement, project management, installation, testing and commissioning, operations and maintenance of E&M engineering systems. In some design-and-build projects, including environmental engineering projects and specialised building services for data centres and infrastructure projects, we provide customised solutions to meet the clients' intent and specifications.

Operation and Maintenance Services

We provide operation and maintenance services in our different business segments. Our operation and maintenance services cover maintenance and minor alterations of mechanical, electrical, HVAC, fire services, plumbing and drainage, ELV, building management systems and lifts and escalators. Upon completion of some of our installation projects, we are engaged to provide operation and maintenance services over a fixed period. We are also engaged to provide maintenance services for E&M engineering systems for which the installation work was not handled by us.

Revenue from operation and maintenance services is recognised on a periodic basis. In FY2016, FY2017 and FY2018, operation and maintenance services accounted for 9.8%, 9.6% and 9.2% of our revenue, respectively.

Sale of Goods

We design, manufacture and sell lifts, escalators and walkways under the trade name of "Anlev". In addition, we offer and sell a range of E&M engineering equipment and products in building services, environmental engineering services and ICBT services, which are mainly sourced from Mainland China and overseas, including Japan and Germany. We have been appointed as Hong Kong, Macau and/or Mainland China distributor, on exclusive or non-exclusive basis, for some of these products by certain international brands. In FY2016, FY2017 and FY2018, sale of goods accounted for 2.6%, 4.7% and 3.3% of our revenue, respectively.

Revenue Breakdown by Business Operations

Our revenue comprises (i) contracting works; (ii) operation and maintenance works; and (iii) sale of goods, the breakdown of which is as follows:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contracting works	3,865,787	87.6	4,254,972	85.7	5,220,719	87.5
Maintenance works.....	430,590	9.8	476,538	9.6	551,381	9.2
Sale of goods.....	115,335	2.6	233,767	4.7	193,946	3.3
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

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Revenue Breakdown by Sector

Our government projects are projects in which we, or our joint operations, enter into contract directly with department, unit or sub-unit of government as our customer. Customers for our non-government projects are typically private property owners, property developers and main contractors. The table below shows a breakdown of our revenue generated from our government engagement and non-government engagement for the periods indicated.

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Government ⁽¹⁾	762,359	17.3	1,004,621	20.2	876,790	14.7
Non-government ⁽²⁾	3,649,353	82.7	3,960,656	79.8	5,089,256	85.3
Total	4,411,712	100.0	4,965,277	100.0	5,966,046	100.0

Notes:

- (1) Government projects are projects in which we, or our joint operations, enter into contract directly with department, unit or sub-unit of the government as our customer.
- (2) Non-government projects are projects that are not classified as government projects.

Revenue Breakdown by Geographic Regions

During the Track Record Period, most of our services and projects were in Hong Kong while some were in Macau and Mainland China. We also sold lifts and escalators internationally. The table below shows a breakdown of our revenue by geographical segments for the periods indicated.

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	3,595,123	81.5	3,905,268	78.7	5,122,820	85.9
Mainland China	442,424	10.0	740,533	14.9	349,367	5.9
Macau	332,177	7.5	255,373	5.1	444,402	7.4
Others ^(Note)	41,988	1.0	64,103	1.3	49,457	0.8
Total	4,411,712	100.0	4,965,277	100.0	5,966,046	100.0

Note:

Others mainly represent sale to Singapore, Korea, the United Kingdom and other countries.

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Business Segments

The following table sets forth the breakdown of our revenue generated from our four business segments for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building services	3,081,489	69.8	3,098,934	62.4	4,431,333	74.3
Environmental engineering	834,995	18.9	1,256,563	25.3	866,451	14.5
ICBT	354,074	8.0	429,159	8.6	530,851	8.9
Lifts and escalators	190,161	4.3	234,956	4.7	249,696	4.2
	4,460,719	101.0	5,019,612	101.0	6,078,331	101.9
Less: inter-segment sales (<i>Note</i>)	(49,007)	(1.0)	(54,335)	(1.0)	(112,285)	(1.9)
	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

Note: Inter-segment sales represent principally contracting works undertaken by our ICBT segment for our building services segment.

Building Services

Building services is our largest business segment. In FY2016, FY2017 and FY2018, the segment contributed 69.8%, 62.4% and 74.3% of our revenue, respectively.

We possess a comprehensive range of skills and licences for providing multi-disciplinary E&M engineering building services. Our building services cover the design, installation, testing and commissioning and maintenance of HVAC systems, fire service systems, plumbing and drainage systems and electrical and ELV system and combined service E&M engineering contracts for a wide range of buildings; and the sourcing and provision of products for building services. In addition to general building services, our specialised business units provide building services for data centres and healthcare and infrastructure facilities.

Engineering services may be provided on a single service basis or a multi-service or integrated service basis. On a single service basis, we are responsible for providing a specific type of building service while other types of building services are handled by other contractors or subcontractors. Under a multi-service or integrated service contract, we are engaged to provide more than one type of services.

During the Track Record Period and up to the Latest Practicable Date, our building services segment was engaged in numerous large-scale projects, including:

- E&M engineering installation services for the Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities, vehicle clearance plazas and ancillary buildings and facilities, with scope of work including building services, environmental engineering, ICBT and lift installations;

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- A number of building services projects for the railway system extension and a major private hospital building in Hong Kong;
- Design and construction of a data centre in Hong Kong for a major state-owned telecommunication group in Mainland China. The project has been awarded the China Construction and Engineering Luban Prize (中國建築工程魯班獎), China's most prestigious construction industry award. We also worked on a number of other major data centres for telecommunication companies and financial institutions in Hong Kong;
- Development of major casinos and hotels for an international integrated resort developer and operator in Macau; and
- Integrated building service installations at the Conghua Training Facility, a race horse training centre in Conghua, Guangzhou, Mainland China, for a non-profit horse racing club in Hong Kong.

Heating, ventilation, and air conditioning

We offer integrated solutions in HVAC, covering the design, supply, installation, testing, commissioning and project management for HVAC systems. These include water-cooled or air-cooled refrigeration plants; chilled water or refrigerator piping systems; constant or variable air volume systems; and automatic controls systems for different types of buildings and structures.

Electrical systems

We provide a wide range of services for electrical systems. These include design, installation, testing and commissioning for systems such as main switch cubicles, main power distribution, sub-main distribution, final sub-circuits, lighting, emergency generators, and extra low voltage systems.

Fire service systems

Our services cover the supply, installation and maintenance of fire prevention, fire detection and fire suppression and extinguishing systems. These include fire services control panels, fire detector and alarm systems, sprinklers, fire hydrants and hose reels, smoke controls, portable hand operated appliances and gas extinguishing systems, and emergency lighting.

Plumbing and drainage systems

Our services cover the design, supply, installation, testing and commissioning of plumbing and drainage systems for delivering clean water and removing waste water for applications in residential, infrastructure and commercial projects. These cover the supply and storage of fresh water and flushing water, installation of plumbing and drainage systems, and the supply, installation and maintenance of water pipes, pumps and tanks.

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Specialised Building Services

Data centre building services

We are engaged in the design, installation and maintenance of data centre infrastructure facilities. We also trade products for precision control of temperature and humidity; uninterruptible power supply and water detection systems. These are specialised E&M engineering equipment commonly used in data centres. We have a specialised business unit responsible for the design and construction of data centres. Data centre operators and financial institutions are our major customers for this segment.

Healthcare and infrastructure building services

Our specialised business unit in this sector provides E&M engineering services including design, installation, testing and commissioning and/or maintenance for infrastructure projects and healthcare facilities projects. We possess significant experience in the provision of E&M engineering services in relation to transportation infrastructure and healthcare facilities, which often require special technical design and know-how and fulfilment of strict environmental standards.

Environmental Engineering

Our environmental engineering segment provides total solutions for the design, construction, operation and maintenance of environmental engineering systems and treatment plants for sewage, water, solid wastes, sludge and gas. These are primarily government projects.

Our environmental engineering projects include:

- Construction of many of the large-scale wastewater treatment plants in Hong Kong with daily treatment capacity ranging from 70,000 m³ to 2,450,000 m³ of wastewater, from the Shatin Sewage works in the 1980's to the ongoing Stonecutters Island Sewage Treatment Plant project;
- Upgrading of the Stonecutters Island Sewage Treatment Plant with a daily treatment capacity of up to 2.45 million m³ of wastewater, part of the Hong Kong government's Harbour Area Treatment Scheme. The project won the Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎) in 2017, as one of the most technically advanced projects in China. It is one of the world's largest chemically enhanced primary treatment plants;
- Design, build and operate projects for Hong Kong's first organic waste treatment plant at Siu Ho Wan. The plant converts organic wastes to biogas to generate electricity, with a capacity to treat 200 tons organic waste per day;

BUSINESS

- Design, build and operate projects for sewage treatment facilities in Pillar Point and San Wai and the sludge handling vessels for the Stonecutters Island Sewage Treatment Plant in Hong Kong;
- Expansion and upgrading of the Tai Po Water Treatment Works, which is one of the most advanced water treatment plants in Hong Kong; and
- Design and construction of water and wastewater treatment facilities in multiple provinces in Mainland China, including the Shandong Weihai Water Treatment Works, Jilin Changchun No. 5 Water Treatment Works, Hebei Tangshan Water Treatment Works and Hunan Hengyang Water Treatment Works.

Sewage treatment

We have over 30 years of experience in municipal sewage treatment and have acquired vast knowledge of wastewater treatment technologies through projects ranging from small-scale private installations to electrical and mechanical works for mega-sewage treatment plants serving large populations.

Water treatment

We have a strong track record in the design and construction of municipal potable water treatment facilities, pumping stations and seawater treatment systems for marine mammals. Our water treatment design for the Ngau Tam Mei Water Treatment Works in Hong Kong, with a water treatment capacity of 230,000 m³ per day, won the American Academy of Environmental Engineers' Superior Achievement Award in 2001. This was also the first water treatment plant in Hong Kong to use ozone disinfection.

Gas treatment

We apply biological trickling filtration technology to treat foul gas emission from municipal sewage treatment works and complex industrial emission. This technology avoids the drawbacks of high chemical consumption costs and adverse impact to the environment associated with chemical discharge and waste disposal.

Solid waste handling

We have expertise in designing and installing solid waste treatment and handling systems with a variety of applications. For instance, we designed, built and operated a low level radioactive waste storage facility at Siu A Chau in Hong Kong; installed automated refuse collection systems for residential developments in Hong Kong; and designed and built food waste treatment facilities in Hong Kong. We have also collaborated with engineers on applications utilising advanced waste minimisation technologies for waste handling.

Environmental engineering products

In addition to our proprietary environmental engineering technologies under the brand name "ATAL", we also source and provide quality equipment and products by reputable manufacturers for water treatment, sewage treatment and solid waste handling.

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ICBT

Our ICBT business provides design, installation and servicing of a wide range of information and communication technologies (ICT), intelligent systems and green building solutions. We integrate different technologies with products of many leading hardware and software suppliers to develop customised software which provides unique solutions for our customers. With our team of in-house information technology specialists, software engineers, data scientists, energy and green building experts, we are able to offer one-stop intelligent building and energy management solutions.

Drawing upon our in-house expertise in security, biometrics, and computer software development, we design, manufacture, install and maintain advanced automatic passenger and vehicle clearance solutions. These employ technologies such as automatic gates, licence plate recognition, facial recognition, finger-print readers and self-service check point kiosks. Our ICBT business also covers biometric detection, laser detection and radio frequency identification.

During the Track Record Period, we were engaged as main contractor for some ICBT projects and were responsible for their overall management. Our ICBT business has been mostly in Hong Kong but we also had operations in Macau during the Track Record Period. Our ICBT projects have included:

- Design, manufacturing, installation and maintenance of the automated passenger and vehicular control system, including the “e-Channel” system, which makes use of biometric technology to provide ease of access at border control points in Hong Kong;
- Installation of building management systems (BMS) in major development projects and landmark buildings in Hong Kong. These include BMS in the second phase of a major commercial complex in Central, a convention and exhibition centre in Wanchai, a five-star luxury hotel in Central, a major shopping centre in Kowloon Tong, a Grade A office tower in Taikoo, a luxury shopping centre in Causeway, a public hospital in Tuen Mun, and the second and third phases of the science park in Pak Shek Kok. These are some of the largest BMS installations in Hong Kong in recent years; and
- Installation of security, closed-circuit television (CCTV), audio-visual and ELV systems in major developments in Hong Kong such as a composite commercial development offering Grade A office space, a luxury hotel and serviced apartments on the promenade of Tsim Sha Tsui; a commercial building in Kowloon Bay; a luxurious residential building at Stubbs Road, Victoria Peak; the second phase of the science park in Pak Shek Kok, and an international school in Tai Tam.

The Hong Kong Government’s “Smart City” and environmental protection initiatives promote the use of advanced and innovative technologies for urban management and energy efficiency. Our intelligent and green building solutions business offers solutions to property

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owners to reduce energy costs and carbon footprints of their buildings. Our ICBT business also makes use of emerging technologies like data analytics, Internet of Things (IoT) technologies, cloud computing and deep learning using the resources of our in-house research and development team. Applications include automatic fault detection and diagnostics (FDD); energy analytics; and real-time monitoring and optimisation for energy saving.

Intelligent Systems and Automation Solutions

We provide integrated intelligent building systems and solutions for data centres, commercial buildings, hotels, industrial and residential buildings and infrastructures. These help our customers increase security control and safety, reduce energy consumption, and improve operational efficiency. Our solutions include integrated building management systems (iBMS); energy management and facilities management systems; power management systems; lighting controls; security systems; and CCTV and ELV systems. We also provide programmable logic controller (PLC) for industrial controls, and supervisory control and data acquisition (SCADA) systems, for applications in railways and large-scale infrastructure projects.

Information and Communication Technologies (ICT) solutions

We develop, customise and integrate end-to-end Internet of Things (IoT) solutions for buildings and infrastructure. These can be used to optimise operations, reduce costs and perform data analytics to make better business decisions.

Lifts and Escalators

Our lifts and escalators business encompasses the design, production, sale, installation and maintenance of a wide range of lifts, escalators and moving walkways meeting different uses and requirements, including heavy duty escalators for public transport and large cargo and vehicular lifts. We develop and manufacture our lifts and escalators in our production facilities in Nanjing, under the trade name “Anlev”. We have the capability to customise our products to meet customer needs for safety and quality. Anlev Elex Elevator has attained the highest rating, in safety and quality performance for both the Lift Contractors’ Performance Rating and the Escalator Contractors’ Performance Rating of the Contractors’ Performance Rating systems of the EMSD for 25 consecutive quarters since January 2013 and up to the Latest Practicable Date.

Achievements of our lifts and escalators segment include:

- Supply of lifts and escalators to many major developments in Hong Kong and overseas including transportation terminals, universities, hospitals and amusement parks;
- Being awarded the contract for the renovation of the Central Mid-levels escalator system in Hong Kong with 18 escalators and 3 walkways;

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- Exports to Korea (including supply of 30 escalators and 2 walkways to Magok and Migum railway stations), the United Kingdom and Italy, among other countries in Asia, Europe, North America, Africa and Australia; and
- Design and development of a new automated pedestrian overpass system (PEDARCO) for crossing of canals, railway lines and highways. We hold patent internationally for the system, which serves elderly and disabled pedestrians to overcome obstacles.

Our products include lifts, escalators, moving walkways, vertical lift platforms and automated pedestrian overpasses. We export and sell these products in Hong Kong and to our dealers in other countries, including the U.K., Germany, Italy, Korea, the U.S., Canada and Australia. In addition to providing standard equipment, we provide transportation solutions for barrier free access for the disabled, including stair lifts, lift platforms and lifts designed specifically for the disabled.

Our lifts and escalators renovation services consist of customised design solutions to upgrade lifts and escalators, including upgrading of the major components of existing equipment to improve its overall performance while minimising disturbance to users. For further information on the operation of our lifts and escalators segment, please see “— Our Operations — Operations of our Lift and Escalators Segment” below in this section.

OUR PROJECTS

Most of our contracting projects have duration over two years, depending on the business segment, size of the contract and complexity of the works involved. Most of our major projects are building services and environmental engineering projects. Our ICBT and lifts and escalators segments are engaged in projects of a smaller size but we believe they have substantial growth potential for our Group as set out in “Expansion of our ICBT segment” and “Expansion of our lifts and escalators segment” under “Our Business Strategies — Continue to expand our existing E&M engineering services and consolidate our leading market position” in this section above.

We divide our projects into two categories: (i) completed projects and (ii) projects in progress. Completed projects refer to contracting projects for which the relevant practical completion certificates have been issued. Projects in progress refer to contracting projects for which we have commenced work but recognise only part of the revenue for accounting purposes, and for which practical completion certificates have not been issued.

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Completed Projects

During the Track Record Period and up to the Latest Practicable Date, we have completed 11 major contracting projects with individual awarded contract sum over HK\$200 million (“Major Projects”). The following table sets out certain information about our Major Projects completed during the Track Record Period:

Project and location	Scope of work	Contract period	Awarded contract sum ⁽¹⁾ (HK\$'000)	Amount of provisional sum ⁽¹⁾ (HK\$'000)	Adjustment(s) to awarded contract sum by variation order(s) ⁽¹⁾ (HK\$'000)	Revenue recognised			Track Record Period	Outstanding amount to be recognised as revenue after 31 December 2018 ⁽²⁾ (HK\$'000)	Revenue expected to be recognised in	
						FY2016 (HK\$'000)	FY2017 (HK\$'000)	FY2018 (HK\$'000)			FY2019 (HK\$'000)	FY2020 (HK\$'000)
Building Services												
1. A data centre of a major state-owned telecommunications group in Tseung Kwan O, Hong Kong	Design, supply, installation and testing and commissioning (“T&C”) of building services systems and building management system	2015/02-2016/10	420,000	15,000	11,038	299,129	4,035	13,675	316,839	0	—	—
2. A railway line extension project covering two underground railway stations in Hung Hom and Whampoa, Hong Kong	Design, supply, installation and T&C of building services system	2012/01-2016/07	308,977	15,219	315,497	257,563	86,844	—	344,407	76	76	—
3. An underground railway system development in Hong Kong	Design, supply, installation and T&C of building services systems	2011/01-2017/09	297,397	13,308	181,911	37,095	111,666	22,481	171,262	40,080	40,080	—
4. A composite commercial building in Kowloon Bay, Hong Kong	Design, supply, installation and T&C of electrical, fire services, HVAC and plumbing and drainage, and building management systems	2014/06-2016/10	427,770	4,700	45,477	68,655	16,104	1,217	86,176	1,772	1,772	—
5. A race horse training centre in Guangdong, Mainland China	Supply, installation, T&C and maintenance of MVAC services, electrical services, fire services and plumbing & drainage services	2015/09-2017/09	389,733 ⁽⁴⁾	—	63,919	139,303	241,531	47,221	428,055	26,457	26,457	—
6. A shopping centre development in Beijing, Mainland China	Supply, installation and T&C of electrical, HVAC and plumbing and drainage systems	2014/09-2017/06	245,968 ⁽⁴⁾	—	57,012	162,621	50,216	6,360	219,197	9,402	9,402	—
7. Development of vehicle clearance plazas at Hong Kong-Zhuhai-Macao Bridge and ancillary buildings and facilities	Design, supply, installation, T&C of integrated E&M works including building service systems, sewage treatment plant and pumping facilities	2015/03-2018/08	1,180,000	—	379,981	313,132	512,129	687,229	1,512,490	24,644	14,644	10,000

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Project and location	Scope of work	Contract period	Awarded contract sum ⁽¹⁾	Amount of provisional sum ⁽¹⁾	Adjustment(s) to awarded contract sum by variation order(s) ⁽¹⁾	Revenue recognised		Track Record Period	Outstanding amount to be recognised as revenue after 31 December 2018 ⁽²⁾	Revenue expected to be recognised in	
						FY2016	FY2017			FY2018	FY2019
8. An office and commercial development in Quarry Bay, Hong Kong	Supply and installation of electrical, ELV, fire service, plumbing and drainage, building management systems	2016/05-2018/12	(HK\$'000) 514,386	(HK\$'000) 151,850	(HK\$'000) 108,687	(HK\$'000) 13,235	(HK\$'000) 139,860	(HK\$'000) 287,631	(HK\$'000) 30,698	(HK\$'000) 30,698	(HK\$'000) —
Environmental Engineering											
9. Upgrading of a sludge dewatering plant at Stonecutters Island, Hong Kong ⁽³⁾	Design, supply, installation and T&C of sludge dewatering and disposal facilities	2010/08-2017/09	476,800	—	211,648	49,238	108,733	24,640	26,282	26,282	—
10. Expansion project for existing water treatment and pumping facilities at Tai Po, Hong Kong ⁽³⁾	Design, supply, installation and T&C works of water treatment systems and building service works	2013/01-2018/12	1,368,800	—	407,468	366,738	425,380	188,574	249,703	176,143	2,286
11. An organic waste treatment plant at Sui Ho Wan, Hong Kong ⁽⁵⁾	Design, supply, installation and T&C works of organic waste treatment systems and building service works	2014/11-2018/12	486,539 ⁽⁶⁾	90,163	63,171	121,480	161,868	73,331	3,167	3,167	—
Total			6,118,370	290,240	1,845,809	1,828,389	1,858,186	1,352,359	412,291	328,731	81,274

Notes:

- (1) The awarded contract sum represents the contract sum (inclusive of provisional sum) stated in the letter of award, which is subject to changes by variation orders. Total contract sum as at 31 December 2018 is estimated by reference to the awarded contract sum with adjustment(s) by variation orders and, less the provisional sum.
- (2) Outstanding amount to be recognised as revenue after 31 December 2018 is derived by the aggregate of contract sum as indicated on the letter of award (excluding provisional sum) and adjustments to the original contract sum (such as variation orders), less cumulative revenue recognised as at 31 December 2018. Revenue may be recognised after the end of the contract period for variation orders or works that are certified after practical completion.
- (3) Government project, which refers to a project in which we entered into contract directly with a department, unit or sub-unit of the government as our customer.
- (4) The difference between (i) the sum of the revenue recognised as at 31 December 2018 and to be recognised thereafter and (ii) the awarded contract sum (inclusive of provisional sum) and adjustment(s) by variation orders is mainly due to the effect of foreign currency translation.
- (5) The services for this project are provided by a joint venture, in which we have a 40% interest.
- (6) The awarded contract sum for this project is our proportionate interest in the total awarded contract sum for the project when it was awarded, based on our then interest in the joint venture, which was 38%. Our interest in such joint venture subsequently increased to 40%.

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Projects in Progress

As at the Latest Practicable Date, we had 17 major contracting projects in progress with individual awarded contract sum over HK\$200 million. A summary of these 17 major contracting projects in progress, based on information available as at the Latest Practicable Date, is set out below:

Project and location	Scope of work	Estimated project period	Awarded contract sum ⁽¹⁾ (HK\$ '000)	Amount of provisional sum ⁽¹⁾ (HK\$ '000)	Adjustment(s) to awarded contract sum by variation order(s) ⁽¹⁾ (HK\$ '000)	Amount of revenue recognised up to 31 December 2018 (HK\$ '000)	Outstanding amount to be recognised as revenue after 31 December 2018 ⁽²⁾ (HK\$ '000)	Revenue expected to be recognised in	
								FY2019 (HK\$ '000)	FY2020 (HK\$ '000)
Building Services									
1. Development project of Hong Kong International Airport at Chek Lap Kok, Hong Kong ⁽³⁾	Supply, installation, T&C of building and E&M works for arrival bag delivery system	2017/06-2019/08	521,000	14,574	26,374	287,819	244,982	244,982	—
2. A science park expansion project in Pak Shek Kok, Tai Po, Hong Kong	Supply and installation of MVAC system	2017/06-2019/06	270,865	—	6,962	252,761	25,066	—	—
3. Residential development in Tseung Kwan O, Hong Kong	Supply and installation of plumbing and drainage system	2016/09-2019/12	231,701	11,105	—	202,072	18,524	18,524	—
4. Railway station at Tai Wai, Hong Kong	Supply and installation of electrical and ELV system	2017/08-2020/07	210,800	12,680	—	11,690	186,430	48,000	113,300
5. A commercial development in Kwun Tong, Hong Kong	Supply and installation of MVAC system	2017/01-2019/07	225,600	14,900	5,525	204,330	11,895	11,895	—
6. A commercial centre remodelling project in Tsim Sha Tsui, Hong Kong	Supply and installation of electrical system	2014/01-2019/07	205,400	12,500	109,625	294,482	8,043	8,043	—
7. A commercial centre remodelling project in Tsim Sha Tsui, Hong Kong	Supply and installation of plumbing and drainage system	2014/01-2019/07	203,380	4,500	41,492	233,614	6,758	6,758	—
8. A hotel and entertainment complex development at Avenida de Lisboa, Macau	Supply and installation of electrical system	2015/01-2019/09	263,111	289	85,199	337,357	10,664	10,664	—
9. A public mortuary at Sha Tin, Hong Kong	Supply and installation of integrated E&M works including air conditioning system, electrical system, fire services system, security system, plumbing and drainage system and lifts	2018/10-2021/02	223,576	—	—	1,300	222,276	32,200	156,500
									33,576

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Project and location	Scope of work	Estimated project period	Awarded contract sum ⁽¹⁾	Amount of provisional sum ⁽¹⁾	Adjustment(s) to awarded contract sum by variation order(s) ⁽¹⁾	Amount of revenue recognised up to 31 December 2018	Outstanding amount to be recognised as revenue after 31 December 2018 ⁽²⁾	Revenue expected to be recognised in		
								FY2019	FY2020	FY2021
			(HK\$ '000)	(HK\$'000)	(HK\$'000)	(HK\$ '000)	(HK\$ '000)	(HK\$'000)	(HK\$'000)	
10. A government data centre complex in Cheung Sha Wan, Hong Kong ⁽³⁾	Supply and installation of packaged E&M engineering works including ELV, structured cabling system, server rack and cold aisle containment	2018/11-2021/07	899,750	—	—	—	899,750	37,957	481,534	375,735
11. A data centre in Sha Tin, Hong Kong	Supply and installation of low voltage switchboards, power distribution unit equipment, computer room air handler, uninterruptible power supply equipment, chillers equipment, generator sets and other equipment	2019/01-2019/09	202,174	—	—	—	202,174	202,174	—	—
12. A commercial development at Kai Tak, Kowloon	Supply and installation of electrical system	2019/05-2021/10	238,000	—	—	—	238,000	51,000	102,000	85,000
13. A commercial development at Kai Tak, Kowloon	Supply and installation of HVAC system	2019/05-2021/10	266,400	—	—	—	266,400	57,086	114,171	95,143
14. A commercial development in Shanghai, Mainland China	Supply and installation of electrical system	2019/03-2024/06	217,157	—	—	—	217,157	7,173	56,756	106,491
Environmental Engineering										
15. Design and build project for a sewage treatment at San Wai, Hong Kong ⁽³⁾	Design, supply, installation and T&C of E&M works of sewage treatment systems and building service works	2016/05-2020/09	462,265	—	6,147	174,521	293,891	159,716	99,905	34,270
16. Expansion and provisioning of water treatment plant at Shatin, Hong Kong ⁽³⁾	Design, supply, installation and T&C of E&M works of water treatment systems and building service works	2015/12-2020/03	263,800	—	20,276	169,714	114,362	88,582	24,178	1,602
ICBT										
17. Vehicle examination centre in Tsing Yi, Hong Kong	Provision of vehicle examination equipment and related electronics and control system	2018/07-2021/10	203,228	20,000	—	14,560	165,115	84,534	45,000	35,581
Total:			5,108,207	90,548	301,600	2,184,240	3,131,487	1,094,352	1,193,345	792,528

Notes:

- (1) The awarded contract sum represents the contract sum (inclusive of provisional sum) stated in the letter of award, which is subject to changes by variation orders. Total contract sum as at 31 December 2018 is estimated by reference to the awarded contract sum with adjustment(s) by variation order(s) and less the provisional sum.
- (2) Outstanding amount to be recognised as revenue after 31 December 2018 is derived by the aggregate of contract sum as indicated on the letter of award and adjustments to the original contract sum (such as variation orders), less cumulative revenue recognised as at 31 December 2018. The above estimates may be different from the actual amount of revenues to be generated by us from such projects and are not guarantees of our future performance.
- (3) These are government projects in which we enter into contract directly with department, unit or sub-unit of the government as our customer.

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Movement of number and revenue analysis of our projects

The following table sets out the movement of the number of our major contracting projects with individual awarded contract sum over HK\$200 million (“Major Projects”) during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	FY2018	From 1 January 2019 to the Latest Practicable Date
Building services				
Opening number of Major Projects at the beginning of the year/period.....	10	9	10	10
Number of new Major Projects during the year/period	2	4	2	4
Number of completed Major Projects during the year/period	3	3	2	—
Ending number of Major Projects at the end of the year/period	9	10	10	14
Environmental engineering				
Opening number of Major Projects at the beginning of the year/period.....	4	5	4	2
Number of new Major Projects during the year/period	1	—	—	—
Number of completed Major Projects during the year/period	—	1	2	—
Ending number of Major Projects at the end of the year/period	5	4	2	2
ICBT				
Opening number of Major Projects at the beginning of the year/period	—	—	—	1
Number of new Major Projects during the year/period	—	—	1	—
Number of completed Major Projects during the year/period	—	—	—	—
Ending number of Major Projects at the end of the year/period	—	—	1	1

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	FY2016	FY2017	FY2018	From 1 January 2019 to the Latest Practicable Date
Total				
Opening number of Major Projects at the beginning of the year/period.....	14	14	14	13
Number of new Major Projects during the year/period	3	4	3	4
Number of completed Major Projects during the year/period	3	4	4	—
Ending number of Major Projects at the end of the year/period	14	14	13	17

Notes:

1. Opening number of Major Projects at the beginning of the year/period means the number of Major Projects in progress as of the beginning of the year or period indicated.
2. Number of new Major Projects during the year/period means the number of new Major Projects awarded to us during the year or period indicated, including those Major Projects tendered in the preceding year, which are awarded in the year or period indicated.
3. Number of completed Major Projects during the year/period means the number of Major Projects (i) where the certificates of practical completion have been issued during the year or period indicated; or (ii) we have agreed with our customers on practical completion by exchange of correspondence.
4. Ending number of Major Projects at the end of the year/period equals to the opening number of Major Projects during the year/period plus number of new Major Projects during the year/period minus number of completed Major Projects during the year or period indicated.
5. No Major Projects were awarded to our lifts and escalators business segment during the Track Record Period and up to the Latest Practicable Date.

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The following table sets out the revenue analysis of our Major Projects during the Track Record Period:

	FY2016	FY2017	FY2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue from:			
Building services			
Projects in progress as at the beginning of the year/period but uncompleted as at the end of the year/period ⁽¹⁾	984,812	925,413	1,040,748
Projects completed during the year/period ⁽¹⁾	625,547	510,416	1,065,814
Projects commenced during the year/period.....	18,684	25,879	1,300
Subtotal	<u>1,629,043</u>	<u>1,461,708</u>	<u>2,107,862</u>
Environmental engineering			
Projects in progress as at the beginning of the year/period but uncompleted as at the end of the year/period.....	555,377	693,439	214,042
Projects completed during the year/period ⁽¹⁾	—	108,733	286,545
Projects commenced during the year/period.....	6,081	—	—
Subtotal	<u>561,458</u>	<u>802,172</u>	<u>500,587</u>
ICBT			
Projects in progress as at the beginning of the year/period but uncompleted as at the end of the year/period.....	—	—	—
Projects completed during the year/period ⁽¹⁾	—	—	—
Projects commenced during the year/period.....	—	—	14,580
Subtotal	<u>—</u>	<u>—</u>	<u>14,580</u>
Total			
Projects in progress as at the beginning of the year/period but uncompleted as at the end of the year/period.....	1,540,189	1,618,852	1,254,790
Projects completed during the year/period ⁽¹⁾	625,547	619,149	1,352,359
Projects commenced during the year/period.....	24,765	25,879	15,880
Subtotal	<u>2,190,501</u>	<u>2,263,880</u>	<u>2,623,029</u>

Notes:

- Revenue for projects completed during the year/period may include revenue which was recognised after the end of the contract period for variation orders or works that are certified after practical completion.
- No Major Projects were awarded to our lifts and escalators business segments during the Track Record Period.

BUSINESS

Tender success rate

The table below shows the approximate number and contract value of tenders for government projects and non-government projects with individual contract value over HK\$10 million submitted by us and contracts awarded to us (including projects in which we are a party to the relevant joint ventures) for the periods indicated.

	FY2016		FY2017		FY2018	
	Contract value	Number	Contract value	Number	Contract value	Number
	(HK\$ million)		(HK\$ million)		(HK\$ million)	
Government projects⁽¹⁾						
Tenders submitted	1,088	21	3,493	30	6,236	53
Contracts awarded ⁽³⁾	189	4	391	9	1,191	10
Success rate	17.4%	19.0%	11.2%	30.0%	19.1%	18.9%
Non-government projects⁽²⁾						
Tenders submitted	17,372	241	24,015	269	20,690	254
Contracts awarded ⁽³⁾	1,415	26	2,972	33	2,777	33
Success rate	8.1%	10.8%	12.4%	12.3%	13.4%	13.0%
Total						
Tenders submitted	18,460	262	27,508	299	26,925	307
Contracts awarded ⁽³⁾	1,604	30	3,364	42	3,967	43
Success rate	8.7%	11.5%	12.2%	14.0%	14.7%	14.0%

Notes:

- (1) Government projects are projects in which we, or our joint operations, enter into contract directly with department, unit or sub-unit of the government as our customer.
- (2) Non-government projects are projects that are not classified as government projects.
- (3) The number of contracts awarded in a given period is the number of awarded contracts that had been tendered in that period, even though the letter of award might have been issued subsequent to that period. The information in the table above is based on information available up to the Latest Practicable Date.
- (4) For the number and aggregate contract value of tenders and quotations (with individual tender sum over HK\$10 million) submitted for the period from 1 January 2019 to the Latest Practicable Date, please see "Tender Quotations Submitted" below in this section.

From 1 January 2019 to the Latest Practicable Date, we had been awarded 25 new contracts with individual contract sum over HK\$10 million, with an aggregate contract sum of approximately HK\$2,339.3 million. Based on information available as at the Latest Practicable Date, the total revenues expected to be recognised from these 25 newly awarded contracts for the years ending 31 December 2019, 2020 and 2021 and onwards are HK\$944.8 million, HK\$764.8 million and HK\$629.7 million, respectively.

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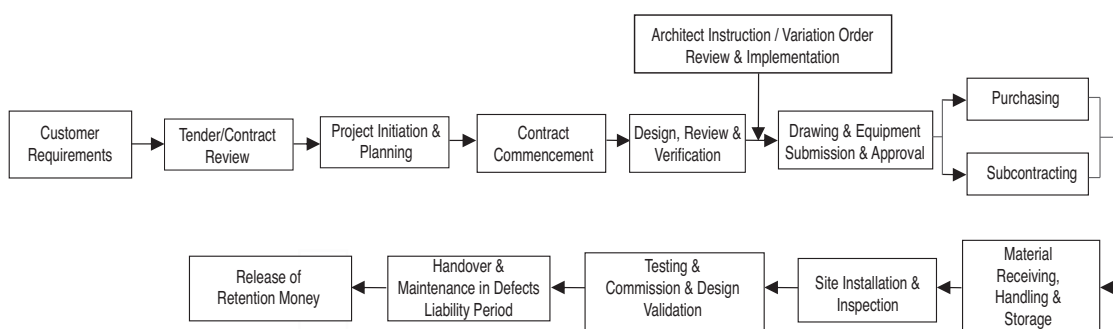
Tender Quotations Submitted

From 1 January 2019 to the Latest Practicable Date, we have submitted 140 tenders and quotations with individual tender sum over HK\$10 million and aggregate contract value of HK\$19,331.2 million. It normally takes three to six months for tender interviews and negotiation on project specifications before the results of tenders are made known to us.

OUR OPERATIONS

Building Services, Environmental Engineering and ICBT Operations

Our operations in our building services, environmental engineering and ICBT segments generally encompass preparation of tender; project implementation by a dedicated project team and subcontractors as appropriate; supervising, monitoring and providing quality control; testing and commissioning; and rectifying defects. The diagram below illustrates our operation processes.



Marketing

In the E&M engineering industry, requests to tender for projects often come from word-of-mouth referral, reputation and established track record rather than advertising and promotion. We do not incur material spending on advertising and promotion. Our relationships with our customers are maintained by senior management. We have active networks of communication with clients, architects and consulting engineering firms that to some degree serve a marketing function.

Identification of potential projects and invitation for tenders

We both identify potential tender opportunities or receive invitations to tender, which may be open tenders or sent to a selected group of prequalified contractors on the customer's list of approved contractors. Other than the tender invitations sent to us by non-government sector customers, we keep track of tender notices by monitoring the Hong Kong government websites and gazette on which they are published. Established organisations, such as public utilities companies and transportation companies, may send invitations to prequalify and tender for major projects to contractors with relevant job experience.

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Contracts in the government sector in Hong Kong are generally awarded through open and competitive tenders. Tender invitations may be published in the Government Gazette, on the internet, and all relevant qualified contractors/suppliers are free to submit tenders. In some projects, tenders are by invitation, and are sent to qualified contractors/suppliers on the Contractor List or Specialist List maintained by the Works Branch of the Development Bureau (WBDB) for selective tendering.

Preparation and Review of Tenders and Contracts

The preparation of tenders is a very important aspect of our operations and requires considerable experience in pricing the tender so that it is competitive while remaining profitable. We have adopted a detailed and comprehensive tender and project risk management system in order to control, manage and mitigate risk. Under the system, tenders and projects are categorised into different risk classes based on a list of factors including the contract sum, contract type, specifications, expected labour costs, material price fluctuation, and compliance issues. Based on the risk class of the relevant tender, we will determine the level of risk management measures, including tender review, approval, reporting, risk containment and mitigation.

Set out below are the major workflows of our tender preparation process:

(1) Thorough analysis of the project to be undertaken and collection of cost data

- Conduct site visits, meet with clients and their consultants to understand the project requirements.
- Collect data including quotations from potential subcontractors and suppliers; estimate required management resources and labour costs.
- Review the technical and financial aspects of each project, especially the range and complexity of skills to be involved and expected completion schedule.

(2) Review of project data by tender submission committee

- Submit information needed for tender to the tender submission committee for the project. Data includes tender and contract conditions; project timetable; specifications; bills of quantity; costing of equipment, materials and subcontractors; and regulatory requirements and project risks.
- Tender submission committees are organised based on the contract amount and risk class of the project. Depending on the risk class of the project, which is determined based on a number of factors, the committee may include our chief executive, directors, heads of business units, and engineers.

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- The tender submission committee is responsible for making decisions on whether to submit the quotation, based on available information and taking into account factors including our relationship with the potential client and its reputation; the nature and significance of the project; existing commitments and available resources; the estimated gross profit margin; and market conditions at the time of submission.

(3) *Pricing tenders*

- In pricing our tenders, we make references to factors including the equipment and manpower requirements of the project; our resource availability; material and labour costs, subcontractor quotations, as well as expected price trends during the term of the project; site conditions; risks involved in the project; risks of possible delays and changes to specifications; the client's proposed payment terms; and our previous experience with the client, if any.
- We have established tender price benchmarking parameters for certain business segments, to provide high-level price comparisons of projects of a similar nature and to avoid submission of underpriced tenders. The benchmarks are updated regularly.

Project implementation

Once a contract has been awarded to us, we form a project management team, usually comprising a project director or project manager, engineers, quantity surveyor, quality and safety employees, technical employees, and accounting employees.

The responsibilities of project management teams include (i) formulating detailed work programs; (ii) fine-tuning and finalising the design control plan and project master plan based on specifications received from customers; (iii) obtaining licences and work permits for execution of the project; (iv) providing induction training and personal protective equipment to workers; (v) materials procurement; (vi) engaging subcontractors; (vii) expenditure forecast and cost control; (viii) coordinating with customers, service providers and suppliers to complete the projects according to schedule; (ix) managing our resources and subcontractors to complete projects on time; and (x) ensuring work quality.

We generally do not carry out installation or fitting out works directly. We subcontract these works to one or more subcontractors depending on the size and nature of the project. Regular meetings among the project team members and subcontractors are held to review work-in-progress and to ensure effective project control and information flow.

We hold frequent meetings with parties including the main contractor, architects, consultants, other contractors and client representatives to keep them informed of the progress, to identify any actual or potential problems and to implement corrective action promptly.

We are responsible for overseeing our materials on-site and ensuring the engineering installation works performed by our subcontractors meet the required standards and are tested properly. Our subcontractors are responsible for carrying out the installation work under our instructions and supervision.

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We have implemented a time and cost estimation process for our projects that enables our Group to operate in line with our pricing strategies. We monitor work progress through our project management reports and our financial control register, which provide a means of charting our expenditures of resources, such as cumulative costs and manpower which allow us to determine whether our projects are carried out on schedule in accordance with our respective project execution plans and within our budgeted costs, and manage any foreseeable cost overruns.

Cost overruns, whether due to unfavourable construction conditions, inefficiency of other parties involved in the project, inaccurate estimates or other factors such as delay in work progress arising from disputes or incoordination among the parties involved, which are not uncommon, may result in a lower profit or even a loss on a project. Please see “Risk Factors - If we are unable to accurately estimate the risks, progress, revenues or costs when we enter into contracts or fail to perform our contracts based on our estimates, or if we fail to agree on the pricing of work done pursuant to variation orders, we may be unable to realise the anticipated profits or incur losses on the contracts”.

Procurement of materials and equipment

When awarded a contract, we place purchase orders for major materials and equipment required after an internal procurement review process and submission of our plan to the client representative for approval. Some clients may have specific requirements on the materials or suppliers to be used. We conduct materials planning at the commencement of a project with the objectives of ensuring specific materials are secured and material expenditure and wastage are under control. We request suppliers on our approved supplier list to provide quotations for us to select the best offer to suit our project needs. Please see “Supply” below in this section for information on our selection of suppliers.

Subcontracting Arrangements

We generally subcontract the labour works to selected subcontractors based on the labour-intensiveness of the work involved. We may also subcontract other works according to specialist requirements and the need for cost effectiveness. Please see “Subcontracting” below in this section for further information.

Quality and Safety Assurance

In order to achieve consistent performance standards, we have adopted a stringent control and assurance system for monitoring the quality of materials used as well as the project implementation process. Please see “Quality Controls” and “Risk Management and Internal Controls” below for further information on our quality and safety assurance procedure.

Completion

At the completion of the project, which is marked by the issuance of practical completion certificate or completion of an agreed milestone, handover will be arranged with the client’s

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representatives. The architect or engineer engaged by the client will issue a practical completion certificate. Practical completion means that the project, based on the work scope under the awarded contract, has been substantially completed; but works under variation orders may continue after practical completion. Practical completion also marks the beginning of the defect liability period. During the defect liability period, we are required to rectify any defects in our work. During the Track Record Period, costs of such rectification was not material.

Customer feedback

Customer feedback are valuable tools for improving our services. We take customers' comments and suggestions seriously and have established procedures for handling such feedback. During the Track Record Period and up to the Latest Practicable Date, we have not received any material complaints from our customers.

Key terms of contracts with our customers

Generally, our E&M engineering service contracts contain terms on the contract price, scope of work, payment terms, retention money, defect liability period, variation orders, performance bonds, insurance and termination.

Price

Contracts usually state an agreed contract sum on a lump sum fixed price basis. In certain public work contracts, the price is subject to cost fluctuation adjustment.

Progress payments

Our service contracts usually provide for progress payments to be made on a monthly basis or milestone payments to be made upon achievement of defined stages of progress as agreed with the customer. After we submit an application for payment to the customer, based on work completed and materials delivered to project site, the appointed quantity surveyor, engineer or architect inspects and certifies the payment amount, and then issues a payment certificate for work progress during the previous month and the customer then makes payment with reference to the payment amount as stated in the payment certificate.

Retention money

Service contracts typically provide for a retention sum of a certain percentage of each interim payment, up to a maximum of 5% of the contract value. Typically, not more than 50% of this retention sum is released upon the receipt of the practical completion certificate and the balance is released upon receipt of a certificate that we have made good any defects at the end of the defect liability period, or the whole portion of retention money is released after expiry of the defect liability period.

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Defect liability period

Contracts typically include a defect liability period, during which we are responsible to rectify any defects in our work. The defect liability period is typically for a period of one year from the date of practical completion for Hong Kong and Macau projects, and two years for projects in Mainland China. If the materials used are defective, we will replace them during the defect liability period or request our suppliers or subcontractors to do so.

Variation orders

We may be given variation orders where our customers amend the specification and scope of works from that originally contracted. A variation order may expand, reduce or vary the original scope of work and alter the original contract sum. The value of a variation order is agreed with the client. Variation orders are common in E&M engineering contracting works, and may in some cases materially vary the contract sums, resulting in the final contract sums being materially different from the awarded contract sums. Variation orders may also vary the contract schedule resulting in ongoing works and revenue recognition even after the practical completion certificate has been issued for a project.

Performance bonds

For certain contracts, we may be required to provide performance bonds at a stipulated value in favour of our customer. These remain in effect until the performance bond is returned or expires upon completion of the project when the practical certificate is issued or at the end of the defect liability period. The customer may utilise the performance bond to make good any loss or damages sustained as a result of any breach of the contract we have committed, including any liquidated damages. During the Track Record Period, there were no material claims by customer against our performance bonds.

Insurance

Under our service contracts, the main contractors or clients are generally responsible for purchasing third-party liability insurance and contractor's all risks insurance for the projects. These cover liability arising from accidents or actions of the main contractors and their subcontractors (including our Group and our subcontractors). In cases in which we are the nominated subcontractor or a main or direct contractor of the client, we purchase employee compensation insurance covering liability in respect of our employees and employees of our subcontractors.

Others

Some of the contracts may include clauses which provide for matters such as requirement for security deposits and confidentiality clause covering the project specifications and drawings.

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Termination

Our contracts can be terminated if, among others, our performance is found to be unsatisfactory, or we become insolvent, or (where we act as subcontractor) for any reason the main contractor's contract for the project has been terminated. During the Track Record Period, none of our contracts have been terminated for the above reasons.

Inventory management

We manage the scheduling of orders and delivery of materials, in order to match material deliveries with project requirements. We maintain a certain level of commonly used materials and equipment in our warehouse, such as control equipment and spare parts, for use in maintenance services.

Information technology systems

We use advanced information technology system to reinforce efficiency in management, operations, and planning. For example, we make use of building information modelling (BIM) enabling us to save costs and improve quality and efficiency.

Operations of our Lifts and Escalators Segment

We summarise below the major operation processes of our lifts and escalators segment, which due to the nature of the segment, are different from our other three business segments.

Design and manufacturing of lifts and escalators

We design, manufacture and assemble lifts, escalators and related products at our production base in Nanjing, Mainland China, which is equipped with flexible production lines capable of customising our products to meet different customer requirements.

We place particular emphasis on product design and development to meet customer requirements. Where customers require products beyond our existing product portfolio or modifications of existing models to perform specific functions, we provide customised products to meet their requirements. The lift and escalator design process typically involves preparation of drawings and specifications of the product, which must be approved by the end customer and comply with the safety requirements and production guidelines under the laws and regulations of the export destination.

The production of our lifts and escalators at our production facilities in Nanjing generally involves the following steps:

- (1) Preparation and confirmation of design drawing and technical specifications according to project requirement;
- (2) Procurement and manufacturing of parts based on confirmed drawing and specifications;

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- (3) Assembly of parts;
- (4) Final inspection, trial and performance assessment;
- (5) Packing and delivery

In FY2016, FY2017 and FY2018, we manufactured 31, 18 and 77 sets of lifts and 67, 95 and 76 sets of escalators, respectively. The decrease in number of sets of lifts manufactured by our Group in FY2017 was primarily attributable to the decrease in the demand for our lifts and in the number of related projects awarded to our Group in FY2017.

In FY2018, the number of sets of lifts and escalators manufactured by our Group increased by 327.8% and decreased by 20%, respectively as compared to the 18 sets of lifts and 95 sets of escalators manufactured by our Group in FY2017. The increase in the number of lifts manufactured by our Group in FY2018 was mainly attributable to a major contract for supply of lifts for a residential development project in Mainland China and increase in sales orders from Hong Kong and overseas, which our Directors believe resulted from our active marketing efforts. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had secured contracts for the manufacture and supply of 108 lifts and 103 escalators.

Production capacity and utilisation rate of our production facilities

The following table sets out the estimated production capacity, actual production volume and utilisation rate of our production facilities in Nanjing during the Track Record Period:

	FY2016	FY2017	FY2018
	<i>Number of units</i>	<i>Number of units</i>	<i>Number of units</i>
Manufacturing facilities for lifts:			
Estimated production capacity ⁽¹⁾	130	130	130
Actual production volume	31	18	77
Utilisation rate ⁽²⁾	24%	14%	59%
Manufacturing facilities for escalators:			
Estimated production capacity ⁽¹⁾	139	139	139
Actual production volume	67	95	76
Utilisation rate ⁽²⁾	48%	68%	55%
Total:			
Estimated production capacity ⁽¹⁾	269	269	269
Actual production volume	98	113	153
Utilisation rate ⁽²⁾	36%	42%	57%

Notes:

1. Production capacity is estimated by the management of our Group based on the number of production lines, number of workers, working days, working hours per day, and the time required for maintenance and relevant conditions of the production line in each of the periods indicated above.
2. The utilisation rate is derived by dividing the actual production volume by the estimated production capacity.

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Utilisation rate of our production facilities in Nanjing, increased from 36% to 57% during FY2016 to FY2018, which was mainly attributable to the increase in sales orders received for our lifts and escalators products during the Track Record Period. The utilisation rate of our production facilities was relatively low in FY2016 and FY2017 in light of the low sales volume of our lifts, which was mainly because we only marketed our lifts in Hong Kong and overseas at the relevant times, and the relatively higher production costs per unit of our lifts had prevented us from reducing the selling price of our lifts to capture sales from the mass market, particularly of Mainland China, which had led us to value engineer our lifts and escalators recently to develop new product models compliant with PRC safety and technical requirements at more competitive cost.

Utilisation rate of our production facilities increased from 42% in FY2017 to 57% in FY2018, mainly attributable to the aforementioned major contract for supply of lifts for a residential development project in Mainland China and increase in sales orders from Hong Kong and overseas.

Expansion of our production facilities

We plan to expand our current production facilities and establish a new production plant (“**New Production Plant**”) in Nanjing to support (1) our expansion in the Mainland China, Hong Kong and overseas lifts and escalators markets and (2) the market launch of our newly developed automated pedestrian overpass system (PEDARCO) as further particularised below:

(1) Expansion of our lifts and escalators business in Mainland China, Hong Kong and Overseas

We aim to leverage on the quality, safety and customised designs of our lifts and escalators to capture the growth and business opportunities in the lifts and escalators segment arising from the growing safety awareness of lifts and escalators, rising housing supply and ongoing urban renewal in Hong Kong, as well as the rising trend of customisation of lifts and escalators in Mainland China, being the world’s largest lifts and escalators market in terms of production and consumption according to the Frost & Sullivan Report.

From 1 January 2019 to the Latest Practicable Date, we had been in negotiation with potential customers and business partners in Hong Kong, Australia, Korea, Italy, the U.K. and the U.S. for manufacture and supply of our lifts and escalators products. As at the Latest Practicable Date, (i) we have been participating in tendering work in Hong Kong actively, including the submission of tenders for 27 lifts and 4 escalators for a public hospital in Hong Kong and for 30 lifts and 12 escalators for a theatre complex project in the Western Kowloon Cultural District in Hong Kong; (ii) we submitted proposals for the supply contracts for over 400 escalators for the metro systems of Brisbane, Sydney, Melbourne and Victoria, Australia and for 73 lifts and 29 escalators for an integrated resort development in Brisbane, Australia; (iii) we submitted proposals for the supply of 10 escalators to two railway stations in the U.K.; (iv) we have been awarded the contract for the supply of 17 elevators and 4 escalators for a residential development in Monterrey, Mexico, and of 18 elevators and 2 escalators for a hotel development in New Mexico City, Mexico and (v) we submitted proposals for the supply of 154 escalator to a metro project in Mexico. Our Directors believe that these potential customers

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and business partners consider us as their potential suppliers of lifts and escalators mainly due to (i) our reputation and satisfactory past track record; (ii) the quality of our products; and (iii) the comprehensive after sales services we provide directly or through our distributors.

(i) *Mainland China*

According to Frost & Sullivan, driven by the continued urbanisation and construction of buildings, the market size in terms of output value of the lift and escalator market in Mainland China had seen rapid growth from approximately RMB\$111.5 billion in 2013 to RMB\$173.4 billion in 2018, representing a CAGR of 9.2%. Given the redevelopment and upgrade of building facilities for existing buildings, such growth momentum is expected to be sustained in the next five years. For more information on the market outlook of the lifts and escalators market in Mainland China, please see “Industry Overview — Market Landscape of the Lifts and Escalators Market in Mainland China”.

To capture the growing business opportunities in the Mainland China lift and escalator market, we have been value engineering our lifts and escalators to develop new product models compliant with PRC safety and technical requirements at more competitive cost, and developing sales in different provinces in Mainland China since 2018. Despite the keen competition in the lift and escalator market in Mainland China, we believe the quality and safety of our lifts and escalators and our strong project references in various parts of the world will enable us to expand into the Mainland China market which is placing more focus on quality and safety and implementing tightened standards. We have also been developing collaborative ventures with a US/Japanese components manufacturer for medium and high speed lifts in Mainland China, which we believe will better fulfil the specific needs of Mainland China’s lift and escalator customers and help to strengthen our market presence.

To strengthen our marketing efforts in Mainland China, we have hired a marketing manager and a sales manager, both with relevant experience in the lift and escalator market in Mainland China, since early 2018, and have set up service teams to carry out more sales and marketing activities to promote our brand and our products in Mainland China. While our current sales office in Nanjing will continue to manage sales and service of our lifts and escalators in Eastern China, we have set up a sales office and a service centre in Tianjin in 2018 to manage sales in Northern China, and are in the process of setting up offices in Guangdong and Western China to better ensure sufficient geographical coverage of our marketing, sales and service efforts and to accelerate our market penetration into our target markets in Mainland China. In addition, we are setting up a showroom with displays of lifts and escalators for customer visits and factory tours to showcase our products, raise brand awareness and attract sales.

In view of the rapidly growing Mainland China lift and escalator market and increasing national market demand for lifts and escalators according to the Frost & Sullivan Report, we target to sell 1,000 units of lift and escalator products in Mainland China by 2020. While this sales target represents a relatively small market share of the Mainland China lift and escalator market, we consider it is a reasonable starting point for our expansion into the Mainland China market given that we had not marketed our products in Mainland China until FY2018 and had recently expanded into this market. To achieve this sales target, we plan to continue to boost our aforementioned marketing, sales and service efforts in the Mainland China market, and

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upgrade our existing production facilities to produce products of higher quality with higher efficiency. We expect to realise substantial growth in sales of lifts and escalators in the Mainland China market by 2020.

(ii) *Hong Kong*

Since 22 March 2018, Anlev Elex Elevator has been registered as a Lift and Escalator Contractor on the Housing Authority's Lists of Works Contractors (for details, please see "Regulatory Overview — E. Licences and Registrations Required for Our Lifts and Escalators Business - E3. Undertaking Housing Authority projects"), and is eligible to tender for certain contracts for the supply, installation and/or maintenance of lifts and escalators with the Housing Authority. To the best knowledge of our Directors, the Housing Authority generally invites tenders for the manufacture of around 350 lifts per year. In view of the competition from over five other listed Lift and Escalator Contractors, we expect to supply around 30 lifts to the Housing Authority per year starting from the year ending 31 December 2019.

(iii) *Overseas*

We have also recently strengthened our marketing effort in overseas markets in the U.S. and the European Union. The targeted new customers are distributors with wide distribution network in their respective territories or countries, which do not have their own production facilities, or companies with high production costs looking for more economical production operation. According to the initial discussion with the potential customers and business partners in the regions mentioned above, we expect to receive orders for our lifts and escalators which will exceed the current capacity of our production facilities. As such, an expansion in production capacity will be essential to capturing the upcoming market demand and future market growth and achieving economies of scale.

In view of the abovementioned expansion plans for our lifts and escalators business, which had commenced prior to FY2018, our Directors believe that there will be substantial growth in market demand for our lifts and escalators products. For instance, the actual utilisation rate of our production facilities for lifts increased from 14% in FY2017 to 59% in FY2018, mainly attributable to the increase in sales of our lift products in FY2018, which our Directors believe was resulted from our active marketing efforts. We therefore expect that our existing production facilities will be unable to cater for the expected growth in demand for our products from the Hong Kong, Mainland China and overseas markets and may become fully utilised by 2019.

(2) *More spacious New Production Plant to accommodate PEDARCO*

Our lift and escalator operation had recently developed an automated pedestrian overpass system (PEDARCO), which provides a comfortable and safe passage over motorways, railway lines and canals, in particular for children, elderly and the less abled and handicapped pedestrians. PEDARCO picks up pedestrians on one side of a vehicular road, travels upwards and transports the pedestrians across the vehicular road, and travels downwards on the other side of the vehicular road. Compared to conventional pathways for crossing public vehicular roads, such as subways and footbridges, the PEDARCO system provides a more community friendly transportation solution as (i) it is capable of transporting

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pedestrians, including the elderly and disabled, as well as equipment such as wheelchairs, baby prams and bicycles, across vehicular roads without requiring any mobility on the part of the pedestrians, and allows vehicles to continue to pass through the vehicular roads underneath the PEDARCO as it transports pedestrians across the roads, (ii) its installation could be completed at a significantly higher speed than subways and footbridges, thereby minimising the interruption to the road traffic on the relevant vehicular road, (iii) it consists of components that could be readily assembled and disassembled, which means that a PEDARCO system installed across a particular vehicular road could be efficiently dissembled (for example where that vehicular road is under long-term road works) and reused for installation across another vehicular road, thereby minimising wastage; and (iv) it could be built and installed at a relatively lower cost and is less restricted by the space available. This innovative equipment had received worldwide patents for its safety, environmental and energy saving features.

Having considered the aforementioned features of the PEDARCO system, our Directors believe that there is a potentially strong market for the PEDARCO system, in particular in areas with growing aged populations and caring communities. We have launched various marketing activities for PEDARCO since 2018, including advertising PEDARCO in a major elevator magazine and attending trade exhibitions to promote PEDARCO to lifts and escalators distributors in various countries, including Hong Kong, selected cities in Mainland China, the U.K., Australia, Italy, Canada and the U.S.. Certain of our existing customers and other third parties from Mainland China and certain overseas markets such as Italy, U.K. and Australia, have also expressed their interest in the PEDARCO system to our Group. PEDARCO is at its final stage of product development and was certified by the National Elevator Inspection and Testing Center* (國家電梯質量監督檢驗中心) to be compliant with all relevant specifications and requirements of Mainland China. We plan to initially launch the PEDARCO system after the New Production Plant has been put into full operation, which is expected to be by the end of 2020, and start accepting orders for the PEDARCO system in certain selected regions in Europe, Australia and Mainland China as pilot testing points, enhance and adjust the PEDARCO system to suit local needs based on feedback from the initial launch, and proceed with full-scale launches in those regions that have higher market receptivity to the PEDARCO system.

A major challenge that we currently face in our final development of PEDARCO is the large size of the components of the PEDARCO systems (which could span from 24 metres to 36 meters in terms of width (in order to be built across vehicular roads with four to six lanes of motorway) and could reach a maximum height of 12 metres (in order to allow a double decker bus to go through underneath)), which could not be fully accommodated by our current production facilities in Nanjing (which has a base area of 27,000 sq. m. and an overall height of only 12 metres). It is currently estimated that the final development and production of PEDARCO would require an assembly area within the New Production Plant with a base area of at least 6,000 sq. m. and an overall height of over 16 metres, which is expected to accommodate the assembly process of six production lines for PEDARCO products (each of which requires an assembly area with minimum width of 24 metres, minimum length of 36 metres and minimum height of 16 metres).

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(3) *Our Production Facilities Expansion Plan*

Having considered the above factors, our Directors expect that our current production facilities will be unable to cater for the abovementioned expected growth in demand for our lifts and escalators from the Hong Kong, Mainland China and overseas markets. In order to (i) prepare for the expected growth in our sales of lifts and escalators in the future and (ii) accommodate the development and future manufacturing of PEDARCO systems, we plan to expand our current production facilities in Nanjing and establish the New Production Plant in the region near our existing production base in Nanjing, which shall have a base area of approximately 60,000 sq. m. and an overall height of 16 metres, the production area of which will be mainly allocated to the production of our existing lift and escalator products, and will be allocated to the production of PEDARCO products based on the market demand forecasts for PEDARCO.

The expansion is expected to be completed in stages. The expansion of our current production facilities is expected to complete in the second half of 2019 and the setting up of the New Production Plant is expected to commence in the first quarter of 2020 and to complete in 2021. The New Production Plant will be put into operation by stages starting from the second half of 2020 and is expected to fully operate by the end of 2021. The following table (“**Production Capacity Table**”) sets forth the estimated growth in our production capacity after (i) the expansion of our current production facilities and (ii) the New Production Plant has become operational, both by stages:

Capacity (units/year)	Existing annual production capacity of current production facilities	Estimated additional production capacity by expansion of current production facilities	Estimated additional production capacity of New Production Plant	Estimated total maximum annual production capacity (Note)
Lifts	130	114	1,956	2,200
Escalators	139	36	625	800
Total	<u>269</u>	<u>150</u>	<u>2,581</u>	<u>3,000</u>

Notes:

- Maximum annual production capacity is estimated based on the assumptions that (i) all production capacity as planned are in place and in full operation; and (ii) reasonable level of production efficiency with reference to our existing manufacturing facilities in Nanjing is achieved.
- The above estimated additional production capacities of our current production facilities after the abovementioned expansion and the New Production Plant are expected to be progressively achieved and to be fully realised by the end of 2019 and 2021 respectively.

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The following table sets forth the expected production volume and expected sales of products of (i) our current production facilities after the abovementioned expansion and (ii) the New Production Plant:

	For the year ending 31 December					
	2019		2020		2021	
	Expected Production volume	Expected Sales	Expected Production volume	Expected Sales	Expected Production volume	Expected Sales
	<i>(unit)</i>	<i>(HK\$ million)</i>	<i>(unit)</i>	<i>(HK\$ million)</i>	<i>(unit)</i>	<i>(HK\$ million)</i>
Lifts	220	58	558	100	1,100	198
Escalators	160	43	305	82	400	107
Total	<u>380</u>	<u>101</u>	<u>863^{Note}</u>	<u>182</u>	<u>1,500</u>	<u>305</u>

Notes:

- As the New Production Plant will only be put into operation starting from the second half of 2020 and will not be fully operating until the end of 2021, the estimated total maximum annual production capacity of the New Production Plant of 3,000 units per year as set out in the Production Capacity Table above could only be partly achieved in 2020, which is reflected by the estimated total production volume of our production facilities of 863 units in 2020 as set out in the above table.
- The above expected production volumes and sales of lifts and escalators for the years ending 31 December 2019, 2020 and 2021 do not include the expected production volumes and sales of PEDARCO as (i) the production volume of PEDARCO could only be reasonably estimated after the completion of its final development stage and after the New Production Plant has been put into full operation, which is currently expected to be by the end of 2021 and (ii) the production of our existing lifts and escalators products and PEDARCO products shall be adjusted according to the actual demand for such products at the relevant time.

For details on our business strategy for the expansion of our lifts and escalators segment, please see “Our Business Strategies — Continue to expand our existing E&M engineering services and consolidate our leading market position — Expansion of our lifts and escalators segment” in this section above.

Quality and safety assurance for lifts and escalators

We maintain a stringent quality control and assurance system for our lift and escalator production processes and operations.

Our lifts and escalators segment operates under ISO9001 (Quality Management), ISO14001 (Environmental Management) and OHSAS18001 (Occupational Health and Safety Management), and in compliance with European Standard EN115 (Safety rules for the construction and installation of escalators and passenger conveyors) and European Standard EN81 (Safety rules for the construction and installation of lifts). Our escalators and moving walkways also meet the requirements of the Safety Code for Elevators and Escalators published by the American Society of Mechanical Engineers and the relevant standards in Australia and Korea.

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Our customers and the relevant government authorities did not report or raise any material safety issues with our products during the Track Record Period. Over the Track Record Period, there was no material product liability or legal claim due to the quality of our products. Similarly, there were no material adverse finding from any inspection or audit by a government authority or customers during the Track Record Period.

Inventory management of lifts and escalators

We use just-in-time inventory management to minimise inventory costs. Raw materials and components are put into production only when they are used. The volume of our semi-manufactured products is kept at an appropriate level to facilitate the production process. Our products are generally customised and finished goods are retained only for examination purposes. We experienced no material issue during the Track Record Period with respect to inventory accumulation of our products by our distributors.

Sales and marketing of lifts and escalators

During the Track Record Period, we sold our lifts and escalators in Hong Kong with our own sales team and in overseas market through our distributorship network. This network covers 23 sales regions in Asia, Europe, the Middle East, North America, South America and Australia. As at 31 December 2016, 2017 and 2018, we had 17, 19 and 23 distributors, respectively, which are all Independent Third Parties, some of which have entered into distributorship agreement with our Group. During the Track Record Period, we terminated one distributorship agreement due to unsatisfactory sales performance of the distributor.

We work with our distributors to identify potential customers and on sales and marketing of our products in their sales regions and provide them with technical support for the installation and maintenance of our products. We select our distributors based on factors such as their scale of operations, business presence and sales network in the specific sales region, credit records, financial conditions and service capabilities.

To strengthen our marketing efforts in Mainland China, we have hired a marketing manager and a sales manager, both with relevant experience in the lift and escalator market in Mainland China, since early 2018, and have set up service teams to carry out more sales and marketing activities to promote our brand and our products in Mainland China. We have also set up sales offices in Nanjing and Tianjin to manage sales and servicing of our lifts and escalators in Eastern China and Northern China, respectively. In addition, we are planning to set up a showroom in Mainland China to showcase our lifts and escalators products, to accelerate our market penetration into our target markets in Mainland China and attract sales. For more details on our recent sales and marketing efforts for our lifts and escalators business in Mainland China, please see “— Expansion of our production facilities — (1) Expansion of our lifts and escalators business in Mainland China, Hong Kong and Overseas — (i) Mainland China” above in this section.

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Distributorship agreements

For the distributors with whom we have entered into legally binding distributorship agreements, the major terms of our distributorship agreements are set out below:

- (1) *Exclusivity and commission:* We generally appoint one exclusive distributor in each sales region. However, we retain the right to carry out direct sales in the particular sales region, and our distributor may also propose to us to directly transact with a customer if the distributor prefers not to act as buyer and reseller. In both cases, our distributor is entitled to a percentage commission on sales made by us, after full payment by the customer.
- (2) *Contract duration:* Generally, the term of each distributorship agreement is three years. We can terminate distributorship agreements with written notice for a variety of reasons, including the distributor's failure to abide by the agreements or meet annual sales targets designated by us, or any circumstance which may prevent our distributors from effectively carrying out their obligations under the agreements.
- (3) *Duties of Distributors:* Our distributors are typically required to carry out marketing and advertising for our products, and are permitted to use our trademarks and trade names only for such purposes. They are required to observe our sales policies; and provide maintenance services using their personnel.
- (4) *Relationship with distributors:* Our distributors place orders directly with us and we have a seller-buyer relationship with our distributors. Ownership of the products is passed to our distributors, and revenue of such product sales is recognised, upon the delivery of the products to the distributors.
- (5) *Pricing:* We control the pricing of our products with our price quotation provided to our distributors.
- (6) *Payment terms:* We generally require our distributors to pay in stages: when the order is placed; on delivery; and upon practical completion of the installation.
- (7) *Sales targets:* We set annual sales targets for the distributors at the beginning of each year but do not impose any minimum purchase amount.
- (8) *Product return and warranty:* Products supplied to our distributors are warranted against defect for one year from the first day of commercial use, or 18 months from the date of shipment to our distributors, whichever is earlier. Our distributorship agreements do not contain any provision for product returns.
- (9) *Control and evaluation:* We require distributors to provide us with their sales and inventory information.

After-sales services for lifts and escalators

Our lifts and escalators are covered by warranty against defects in workmanship, materials and construction. During the Track Record Period, product returns from end customers or distributors were negligible and without material impact, and all warranty expenses were included in the manufacturing costs of our lifts and escalators.

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Upgrading and maintenance of lifts and escalators

We also provide upgrading and maintenance services for lifts and escalators for upgrading and maintaining their performance.

RESEARCH AND DEVELOPMENT

Our research and development teams focus on technology innovation, continuous process improvement for process innovation and digital technology for process innovation. In FY2016, FY2017 and FY2018, we incurred research and development expenses of HK\$0.5 million, HK\$0.8 million and HK\$3.7 million, respectively. As at the Latest Practicable Date, our research and development team was managed by six qualified engineers, including one engineer with more than 25 years of relevant experience and four with postgraduate qualifications.

Our environmental engineering segment has been investing in the research and development of waste treatment solutions to keep up with the evolving needs of our customers and the changing technological standards in the environmental engineering industry. For instance, we have invented (i) a process to improve the efficiency of sedimentation for wastewater treatment; (ii) an aeration biological filter tank with specially-arranged filtering heads to improve the effectiveness of filtration for sewage treatment; and (iii) kiln feed device to facilitate the pouring of paste materials into kilns, and have registered patents for such inventions. In addition, during the Track Record Period, our environmental engineering segment successfully developed a compact and high rated sedimentation process for application to waste water and sewage treatment plants. The process increases treatment capacity for a given level of environmental footprint. As at the Latest Practicable Date, we had applied this newly developed process in 22 environmental engineering projects. We also developed a new activated sludge process with anammox technology, which achieves a substantial reduction in nitrogen and nitrates pollutants generated during the sewage treatment process.

We have been cooperating with universities in Hong Kong and Mainland China and other organisations for research and development of engineering technologies. In 2016, we began a five-year cooperation project with Shanghai Jiao Tong University to support the joint research and development of specialised waste water treatment techniques. These anaerobic biological wastewater treatment, landfill leachate treatment, high-salinity industrial wastewater treatment, advanced sewage treatment processes with excess sludge reduction, and solutions for remediation of heavy metal contaminated soils. We are also collaborating with a Hong Kong-based nanotechnology and advanced materials research and development centre on a market-driven energy savings project for application of nano bubbles in large scale waste water treatment and recycling. Moreover, we partnered with Tsinghua University to develop a new technology for waste water treatment, and are collaborating with The Hong Kong University of Science and Technology to develop a technology for generating building information models (BIM) based on unmanned aerial vehicle (UAV) and indoor three-dimensional laser scanning technologies.

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In our ICBT segment, after our development of the automated clearance system and various related solutions to enhance its performance, we are currently engaged in research and development on advanced chiller plant optimisation, energy analytics and fault detection and diagnostics.

In our lifts and escalators segment, our research and development initiatives include the following. We designed and developed an automated pedestrian overpass system (PEDARCO) for crossing of canals, railway lines and highways, which has obtained patent internationally. We have made use of new technologies in our development of our automated passenger and vehicle clearance systems.

We intend to increase our investment on research and development, as set out in “— Our Business Strategies” above in this section.

CUSTOMERS

During the Track Record Period, our major customers included property developers and main contractors in Hong Kong and Mainland China, hotel and property developers in Macau, government departments in Hong Kong, and a transportation company in Hong Kong. We enter into agreements with our customers on a project basis, depending on the duration of projects. The majority of such contracts have terms over one year.

Top Five Customers

In FY2016, FY2017 and FY2018, our five largest customers accounted for 42.1%, 38.5% and 44.2% of our revenue, respectively. Our single largest customer accounted for 9.5%, 10.3% and 13.4% of our revenue during the same periods, respectively. All of our five largest customers for FY2016, FY2017 and FY2018 are Independent Third Parties.

The table below sets out information on our top five customers during the Track Record Period:

For FY2016

<u>Customers</u>	<u>Background</u>	<u>Services provided by us</u>	<u>Years of business relationship with us</u>	<u>Revenue contribution (HK\$'000)</u>	<u>% of our total revenue</u>	<u>Credit terms and payment method (Note)</u>
Customer A	Hong Kong government department responsible for providing water supplies	E&M engineering design, installation and maintenance services	24	420,880	9.5%	21 days from the date of payment certificate; Cheque payment

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Customers	Background	Services provided by us	Years of business relationship with us	Revenue contribution (HK\$'000)	% of our total revenue	Credit terms and payment method (Note)
Customer B	Hong Kong-listed main contractor in building and infrastructure construction with a market capitalisation of around HK\$60 billion as at the Latest Practicable Date	E&M engineering installation services	22	418,923	9.5%	14 days from the date of interim payment certificate; Cheque payment
Customer C	Hong Kong-listed railway operator in Hong Kong and Mainland China with a market capitalisation of around HK\$300 billion as at the Latest Practicable Date	E&M engineering installation and maintenance services	9	405,630	9.2%	30 days from the date of interim payment certificate; Telegraphic transfer
Customer D	International construction contractor that is a subsidiary of a company listed in Hong Kong and Shanghai, Mainland China with a market capitalisation of around HK\$190 billion as at the Latest Practicable Date	E&M engineering installation services	13	314,525	7.1%	40 days from the date of interim payment certificate; Cheque payment
Customer E	Building contractor headquartered in Hong Kong and a subsidiary of a state-owned corporation in Mainland China	E&M engineering installation services	14	301,833	6.8%	14 days from the receipt of payment by the main contractor from the employer; Cheque payment

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For FY2017

<u>Customers</u>	<u>Background</u>	<u>Services provided by us</u>	<u>Years of business relationship with us</u>	<u>Revenue contribution (HK\$'000)</u>	<u>% of our total revenue</u>	<u>Credit term and payment method (Note)</u>
Customer D	See table above	See table above	13	512,835	10.3%	See table above
Customer A	See table above	See table above	24	491,240	9.9%	See table above
Customer F	Subsidiary of a leading construction company listed in Shanghai, Mainland China with a market capitalisation of around RMB240 billion as at the Latest Practicable Date and principally engaged as main contractor in building and infrastructure construction	E&M engineering installation services	3	330,529	6.7%	7 days from the receipt of payment by Main Contractor from Employer; Telegraphic transfer
Customer C	See table above	See table above	9	295,087	5.9%	See table above
Customer G	Hong Kong government department responsible for providing wastewater and stormwater drainage services	E&M engineering design, installation, operation and maintenance services	23	282,480	5.7%	21 days from the date of payment statement; Cheque payment

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For FY2018

Customers	Background	Services provided by us	Years of business relationship with us	Revenue contribution (HK\$'000)	% of our total revenue	Credit term and payment method (Note)
Customer B	See table above	See table above	22	801,610	13.4%	See table above
Customer D	See table above	See table above	13	687,229	11.5%	See table above
Customer H	Hong Kong-based main contractor specialised in building and infrastructure construction in Hong Kong, Mainland China and Asia Pacific Region	E&M engineering installation services	25	533,482	8.9%	14 days from the date of interim payment certificate; Autopay
Customer G	See table above	See table above	23	337,831	5.7%	See table above
Customer I	A statutory body wholly owned by the Hong Kong Government which is responsible for the operation and development of the international airport of Hong Kong	E&M engineering installation services and maintenance services	12	282,953	4.7%	21 days from the date of interim payment certificate; Autopay

Note: The credit terms stated above are based on the terms of the contracts between our Group or our joint operations and our customers, or the payment certificates issued by our customers to our Group.

To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period. None of our five largest customers during the Track Record Period is our supplier or subcontractor.

SUBCONTRACTING AND CONSULTANCY ARRANGEMENTS

In order to complement our services on projects of differing needs, and to provide flexibility in resource deployment, we engage subcontractors to perform relatively labour intensive installation works and provide services such as transportation and cleaning services, where it is more cost-effective, and procure consultancy services and advice from third-party consultancy firms on our projects and business operations depending on the project requirements, such as specialised expertise and project reference, and our business needs from time to time.

In FY2016, FY2017 and FY2018, total subcontracting costs were HK\$1,485.2 million, HK\$1,252.2 million and HK\$2,088.5 million, respectively, representing 38.5%, 31.0% and 41.1% of our total cost of sales in the corresponding periods.

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Subcontractors

We had over 650 subcontractors on our internal approved lists of subcontractors as at 31 December 2018. We maintain two internal lists of subcontractors who are assessed and approved by us in accordance with ISO 9001 requirements on selection of subcontractors. The first list consists of subcontractors with longer business relationships and a history of satisfactory performance. The second list consists of probationary subcontractors newly accepted and approved by our Group based on our selection criteria.

We select subcontractors for inclusion into our approved lists of subcontractors based on factors such as:

- Whether they have sufficient resources and skills to conform to contractual, statutory, safety, and environmental protection requirements;
- Our evaluation of their performance and track record;
- Whether they use approved quality, safety, environmental and/or other management systems;
- The types of public and private work they are qualified to undertake based on statutory and/or specialty registration(s) they hold;
- Their scale of operation and financial performance; and
- Other factors such as their commitment to corporate social responsibility.

We review and update our internal approved lists of subcontractors according to performance appraisals on an annual basis. Our approved subcontractors are evaluated based on their ability to continue to meet the selection criteria for inclusion in our internal approved lists, with particular focus on their performance in the relevant contract(s) and their compliance with our in-house environmental, safety and health requirements. Our management may also assess the suitability for ongoing inclusion of subcontractors in our internal approved lists in terms of factors other than those which are performance-related. These might include their credit history and any recent litigations in which they have been involved. Subcontractors whose overall performance is unsatisfactory may be suspended from projects until they demonstrate improvement, downgraded as a probationary subcontractor, or removed from our internal approved lists.

In engaging subcontractors for a particular project, we select subcontractors from our approved list based on their previous performance, experience, ability to meet client requirements and safety and environmental performance standards. Selection of subcontractors for subcontracting works with contract value over a fixed amount are generally made by tender.

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To avoid over-reliance on a few subcontractors, our lists of approved subcontractors include multiple subcontractors for each particular type of work. During the Track Record Period, there were no material non-performance issues or disputes with our subcontractors and we had not experienced any material difficulty in securing services from sub-contractors.

Work of Subcontractors

To improve control over the performance of our subcontractors, we have established conditions imposing the responsibility to meet our our in-house environmental, safety and health standards. These are incorporated into the contracts with each of our subcontractors. Subcontractors are required to:

- Comply with the environmental, health and safety standards of the main contractor and our Group;
- Ensure all workers employed in our projects possess valid safety training certificates recognised by the Labour Department of Hong Kong;
- Assign a qualified site safety supervisor if the subcontractor has more than 20 employees on site;
- Supply their workers with the necessary safety equipment;
- Implement a safe system of work and comply with relevant laws and regulations; and
- Comply with applicable environmental protection and hygiene regulations and green building requirements.

To monitor the compliance with the above list of conditions and subcontractors' performance in ongoing projects, we:

- Have an on-site project team that coordinates and monitors the works of our subcontractors on work sites to ensure that our subcontractors strictly follow our work safety measures;
- Hold meetings and communicate from time to time with the subcontractors to review their work progress; and
- Conduct site inspection on and test our subcontractors' work.

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Principal Terms of Subcontracting Arrangements

We enter into subcontract agreements on a project basis, depending on the duration of the contract that we enter into with our customer. Many such subcontract agreements have term over one year. The subcontract agreements typically contain the following principal terms:

- Payment terms set out monthly progress claims to be certified and paid based on the value of completed work;
- Typically, we withhold 5% to 10% of each payment to our subcontractors as retention money, up to 5% of the total subcontract amount. A portion, generally 50%, of the retention sum is released to the subcontractor upon the receipt of the practical completion certificate. The balance is released upon the receipt of the certificate proving that any defects have been rectified, which is issued after the end of the defect liability period;
- The defect liability period with the subcontractor is based on the defect liability period in the contract with our customer, during which the subcontractors are responsible to rectify any defects in their work;
- Once we have verified the subcontractor's request to release payment based on verification with the customer, we release payment less the retention money;
- Subcontractors are prohibited from hiring illegal immigrants;
- Subcontractors are restricted from further assignment or subcontracting without our prior permission;
- Conditions under which we may terminate subcontracting agreements include if the subcontractor suspends or abandons the work without reasonable cause; and if the subcontractor repeatedly fails to comply with the subcontract terms or breaches any relevant laws and regulations; and
- Our subcontractors undertake to indemnify us against any loss, expense or claim arising from negligence, misconduct, or failure to comply with subcontracting agreements by the subcontractors and/or their employees, and if workers employed by subcontractors fail to follow reasonable instructions on work safety.

Subcontracting fees are generally determined through competitive tendering, with reference to estimates of market rates for comparable projects, taking into account the scope, size, complexity and contract value of the project. If our customer defaults in making payments, we remain liable to settle the subcontracting fees should the subcontracting work have already been performed.

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Our subcontractors generally grant credit period of 30 to 45 days from the invoice date. During the Track Record Period, there has been no default in making payment by our customer to us in relation to work performed by our subcontractors.

For those subcontractors who are required to source and supply materials as part of their subcontract services, we provide specifications for the materials. Should the subcontractors request us to procure these materials on their behalf, the subcontractors reimburse us for the cost of such materials.

Our subcontractors are neither our employees nor agents and we are not a party to the employment arrangements between our subcontractors and their employees. As the subcontractors are responsible for providing the workers, relevant labour costs are borne by our subcontractors.

We may be liable to our customers for the performance of our subcontractors and we may also be liable to any potential employee compensation claims and personal injury claims made by the employees of our subcontractors arising from work injuries in our projects, as may happen from time to time.

Top Five Subcontractors

In FY2016, FY2017 and FY2018, our five largest subcontractors, each an Independent Third Party, accounted for 10.0%, 9.6% and 9.0% of our total cost of sales, respectively. Our single largest subcontractor accounted for 3.0%, 2.4% and 3.4% of our total cost of sales for the corresponding periods.

The table below sets out information on our top five subcontractors during the Track Record Period:

For FY2016

Subcontractor	Background	Work subcontracted	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Subcontractor A	Hong Kong-listed conglomerate that is principally engaged in the construction and engineering, insurance and investment, property development and hotel, senior housing, car dealership and enterprise and network solutions businesses	Supply of labour, tools and equipment for mechanical and electrical installation	13	116,453	3.0%	14 days upon receipt of payment from the employer; Cheque payment

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Subcontractor	Background	Work subcontracted	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Subcontractor B	Hong Kong-incorporated subcontractor for electrical installation works	Supply of labour, tools and materials for electrical installation	5	103,441	2.7%	30-45 days from the date of invoice; Cheque payment
Subcontractor C	Hong Kong-incorporated subcontractor for electrical installation works	Supply of labour, tools and materials for electrical installation	16	74,707	1.9%	30-45 days from the date of invoice; Cheque payment
Subcontractor D	Hong Kong-incorporated subcontractor for plumbing and drainage installation works	Supply of labour, tools and materials for plumbing and drainage installation	11	53,995	1.4%	30 days from the date of invoice; Cheque payment
Subcontractor E	Hong Kong-incorporated subcontractor for fire services installation works	Design and supply of fire services installation	4	39,221	1.0%	30 days from the date of invoice; Cheque payment

For FY2017

Subcontractor	Background	Work subcontracted	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Subcontractor B	See table above	See table above	5	96,865	2.4%	See table above
Subcontractor F	Hong Kong-incorporated subcontractor for HVAC installation works	Supply of labour, tools and materials for HVAC installation	3	91,912	2.3%	30 days from the date of invoice; Cheque payment
Subcontractor C	See table above	See table above	16	87,438	2.2%	See table above
Subcontractor A	See table above	See table above	13	61,251	1.5%	See table above
Subcontractor D	See table above	See table above	11	48,161	1.2%	See table above

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For FY2018

Subcontractor	Background	Work subcontracted	Year(s) of business relationship with us	Amount of costs <i>(HK\$'000)</i>	% of our total cost of sales	Credit terms and payment method
Subcontractor B	See table above	See table above	5	171,302	3.4%	See table above
Subcontractor C	See table above	See table above	16	90,172	1.8%	See table above
Subcontractor G	A Hong Kong-listed property and asset management services provider in Hong Kong and Mainland China with a market capitalisation of around HK\$215 million as at the Latest Practicable Date	Design and/or supply of labour, tools and materials for civil and builder works	1	74,743	1.5%	30 days from date of invoice; Cheque payment
Subcontractor H	Hong Kong based information and communications technology company listed on Hong Kong Stock Exchange with a market capitalisation of around HK\$35 billion as at the Latest Practicable Date	Design, supply and installation for ELV works and telecommunications systems	26	61,569	1.2%	7-45 days from the date of invoice; Cheque payment
Subcontractor F	See table above	See table above	3	54,036	1.1%	See table above

To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest subcontractors during the Track Record Period. None of our five largest subcontractors during the Track Record Period is our customer.

Consultancy Arrangements

We engage consultants on some of our projects and business operations, and structural engineers for structural engineering and design. This arrangement is from time to time adopted in various business segments of our Group in our operations. In FY2016, FY2017 and FY2018, our Group engaged 29, 32 and 26 consultants (the “**General Consultants**”), respectively, on our projects and business operations for the provision of advisory services on our projects, such as preparation of tender, project design on architecture/ civil engineering and execution,

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contract advice and administration, quantity survey and project planning. These consultants included, among others, international conglomerates, contract advisory service providers and specialised design, technical and commissioning consultancy companies, some of which are middle- or large- scale and experienced consultancy firms. Please also see “Financial Information — Description and Management Discussion and Analysis of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Administrative expenses” for information between the consultancy arrangements of our Group and the PRC Local Consultants (as defined in the aforementioned section and are not categorised as General Consultants) for our environmental engineering business in Mainland China.

The engagement of General Consultants had been disclosed to and/or approved by the relevant project customers of our Group where required under our respective agreements and engagements with them. Our Directors believe that this is consistent with the industry practice and not uncommon in the E&M engineering industry.

To the best of the knowledge of our Directors, save that Mr. Fong Chun Yau (a shareholder of 5% of the Shares of our Company as at the Latest Practicable Date and a former director, supervisor and/or shareholder of a number of our Company’s subsidiaries) is an employee of one of the General Consultants (“**Consultant A**”), the General Consultants engaged by our Group during the Track Record Period are Independent Third Parties and have no past or present relationship with our Group, the directors, senior management and shareholders of our Group members and their respective associates, except for our engagement of such General Consultants on our projects and business operations as disclosed above. For more information on Mr. Fong Chun Yau, please see “History, Reorganisation and Corporate Structure”. To the best knowledge of our Directors, Mr. Fong joined Consultant A after he had resigned as our Director and ceased his various offices with our Group in August 2015. Our Group has a long term business relationship with Consultant A and has engaged it since 2005 on various projects from time to time to provide advisory services mainly for contract advice and administration, cost control and monitoring system, quantity survey, contract management, contracts engineering, and final account settlement services. Having considered (i) Consultant A’s extensive experience in the E&M engineering market, its expertise in the provision of the above advisory services required by our Group from time to time, and its in-depth understanding of the specific requirements of our Group developed in the course of our business relationship of over ten years, and (ii) the internal control measures adopted by our Group in the selection of new and existing suppliers and subcontractors, which include General Consultants, as well as joint venture partners and their significant vendors (including consultants) and subcontractors, on our projects (details of which are disclosed in “History, Reorganisation and Corporate Structure — The Macau Incident - Internal control on selection of joint venture partner(s) and their vendor(s)”), our Directors considered the continued engagement of Consultant A by our Group is in the interest of our Company and its Shareholders as a whole notwithstanding that Consultant A employed Mr. Fong as its employee at its discretion after he left our Group.

In FY2016, FY2017 and FY2018, the aggregate amount of consultancy fees invoiced by the General Consultants and incurred by our Group amounted to HK\$31.2 million, HK\$31.2 million and HK\$34.2 million, respectively.

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SUPPLY OF MATERIALS AND EQUIPMENT

The principal materials and equipment used by our business include HVAC equipment, electrical equipment, fire services equipment, plumbing and drainage equipment, ELV equipment, water and wastewater treatment chemicals and equipment, security and access control system components, lift and escalator components, pipes, sheet metal and cables. During the Track Record Period, most of these materials and equipment were sourced from Hong Kong and international companies with local agents or sales channels in Hong Kong. For projects in Mainland China, most of the materials and equipment were sourced from local suppliers.

Suppliers

During the Track Record Period, our major suppliers included suppliers of E&M engineering equipment and parts, pipes and cable. We have had business relationships with most of our top five suppliers for over 10 years. We have excellent relationships with our major suppliers and had no material difficulty in sourcing materials and equipment during the Track Record Period.

To ensure consistency in quality, purchase orders are only placed with companies that are on our lists of approved suppliers. Similar to our selection of subcontractors, we maintain two internal lists of suppliers who are evaluated and approved by us. The first list consists of suppliers with longer business relationships and a history of satisfactory performance with our Group. The second list consists of probationary suppliers.

We select suppliers for inclusion into our internal approved lists of suppliers based on factors similar to those we use for our selection of subcontractors, and the quality and price of their supplies. Some clients may nominate suppliers to us or require us to purchase from suppliers on their list of approved suppliers, but they have to go through the same process to be listed as approved suppliers before we place orders with them. We review our approved supplier list annually and appraise their performance annually in order to maintain a strong base of reliable material suppliers at competitive prices for the required materials and equipment. We generally have more than one supplier on our approved supplier list for most of our material and equipment inputs. As at 31 December 2018, there were over 1,000 suppliers on our lists of approved suppliers.

Procurement Process and Supply Arrangements

We usually enter into supply contracts with our suppliers on a project basis, based on the requirements of each project. For supply contracts with contract sum over a fixed amount, we select suppliers through a tender process and source price quotations from at least three potential suppliers.

We order materials based on the progress of each project. We conduct on-site inspection of our supplies as materials are received before acceptance, in order to ensure they meet our specifications and quality requirements. During the Track Record Period, we have not

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experienced any significant price increases in materials, or shortages or delays in delivery of materials by our suppliers or dispute with our suppliers causing material disruption to our operation. We take into consideration the increase in costs of materials and transfer a portion of the actual or anticipated price increases to our customers when we tender for projects. Please see “Financial Information — Key Factors Affecting our Results of Operations — Fluctuation in Cost of Sales and Services” for sensitivity analysis illustrating the impact of hypothetical fluctuations in the costs of raw materials and subcontracting on pre-tax profit during the Track Record Period.

We normally settle by cheque or telegraphic transfer. Our suppliers usually grant us credit periods of 30 to 60 days from the invoice date of the relevant purchases.

Top Five Suppliers

In FY2016, FY2017 and FY2018, our five largest suppliers accounted for 5.0%, 4.7% and 3.9% of our total costs of sales, respectively. Our single largest supplier accounted for 1.4%, 1.4% and 1.5% of our total costs of sales during the same periods, respectively.

The table below sets out information on our top five suppliers during the Track Record Period:

For FY2016

Supplier	Background	Materials supplied	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Supplier A	A multinational corporation listed on the Paris Stock Exchange that specialises in energy management and automation solutions with a market capitalisation of around €40 billion as at the Latest Practicable Date	Electrical switchgear and equipment	12	52,717	1.4%	60 days from the date of invoice; Cheque payment
Supplier B	Hong Kong-incorporated supplier of cables and cable enclosures and related products	Cables	4	38,815	1.0%	60 days from the date of invoice; Cheque payment
Supplier C	Hong Kong-incorporated supplier of water and wastewater treatment equipment	Pumps, plant treatment equipment and accessories	13	36,371	0.9%	45 days from the date of invoice; Cheque payment

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Supplier	Background	Materials supplied	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Supplier D	Hong Kong-incorporated supplier of wires and cables	Cables	4	33,758	0.9%	30-60 days from the date of invoice; Cheque payment
Supplier E	Hong Kong-incorporated supplier of wires and cables	Cables	13	31,513	0.8%	30-45 days from the date of invoice; Cheque payment

For FY2017

Supplier	Background	Materials supplied	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Supplier F	U.S. supplier of on-site chlorine and sodium hypochlorite generation systems	Plant treatment equipment and accessories	2	58,281	1.4%	15-30 days from the date of invoice; Telegraphic transfer or letters of credit
Supplier A	See table above	See table above	12	51,760	1.3%	See table above
Supplier E	See table above	See table above	13	32,771	0.8%	See table above
Supplier G	Hong Kong- incorporated supplier of E&M engineering equipment and building products	E&M equipment	17	27,637	0.7%	30 days from the date of invoice; Cheque payment
Supplier D	See table above	See table above	4	20,652	0.5%	See table above

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For FY2018

Supplier	Background	Materials supplied	Years of business relationship with us	Amount of costs	% of our total cost of sales	Credit terms and payment method
				<i>(HK\$'000)</i>		
Supplier A	See table above	See table above	12	78,461	1.5%	See table above
Supplier D	See table above	See table above	4	33,986	0.7%	See table above
Supplier B	See table above	See table above	4	29,715	0.6%	See table above
Supplier H	Hong Kong-incorporated supplier of cables	Cables	4	29,515	0.6%	60 days from date of invoice; Cheque payment
Supplier I	Hong Kong-incorporated supplier of plumbing and drainage equipment	Plumbing and drainage equipment	1	23,960	0.5%	60 days from date of invoice; Cheque payment

To the best of the knowledge of our Directors, none of our directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period is our customer.

COST CONTROLS

Cost overruns, whether due to unfavourable construction conditions, inefficiency of other parties involved in the project, inaccurate estimates or other factors such as delay in work progress arising from disputes or incoordination among the parties involved, which are not uncommon, may result in a lower profit or even a loss on a project. Please see “Risk Factors — If we are unable to accurately estimate the risks, progress, revenues or costs when we enter into contracts or fail to perform our contracts based on our estimates, or if we fail to agree on the pricing of work done pursuant to variation orders or otherwise, we may be unable to realise the anticipated profits or incur losses on the contracts”.

We implement a cost control and management system covering different aspects of our operations to control and monitor the costs of our projects in order to avoid or reduce the impact of cost overruns.

Tender

We have developed a systematic tender assessment process involving a thorough analysis by our tender submission committee of each project to be undertaken by our Group, including its contract requirements, possible risks, potential costs structure and expected completion schedule. Based on this analysis, our management would be able to estimate the profitability and cost recovery prospects of these projects prior to the submission of tender.

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In pricing our tenders, we make references to a wide range of relevant factors, such as equipment and manpower requirements of the project, material and labour costs estimated to be incurred for the project, subcontractor quotations, as well as expected price trends during the term of the project, in order for us to attain a competitive tender while remaining profitable and avoiding any underpriced tender that may increase the possibility of cost overrun. We have also established stable business relationships with most of our major suppliers and subcontractors, which enable us to control budget and scheduling.

For details, please see “Our Operations — Building Services, Environmental Engineering and ICBT Operations — Preparation and Review of Tenders and Contracts” in this section above.

Project management

We have implemented a time and cost estimation process for our projects that enables our Group to operate in line with our pricing strategies. We monitor work progress through our project management reports and our financial control register, which provide a means of charting our expenditures of resources, such as cumulative costs and manpower which allow us to determine whether our projects are carried out on schedule in accordance with our respective project execution plans and within our budgeted costs, and manage any foreseeable cost overruns.

Moreover, our service contracts usually provide for progress payments to be made on a monthly basis or milestone payments to be made upon achievement of defined stages of progress as agreed with the customer. During the project implementation stage, our project management team monitors the work progress of the project and make progress payment applications on a timely basis. For details, please see “Our Operations — Building Services, Environmental Engineering and ICBT Operations — Key terms of contracts with our customers — Progress payments” in this section above.

Subcontracting

We generally subcontract labour works to selected subcontractors based on the labour-intensiveness of the work involved, and may also subcontract other works according to specialist requirements and the need for cost effectiveness. This enables us to obviate the need for keeping a large number of workers under our permanent employment, thereby giving us the feasibility to deploy our resources more cost effectively without compromising our quality.

Our subcontracting agreements generally provide a back-to-back defect liability period in line with that under our contracts with customers, during which any defects in the work delivered to our customers that are caused by our subcontractors would be rectified by them at their costs. Retention money withheld from our payment to subcontractors is generally only fully released to subcontractors upon issue of a certificate after the end of their defect liability

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period proving that any defects in their works have been rectified. For other protective clauses in the contracts with our subcontractors, see “Subcontracting — Principal Terms of Subcontracting Arrangements”.

Our Directors consider that our cost control and management system is effective in reducing the impact of cost overrun since we only had five projects that recorded cumulative loss over HK\$30 million during the Track Record Period mainly due to delay or extension of project period and cost overrun in certain joint venture project. We incurred additional costs and losses for the delayed projects as a result of factors not under our control, such as (i) other parties engaged in the projects, such as civil contractors as our E&M works could only commence after the civil works have been largely completed; (ii) design changes; (iii) unforeseeable site conditions or requirements; or (iv) engaging additional subcontractors for the project.

QUALITY CONTROLS

We aim to achieve total customer satisfaction by delivering high-quality, reliable engineering services and products. Our quality management system meets the ISO 9001:2015 standards and is subject to ongoing improvements.

At the commencement of a project, we prepare a project quality plan and assess the safety risks and the environmental impacts of the project. During project implementation, the schedule and plan will be reviewed regularly to ensure compliance. We conduct inspection on a regular basis to ensure that the project complies with the requirements as set out contractually and in regulatory guidelines.

Quality Control Personnel

Management monitors the progress of each project to ensure that our services meet our customers’ requirements, are completed within the time stipulated in the contract, are completed within the budget allocated for the project, and comply with all relevant and applicable rules and regulations.

We assign at least one experienced engineer-in-charge for each of our projects as the first line of monitoring on quality. Our project managers are responsible for the overall monitoring of work quality and progress of the project. They are responsible for ensuring that our team members are qualified and trained in the relevant disciplines sufficiently to perform the duties of their position in satisfactory manner. Finally, project managers are responsible for ensuring that work is completed according to schedule. We appoint quality control employees to review relevant certificates and documentation of raw materials and conduct verification, inspections and supervision.

Equipment and materials

We monitor the quality of purchased materials and equipment required for our contracts. Prior to placing orders for raw materials with our suppliers, we usually obtain certificates from

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our suppliers setting out their specifications, in order to ensure that materials are up to the quality standards specified in our contracts with customers. All materials are delivered for our initial inspection before utilisation. Inspection includes checking of the type and quantity of raw materials delivered, and whether there is any observable defect. Any defective materials or materials that fall short of specified quality standards would be returned to our suppliers for replacement. During the Track Record Period, there had been no material incident where our materials were returned to our suppliers due to quality deficiencies.

Subcontractors and Suppliers

We maintain internal approved lists of subcontractors and suppliers based on a set of selection criteria and periodic performance appraisals. For details on our quality control for our subcontractors and suppliers, please see “Subcontracting” and “Supply of Materials and Equipment” above.

Project Execution and Quality Inspections

We keep track of the work progress for our projects with our project management control reports and our financial control register, which chart our expenditures of resources, such as cumulative costs and manpower, for each project over the project period, and allow us to determine whether our projects are carried out on schedule in accordance with our respective project execution plans and within our budgeted costs, and better manage any foreseeable cost overruns in our projects.

Our engineers-in-charge assist our project managers and management to monitor overall work quality and project progress, perform on-site inspections, supervise site workers on a daily basis, and report the project status and any quality issues arising from project execution to our management on a timely basis.

In respect of any non-conforming installations or other quality issues identified in our projects, our engineers-in-charge shall determine an appropriate course of remedial actions such as rectification, rework or further installation work to obtain conformity after taking into account factors including the nature of non-conformity and estimated costs for the remedial actions. We will conduct re-inspection after remedial actions have been taken to ensure the identified quality issues have been resolved.

Upon completion of each project, our engineer-in-charge also conducts a final handover inspection and testing and commissioning to confirm that our work has been completed in accordance with our customer’s requirements and quality standards, as well as the relevant statutory and regulatory requirements.

Quality Management System

In respect of our quality management system, we manage our processes in accordance with the “plan-do-check-act” approach and incorporate feedbacks obtained from process controls, evaluations and indications of customer satisfaction for our continual improvement.

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We have established a customer satisfaction survey program for monitoring customer satisfaction with our products and services. The survey helps to identify gaps in our quality management system. We use it to initiate corrective actions in a timely manner to address quality issues and to improve our quality management system. During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaints about quality of our products and services.

Our management regularly reviews the resources required to implement, maintain and improve our quality management system. We ensure that our operations are carried out by persons who are duly qualified and adequately trained, who have the appropriate level of knowledge, skills and experience to conduct their jobs, and who are physically able to perform the required job functions.

We appoint quality, safety and environmental (“**QSE**”) coordinators from various departments of our Group to:

- Carry out project pre-implementation work, including planning of necessary resources and drafting of method statements and risk assessment reports to enhance our QSE controls and compliance;
- Assist, and work together with, our management to implement and maintain our quality management system;
- Conduct regular checks, inspections and supervisions to execute projects satisfactorily and in conformity with the contract requirements;
- Provide training on QSE matters;
- Establish and review QSE objectives applicable to our operations; and
- Propose corrective and preventive actions and recommendations for improvement of our quality management system.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the E&M engineering market in Hong Kong is fragmented with the top five players contributing to approximately 21.5% of the entire market in terms of revenue in 2018. Entry barrier mainly includes technical know-how and licensing requirement, track record and relationship with clients, main contractors, suppliers and subcontractors, and management and delivery capabilities.

Please see “Industry Overview” for further information on our market and competition.

SEASONALITY

Due to the nature of our business which is project-based, we did not have any significant seasonal trends during the Track Record Period.

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CERTIFICATIONS, AWARDS AND RECOGNITIONS

Certifications

The following table sets out the major certifications which we have received:

Nature	Certification	Awarding organisation or authority	Recipient	Period of validity
Quality Management System.....	ISO9001:2015	Hong Kong Quality Assurance Agency	(1) Analogue Technical Agencies	(1) 20/12/2007 to 19/12/2019
			(2) Anlev Elex Elevator	(2) 30/5/1996 to 27/12/2021
			(3) ATAL Building Services	(3) 27/9/2010 to 26/9/2019
			(4) ATAL Data Centre Infrastructure	(4) 27/2/2015 to 26/2/2021
			(5) ATAL Engineering	(5) 4/5/1995 to 27/4/2020
			(6) ATAL Technologies	(6) 1/4/2011 to 31/3/2020
Environmental Management System.....	ISO14001:2015	Hong Kong Quality Assurance Agency	(1) Anlev Elex Elevator	(1) 28/12/2006 to 27/12/2021
			(2) ATAL Building Services	(2) 25/11/2010 to 24/11/2019
			(3) ATAL Data Centre Infrastructure	(3) 27/2/2015 to 26/2/2021
			(4) ATAL Engineering	(4) 28/4/2005 to 27/4/2020
			(5) ATAL Technologies	(5) 1/4/2011 to 31/3/2020
Occupational Health and Safety Management System.....	OHSAS18001:2007	Hong Kong Quality Assurance Agency	(1) Anlev Elex Elevator	(1) 28/4/2008 to 11/3/2021
			(2) ATAL Building Services	(2) 25/11/2010 to 24/11/2019
			(3) ATAL Data Centre Infrastructure	(3) 27/2/2015 to 26/2/2021
			(4) ATAL Engineering	(4) 29/4/2002 to 28/4/2020
			(5) ATAL Technologies	(5) 30/8/2017 to 29/8/2020
Quality Management System.....	GB/T19001-2016 / ISO9001:2015	Beijing Zhong Lian Tian Run Certification Center	(1) Analogue Technical Agencies (Shanghai)	(1) 14/8/2018 to 13/8/2021
			(2) ATAL Engineering (Shanghai)	(2) 30/8/2017 to 29/8/2020
Quality Management System.....	GBT50430-2007	Beijing Zhong Lian Tian Run Certification Center	ATAL Engineering (Shanghai)	30/8/2017 to 29/8/2020

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Nature	Certification	Awarding organisation or authority	Recipient	Period of validity
Environmental Management System.....	GB/T24001-2016 / ISO14001:2015	Beijing Zhong Lian Tian Run Certification Center	(1) Analogue Technical Agencies (Shanghai) (2) ATAL Engineering (Shanghai)	(1) 14/8/2018 to 13/8/2021 (2) 8/8/2018 to 7/8/2021
Occupational Health and Safety Management System.....	GB/T28001-2011 / OHSAS18001:2007	Beijing Zhong Lian Tian Run Certification Center	(1) Analogue Technical Agencies (Shanghai) (2) ATAL Engineering (Shanghai)	(1) 14/8/2018 to 11/3/2021 (2) 8/8/2018 to 11/3/2021
Quality Management System.....	ISO9001:2015	British Standards Institution	Nanjing Anlev Elevator	29/6/2018 to 28/6/2021
Environmental Management System	ISO14001:2015	British Standards Institution	Nanjing Anlev Elevator	29/6/2018 to 28/6/2021

Our certifications demonstrate that we have achieved an international standard of quality construction management in an environmental friendly manner. We implement our commitment to ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety Management) standards by setting internal targets and guidelines that align to the performance indicators of the ISO standards.

Awards and Recognitions

During the Track Record Period, our Group and the projects in which we participated received recognition for our achievements and performance from various organisations. The table below sets out major examples of such awards:

Award	Year	Issuer of Award	Business segment	Recipient
Construction Industry Safety Awards Scheme 2018/2019 “Gold Award” (Building Construction Sites — Subcontractors category)* (建造業安全獎勵計劃2018/2019 樓宇建造地盤 — 次承辦商)『金獎』)	2019	Hong Kong Labour Department	Building services	ATAL Engineering
2018 Guangdong Province Construction and Engineering Gold Award and Quality Award* (2018 年度廣東省建設工程金匠獎及優質獎)	2018	Guangdong Province Construction Association* (廣東省建築業協會)	Building services	ATAL Engineering (Shanghai)

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Award	Year	Issuer of Award	Business segment	Recipient
China Installation Works Merit Award 2017/2018 (Second Batch)* (2017-18年度(第二批)中國安裝工程優質獎(中國安裝之星)) — shortlisted and recognised as an Outstanding Contributor* (突出貢獻者)	2018	China Installation Association* (中國安裝協會)	Building services	ATAL Engineering (Shanghai)
The 6th Construction Industry Safety Awards Scheme 2018 — “Merit Award” in the “Best Renovation and Repair and Maintenance Works Subcontractor in Occupational Health and Safety” category* (第六屆建築業安全施工獎勵計劃 — 最佳職安健裝修及維修保養承造商 — 『優異獎』)	2018	Macau Labour Affairs Bureau	Building services	Analogue Building Services (Macao)
The 6th Construction Industry Safety Awards Scheme 2018 — “Merit Award” in the “Best Safety Management Team” category* (第六屆建築業安全施工獎勵計劃 — 最佳安全管理人員 — 『優異獎』)	2018	Macau Labour Affairs Bureau	Building services	Analogue Building Services (Macao)
Construction Sites Safety and Housekeeping Award Scheme 2018 — Half-yearly Outstanding Performance Award in Maintenance Contracts of E&M Branch Category and E&M Works Contracts Category	2018	Hong Kong Drainage Services Department	Environmental Engineering	ATAL Engineering
Construction Sites Safety and Housekeeping Award Scheme 2018 — Best Construction Sites Safety and Housekeeping Award in the Large Scale Civil Works Contracts category	2018	Hong Kong Drainage Services Department	Environmental Engineering	ATAL Engineering
19th Construction Safety Competition — Silver Award for “Best Refurbishment and Maintenance Contractor in Occupation Safety and Health” in the Main Contractor category	2018	Hong Kong Occupational Safety and Health Council	Lift & Escalator	Anlev Elex Elevator
BEAM Plus Certification 2018 — Final Platinum rating under BEAM Plus for New Buildings Version 1.1	2018	Hong Kong Green Building Council	Environmental engineering	ATAL Engineering
CIC Sustainable Construction Award 2018 — Merit Award of Contractor in RMAA Works (Repair, Maintenance, Alternation and Addition Works) in respect of the Refurbishment of Central to Mid-Levels Escalator and Walkway System	2018	Hong Kong Construction Industry Council	Lift & Escalator	Anlev Elex Elevator

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Award	Year	Issuer of Award	Business segment	Recipient
2018 HKMA Quality Award: Excellence Award	2018	Hong Kong Management Association	Lift & Escalator	Anlev Elex Elevator
Construction Safety Awards Scheme 2016/2017 Building Construction (Worksites Subcontractor) - “Bronze Award” (建造業安全獎勵計劃2016/2017 樓宇建造地盤(次承辦商) 『銅獎』)	2017	Hong Kong Labour Department	Building services	ATAL Building Services Engineering
Construction Safety Awards Scheme 2016/2017 Civil Engineering Construction (Worksites Subcontractor) - “Merit Award” (建造業安全獎勵計劃2016/2017 土木工程建造地盤 (次承辦商) 『優異獎』)	2017	Hong Kong Labour Department	Building services	ATAL Engineering
15th Tien-yow Jeme Civil Engineering Prize* (第十五屆中國土木工程詹天佑獎)	2017	China Civil Engineering Society and the Beijing Tien-Yow Jeme Foundation for Development of Science and Technology in Civil Engineering	Environmental engineering	ATAL Engineering
Hong Kong Green Award 2017 - Green Management Award (Large Corporation) - Project Management — Bronze 香港綠色企業大獎 2017	2017	Green Council	Environmental engineering	China State - ATAL Joint Venture
Autodesk Hong Kong BIM Award 2017	2017	Autodesk, Inc.	Environmental engineering	China State - ATAL Joint Venture
2016 ASHRAE Regional XIII Technology Award in the “Commercial Building” category	2016	ASHRAE	Building services	ATAL Building Services Engineering
Construction Sites Housekeeping Award Scheme 2016 — Half-Yearly Outstanding Performance Award in the “Maintenance Contracts of E&M Branch” category and “Large Scale Civil Works Contracts” category	2016	Hong Kong Drainage Services Department	Environmental engineering	ATAL Engineering
Construction Safety Awards Scheme 2015/2016 Worksites Subcontractor of Building Construction - “Bronze Award” (建造業安全施工獎勵計劃2015/2016 樓宇建造地盤單項工程分判商 『銅獎』)	2016	Macau Labour Affairs Bureau	Building services	ATAL Building Services (Macao)

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Award	Year	Issuer of Award	Business segment	Recipient
Construction Safety Awards Scheme 2015/2016 Best Safety Management System - “Merit Award” (建造業安全施工獎勵計劃2015/2016 最佳安全管理制度『優異獎』)	2016	Macau Labour Affairs Bureau	Building services	ATAL Building Services (Macao)
Construction Safety Awards Scheme 2015/2016 Best Safety Management Team in the “Macau” category - “Merit Award” (建造業安全施工獎勵計劃2015/2016 最佳安全管理人員 — 澳門組別『優異獎』)	2016	Macau Labour Affairs Bureau	Building services	ATAL Building Services (Macao)
Asia Pacific Intelligent Green Building Alliance Hong Kong Award: Excellent Intelligent Green Building System Award - Hong Kong 亞太地區智慧綠建築評選: Excellent Intelligent Green Building System Award - Hong Kong	2016	Asia Pacific Intelligent Green Building Alliance (Hong Kong Region)	ICBT	ATAL Building Services Engineering

EMPLOYEES

We had a total of 2,166 employees as at 31 December 2018. The following table provides a breakdown of the number of our employees by function and geographical location as at 31 December 2018.

Number of employees by function and location	Hong Kong	Macau	Mainland China	Total
Engineering and Technical Operations	1,684	55	234	1,973
Finance	40	0	11	51
Quality, Safety & Environment.....	31	4	13	48
Human resources, Legal, Corporate Communications, Administration, IT and Others	81	1	12	94
Total	<u>1,836</u>	<u>60</u>	<u>270</u>	<u>2,166</u>

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Our success depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including managers and employees. We emphasise internal promotion in order to offer long-term career development and performance incentives to our employees. We believe internal promotion is an important way to promote employee satisfaction, which in turn enables us to improve service quality, enjoy a low turnover rate and remain competitive. Talented employees are identified through comprehensive system of evaluation, including training results, business and technical skills, and customer satisfaction.

We offer attractive remuneration packages, including competitive fixed salaries, sales commissions, discretionary year-end bonuses and discretionary incentive bonuses. Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation.

Our employee costs include all salaries and benefits payable to our employees, including executive Directors, managers and general employees. Employee costs represented 18.5%, 18.6% and 16.9% of revenue for FY2016, FY2017 and FY2018, respectively.

Due to changes in local labour laws and the general upward market trend, the salary level of employees in the construction and engineering industry in Hong Kong has increased in recent years. We expect our employee costs to continue to increase as inflationary pressures in Hong Kong drive up wages. As at 31 December 2018, none of our employees were paid at the statutory minimum wage. Further increases in the statutory minimum wage should not have material adverse impact on our operations or financial results.

We generally recruit our employees in Hong Kong, Macau and Mainland China directly. In a limited number of cases, we may work with independent third party employment agencies to engage certain of our employees in Mainland China. We make social security and housing fund contributions for the employees engaged for our Group by such employment agencies and we remain primarily responsible for supervising and managing the employees, as well as providing them with the training required to perform their duties.

During the Track Record Period and up to the Latest Practicable Date, we have complied with the applicable employment and labour laws and regulations in all material respects, and we have not experienced any material labour disputes with our employees.

Training Programs

We organise comprehensive training programs for our employees, in order to ensure the quality of our employees at all levels and to recruit future generations of management personnel. The goal of the training programs is to identify talent, with the aim of providing upward mobility within our Group and fostering employee loyalty. The programs incorporate mentoring, coaching and training.

We provide internal training to our incoming and existing employees on general and technical knowledge and skills in respect of quality, safety, and environment, project management, standards and codes, risk assessment and specialised knowledge in their respective service segments.

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Nurturing young engineers is core to the sustainability of our business. Each year, we recruit a number of engineering graduates from local and overseas universities for the position of graduate trainee under various engineering disciplines. These graduate trainees undergo a two or three-year Scheme 'A' Training Program accredited by the Hong Kong Institute of Engineers. Mentors are assigned to provide regular coaching and guidance to our graduate trainees throughout their training with our Group. Job rotation is also arranged to enable our graduate trainees to gain an all-round exposure to the various disciplines and functions within our Group and maximise their training and learning experience. The Scheme 'A' Training Program is provided to graduate trainees with the aim to enabling them to become qualified engineers.

We offer students of the Vocational Training Council of Hong Kong to join our three or four-year Apprenticeship Training Program as apprentices with an aim to train up multi-skilled technical staff. To ensure effective learning of practical skills, we have combined a mentoring system with our regular in-house workshop training for our apprentices, in order to provide the apprentices with on-the-job experience by assigning practical work to them. The aim of the Apprenticeship Training Program is to enable the apprentices to become qualified and skilled technicians.

In addition, we have implemented several well-structured, fast-track development programs which target professionals with high potentials. We offer a nine-month Talent Grooming Program for our professional grade employees. The program offers action learning, practice-based instruction on personal communication skills, company visits and business project.

For our executive grade employees identified for fast track development as future leaders, we provide a one-year Executive Development Program. We engage external consultants and specialists to develop advanced training courses for the program, focusing on leadership development, people management and innovation. The training includes management sharing, action learning and experiential activities on leadership, change management and building team skills and a business project in place to reinforce the skills learned.

We promote a culture of lifelong learning, and encourage our employees to enroll in training courses to continuously develop their soft skills and raise their standards of service and competence. Under our part-time degree sponsorship program, we encourage diploma holders to pursue undergraduate engineering degree programs with the aim to become qualified engineers. Other training sponsorship will also be provided for employees to attend training on subjects such as quality, finance, safety, project management.

Recruitment

Recruitment is highly competitive, especially for operational employees and engineers. We believe we are able to attract and hire high-quality employees by offering competitive

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wages and benefits, focused training, and internal promotion opportunities. We have a variety of initiatives on recruitment, including recruitment fairs, advertisements in print media, website advertising, on-campus recruitment in universities, use of recruitment agencies and internal referrals.

INTELLECTUAL PROPERTY RIGHTS

We rely on our trademarks and other intellectual property rights, including trade names, our websites, service marks, and domain names which are either owned and registered by us. As at the Latest Practicable Date, we were the registered owner of 46 trademarks, 27 patents, and 8 designs that were relevant to the ordinary course of our business operations.

Details of our intellectual property rights, which are material to our business and operations, are set out in more detail in “B. Further Information about our Business — 2. Material intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we had not been subject to any material intellectual property claims against us, and we had not experienced any infringements of our intellectual property rights.

PROPERTY INTERESTS

As at the Latest Practicable Date, we owned three properties and leased 33 premises in Hong Kong; leased 12 properties in Macau; and had right to use one parcel of land, owned five properties and leased 17 properties in Mainland China. Our leases typically have a term of one to three years. Among the current leases for the 62 properties leased to our Group as at the Latest Practicable Date, 25, 23 and 14 will expire in 2019, 2020 and 2021 or after, respectively.

Lease payments incurred by our Group in relation to the leased properties were HK\$19.2 million, HK\$19.6 million and HK\$37.0 million in FY2016, FY2017 and FY2018, respectively.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 5.01A of the Listing Rules, which require a valuation report with respect to all our interests in land or buildings, for the reason that, as at 31 December 2018, each of the properties which we leased to third party has carrying amount of less than 1% of our consolidated total assets and in aggregate with carrying amount of less than 10% of our consolidated total assets, and none of our remaining properties has a carrying amount of 15% or more of our consolidated total assets.

Properties in Hong Kong

As at the Latest Practicable Date, we owned three properties, which was leased to Independent Third Parties, and leased 33 premises in Hong Kong, including premises for our offices and warehouses, with an aggregate GFA of approximately 141,625 square feet.

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Among the 33 premises leased to our Group in Hong Kong, office premises located on 12/F and 13/F of Island Place Tower, North Point, Hong Kong have been and will continue to be leased to our Group by Perfect Motive pursuant to a lease entered into between ATAL Management Services, our wholly-owned subsidiary, and Perfect Motive on 13 April 2018 (“**Connected Lease**”). Perfect Motive is a wholly owned subsidiary of Wise Eagle, which in turn is owned as to 84.63% by Arling Investment. As Perfect Motive is a controlled entity of Arling Investment, our Controlling Shareholder, it will become a connected person of our Company, and the Connected Lease will accordingly become a connected transaction of our Group, upon the Listing. The term of each of the Connected Lease is from 13 April 2018 to 31 December 2020, and the aggregated rent of the Connected Lease for its entire term is HK\$47,341,512.

Properties in Macau

As at the Latest Practicable Date, we leased 12 properties in Macau, including premises for employee quarters, carparks, warehouses and office, with an aggregate GFA of over 12,445 square feet.

Properties in Mainland China

As at the Latest Practicable Date, in Mainland China, we owned five properties; had the right to use one parcel of land with a gross land area of approximately 294,000 square feet to serve as our production base for the lifts and escalators segment in Nanjing, Mainland China; and also leased 17 properties in Mainland China, with an aggregate gross floor area of over 19,800 square feet, including premises for our office and employee quarters in Mainland China.

INSURANCE

We consider that our insurance coverage is customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we operate.

We maintain insurance for employee compensation, public liability and professional indemnity. Our employee compensation insurance policy covers payments for death, injury or disability of our employees under the relevant employment laws of Hong Kong, with coverage of up to HK\$200 million per relevant event. Our public liability insurance policy covers bodily injury and property damage claims arising from or related to the provision of services and caused by our negligent acts or omissions, or those of our employees, with coverage of up to HK\$30 million per relevant event. Our professional indemnity insurance policy covers any loss or damage suffered by customers due to professional negligence or omission, with coverage of up to HK\$50 million per claim and total coverage of HK\$100 million.

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In addition, we maintain marine cargo insurance. This covers more specific risks for the export and transportation of our lifts, escalators and related products manufactured at our production base in Nanjing, Mainland China to our distributors and direct customers. It also covers the transport of E&M engineering and other equipment to designated project sites, for risks of loss of or damage arising from external causes in transit.

We also ensure that subcontractors arrange and maintain the required insurance to cover liability of our Group that may arise from contract performance by any third party subcontractors we engage.

ENVIRONMENTAL PROTECTION

We aim to ensure that our services are conducted in an environmentally responsible manner. Successful environment management is important for us to meet customer demand for environmental protection and to ensure healthy and sustainable growth in our business.

Our quality, safety and environmental department is responsible for establishing, implementing, and maintaining our environmental management system. We require that our subcontractors and their workers comply with our environmental protection policy by providing education and training. We hold regular meetings with subcontractors to discuss environmental issues during the course of a project. We provide our employees with environmental management and compliance training to ensure compliance with regulatory and internal requirements and to build competency.

We comply with laws and regulations on environmental protection in Hong Kong, Macau and Mainland China. Prior to the commencement of work, we will assess the implications and requirements of the environmental protection laws and regulations and apply for necessary permits (if applicable) to conduct its work. During the Track Record Period and up to the Latest Practicable Date, there have been no material non-compliance with the applicable environmental laws and regulations.

LEGAL COMPLIANCE AND LITIGATION

We have documented the procedures for identifying and accessing legal and other requirements on work standards, occupational health and safety and environmental impact, and maintain a register of legal and other requirements that are applicable to our operations.

As at the Latest Practicable Date, we are in compliance with applicable laws and regulations in all jurisdictions in which we operate in all material respects, and have obtained all necessary approvals, permits, licences, approvals and certificates that are material to our business operations.

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Licences and Permits

The following table summarises our major licences, permits, qualifications and registrations:

	<u>Licence/permit/approval</u>	<u>Holding subsidiary</u>	<u>Granting authority</u>	<u>Date of grant</u>	<u>Expiry date</u>
Hong Kong					
1.	Registered Subcontractor	1) Anlev Elex Elevator 2) ATAL Building Services Engineering 3) ATAL Data Centre Infrastructure 4) ATAL Engineering 5) ATAL — Degremont Joint Venture 6) ATAL — Suez Infrastructure Joint Venture	Construction Industry Council	1) 19 May 2018 2) 5 November 2018 3) 3 May 2017 4) 19 May 2018 5) 11 July 2017 6) 21 November 2017	1) 18 May 2023 2) 4 November 2023 3) 2 May 2024 4) 18 May 2023 5) 10 July 2022 6) 20 November 2022
2.	Registered Electrical Contractor	1) Analogue Technical Agencies 2) Anlev Elex Elevator 3) ATAL Building Services Engineering 4) ATAL Data Centre Infrastructure 5) ATAL Engineering 6) ATAL Technologies	Electrical and Mechanical Services Department	1) 26 April 2018 2) 6 June 2018 3) 5 December 2018 4) 30 March 2017 5) 28 April 2015 6) 18 December 2017	1) 23 August 2021 2) 17 August 2021 3) 11 February 2022 4) 3 July 2020 5) 1 June 2021 6) 1 May 2020
3.	Licensed Security Company (Type III)	1) Analogue Technical Agencies 2) Anlev Elex Elevator 3) ATAL Building Services Engineering 4) ATAL Data Centre Infrastructure 5) ATAL Engineering 6) ATAL Technologies	Security & Guarding Services Industry Authority	1) 8 July 2017 2) 29 May 2015 3) 12 July 2015 4) 6 December 2017 5) 8 July 2012 6) 28 April 2019	1) 7 July 2022 2) 28 May 2020 3) 11 July 2020 4) 5 December 2022 5) 7 July 2022 6) 27 April 2024
4.	Registered Fire Service Installation Contractor (Class 1 & Class 2)	1) ATAL Building Services Engineering 2) ATAL Engineering	Fire Services Department	1) 19 August 2010 2) 9 October 1985	Not applicable
5.	Registered Specialist Contractor for “Ventilation Works”	1) ATAL Building Services engineering 2) ATAL Engineering	Building Authority	1) 4 August 2017 2) 26 May 2015	1) 8 November 2020 2) 26 May 2021
6.	Registered Lift Contractor	Anlev Elex Elevator	Electrical and Mechanical Services Department	16 November 2017	16 December 2022

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	<u>Licence/permit/approval</u>	<u>Holding subsidiary</u>	<u>Granting authority</u>	<u>Date of grant</u>	<u>Expiry date</u>
7.	Registered Escalator Contractor	Anlev Elex Elevator	Electrical and Mechanical Services Department	16 November 2017	16 December 2022
8.	Registered Minor Works Contractor	ATAL Building Services Engineering	Building Authority	23 June 2016	30 April 2022
9.	Registered Specialist Contractor for Lift, Escalator and Passenger Conveyor Installation	Anlev Elex Elevator	Development Bureau	27 July 1993	Not applicable
10.	Registered Specialist Contract of for Audio Electronics Installation	ATAL Building Services Engineering	Development Bureau	5 August 2013	Not applicable
11.	Registered Specialist Contract of for Burglar Alarm and Security Installation	ATAL Building Services Engineering	Development Bureau	5 August 2013	Not applicable
12.	Registered Specialist Contract of for Video Electronics Installation	ATAL Building Services Engineering	Development Bureau	5 August 2013	Not applicable
13.	Registered Specialist Contract of for Broadcast Reception Installation	ATAL Building Services Engineering	Development Bureau	28 August 2017	Not applicable
14.	Registered Specialist Contract of for Radio Electronics Installation	ATAL Building Services Engineering	Development Bureau	28 August 2017	Not applicable
15.	Registered Specialist Contractor for Plumbing Installation (Group II) — on probation	ATAL Building Services Engineering	Development Bureau	7 October 2014	Not applicable
16.	Registered Specialist Contractor for Industrial Type Electrical Installations	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
17.	Registered Specialist Contractor for Air Conditioning and Refrigeration Plants, including Ductwork (Group II)	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
18.	Registered Specialist Contractor for Electronic Installations (Group III)	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
19.	Registered Specialist Contractor for Fire Services Installations (Group II)	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
20.	Registered Specialist Contractor for Supply and Installation of Water Treatment Plant	ATAL Engineering	Development Bureau	27 April 1994	Not applicable

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	<u>Licence/permit/approval</u>	<u>Holding subsidiary</u>	<u>Granting authority</u>	<u>Date of grant</u>	<u>Expiry date</u>
21.	Registered Specialist Contractor for Supply and Installation of Electrical and Mechanical Equipment for Sewage Treatment and Screening Plants	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
22.	Registered Specialist Contractor for Installation of Diesel Generating Sets	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
23.	Registered Specialist Contractor for Uninterruptible Power Supply System	ATAL Engineering	Development Bureau	27 April 1994	Not applicable
24.	Registered Specialist Contractor for Installation of Mechanical Handling and Lifting Appliances	ATAL Engineering	Development Bureau	28 December 1998	Not applicable
25.	Registered Specialist Contractor for Manufacture and Erection of Mechanical Plants and Equipment (Group II)	ATAL Engineering	Development Bureau	28 December 1998	Not applicable
26.	Registered Specialist Contractor for Supply and Installation of Pumpsets and Associated Pipework	ATAL Engineering	Development Bureau	20 June 2000	Not applicable
27.	Satellite Master Antenna Television Licence	ATAL Building Services Engineering	Office of the Communications Authority	24 May 2011	Not applicable
28.	List of Electrical Contractors	ATAL Engineering	Housing Authority	7 April 1999	Not applicable
29.	List of Fire Services and Water Pump Contractors	ATAL Engineering	Housing Authority	5 February 2002	Not applicable
30.	List of Lift and Escalator Contractors (probationary)	Anlev Elex Elevator	Housing Authority	22 March 2018	Not applicable
31.	Wireless Internet of Things Licence	ATAL Technologies	Office of the Communications Authority	20 November 2018	19 November 2023

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	<u>Licence/permit/approval</u>	<u>Holding subsidiary</u>	<u>Granting authority</u>	<u>Date of grant</u>	<u>Expiry date</u>
Mainland China					
32.	Construction Enterprise Qualification Certificate	ATAL Engineering (Shanghai)	Shanghai Municipal Commission of Housing and Urban-Rural Development	22 February 2016	21 February 2021
33.	Production Safety Licence	ATAL Engineering (Shanghai)	Shanghai Municipal Commission of Housing and Urban-Rural Development	19 June 2019	18 June 2022
34.	Manufacture Licence of Special Equipment	Nanjing Anlev Elevator	General Administration of Quality Supervision, Inspection and Quarantine of the PRC	24 March 2017	23 March 2021
35.	Installation, Alteration, Repair & Maintenance Licence of Special Equipment	Nanjing Anlev Elevator	Jiangsu Provincial Administration of Quality and Technology Supervision	13 April 2017	12 April 2021
Macau					
36.	Registration as contractor for execution of construction works	ATAL Engineering (Macao)	Lands, Public Works and Transport Bureau of Macau (澳門土地工務運輸局) (“DSSOPT”)	16/01/2019	31 December 2019
37.	Registration as contractor for execution of construction works	Analogue Building Services (Macao)	DSSOPT	16/01/2019	31 December 2019
38.	Registration as contractor for execution of construction works	ATAL Building Services (Macao)	DSSOPT	16/01/2019	31 December 2019
39.	Registration as contractor for execution of installation and maintenance of fire prevention system works	ATAL Building Services (Macao)	DSSOPT	16/01/2019	31 December 2019

Employees’ certificates and licences

As at 31 December 2018, our employees in Hong Kong and Macau include over 110 individuals with professional qualifications. These include qualified engineers; environmental professionals such as green building professionals under the BEAM and LEED schemes and certified energy assessors; building information management (BIM) professionals; and registered safety officers. We have over 530 trade specialists. Our licenced specialists include registered electrical workers qualified to perform electrical installation and maintenance works under the Electricity Ordinance; registered lift and escalator engineers or workers qualified under the Lifts and Escalators Ordinance; licenced plumbers qualified under the Waterworks Ordinance; registered fire safety installation contractors under the Fire Services Department; and technicians holding permits under the Security and Guarding Services Ordinance qualified

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to carry out security device installation and maintenance works. As at 31 December 2018, over 25 of our employees had professional qualifications in Mainland China, including professional registered constructors and accredited senior and middle-ranked technical workers under the relevant certification regimes as well as safety officers in Mainland China, and 20 of our employees hold licences and/or accreditations for conducting E&M work in Mainland China, including qualified on-site managerial employees and technical employees.

In Hong Kong, according to the Factories and Industrial Undertakings Ordinance, only persons who have had safety training and hold valid certificates (commonly known as the “**Green Card**”) are allowed to carry out construction work at worksites. All of our employees who participate in construction work possess Green Cards. As one of the recognised Green Card course providers in Hong Kong, we also provide basic safety training courses to our employees from time to time for their Green Card applications and renewals. Other than the Green Cards, some of our employees possess the requisite certificates issued pursuant to the Factories and Industrial Undertakings Ordinance or other laws and regulations for carrying out certain types of work, such as work on suspended working platforms and work in confined spaces, or for performing their roles as safety, health and environmental supervisors in our projects.

Our internal control system monitors and updates the permit and registration status of all of our engineering staff and technicians who are registered or hold permits under the relevant laws and regulations. Engineering staff or technicians without valid registrations and permits required under the relevant laws and regulations are strictly prohibited from performing the relevant type of work for our Group or for our customers.

Legal Proceedings

From time to time we have been and may in the future occasionally become involved in legal proceedings or disputes in the ordinary course of business that are common in our industry. In carrying out the ordinary course of business, we are subject to the risk of being named as a party in legal actions, claims and disputes in connection with its business activities. The nature of legal proceedings initiated against us generally include claims for employee compensation by our employees and claims for personal injury alleged to be caused by us. Our monetary exposure with respect to each of the legal proceedings which we were involved in during the Track Record Period, and our aggregate monetary exposure with respect to these legal proceedings, if materialised, has been covered by our insurance and is immaterial to our business operations and financial performance. As at the Latest Practicable Date, to our best knowledge, we were not involved in any pending or threatened litigation or arbitration proceedings pending against us or any of our Directors and senior management that could have a material adverse effect on our business, financial condition or results of operations.

As at the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim that could have a material adverse effect on our business, financial condition or results of operations. So far as our Directors are aware, no such litigation, arbitration or claim is pending or threatened against any member of our Group.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our board of Directors is responsible for establishing an internal controls system and assessing its effectiveness. In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, and finance and auditing, as appropriate for the needs of our organisation. We have established comprehensive risk management tools through which we monitor, evaluate and manage risks related to quality, health and safety, the environment, financial matters, capital management and human resources and other matters that we are exposed to in our business. We intend to review and refine our risk management system regularly, based on changes to our business.

Health and Safety

Health and safety policy

Due to the nature of our industry, work site incidents may have detrimental effects to the health and safety of our worker. Our workers are important to us, and to the successful execution of E&M engineering projects. We endeavour to comply with all relevant laws and regulations on labour, health and safety. We conduct regular evaluation of work site hazards and develop work procedures which protect our workers. We review and update these periodically to maintain their effectiveness.

The main contractors of construction projects have workplace health and safety procedures which all of their subcontractors, including our Group, are required to use on-site. For each of our projects, our on-site safety officer and/or safety supervisor will ensure that our employees as well as our subcontractors adhere to the workplace safety procedures, in conjunction with the safety officers of the main contractors.

Safety management system

We have a customised occupational health and safety management system which emphasises participation of personnel in safety planning, implementation and self-monitoring at the project level, which is in compliance with the OHSAS 18001 international standard. Every safety plan is prepared according to the characteristics of the specific project. We carry out safety measures including training, inspections and permit-to-work control. Our management gives top priority to the health and safety of all our employees, subcontractors and the public. We will continue to dedicate resources and adopt initiatives to uphold and improve safety management in order to reduce health and safety risks in our projects.

Objectives of our occupational, health and safety policies

We formulate our occupational, health and safety policies with the objectives of:

- Prevention of accidents, ill health, occupational disease, occupational health and safety hazards and related risks;
- Compliance with applicable laws, regulations, standards and practices governing health and safety;

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- Incorporation of health and safety principles into contract planning;
- Continuous improvement;
- Accident prevention; and
- Promotion of awareness amongst employees, suppliers and contractors through education, training and publicity programmes on the environment.

Our safety management organisation structure

Our safety management organisation structure generally includes a project manager, a safety officer and safety supervisor(s) for each project.

The project manager's responsibilities include the overall control and monitoring of contractual and technical issues on each project, and the accomplishment of specific duties given the distinct requirements and working environment of projects, including:

- Establishing and reviewing our safety and health policy;
- Developing work plans to ensure the health and safety of our workforce and other project participants in executing our contracts with customers;
- Implementing procedures and systems to put into effect health and safety policy and work plans;
- Assessing implementation in order to take timely corrective and preventive measures;
- Ensuring that project team members are adequately qualified and trained in relevant disciplines to perform the duties of their position in a safe and satisfactory manner;
- Reviewing the adequacy and effectiveness of the safety training; and
- Conducting safety audits and reviewing safety audit reports.

Our safety officers are equipped with knowledge of environmental, health and safety regulations relevant to our businesses, and promote awareness of these requirements among all personnel employed at the work site. They are required to:

- Supervise and monitor the implementation of safety plans and other environmental, health and safety codes of practice established by management and our project managers and ensure compliance by our employees and our subcontractors;
- Assist with the training of new employees at all levels in environmental, health and safety issues and explain potential hazards and corresponding precautions to our team members prior to the commencement of work;

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- Inspect the work site regularly to identify potential health and safety hazards; perform risk and impact assessment of such hazards and report these findings to our project managers with recommendations for corrective measures to eliminate our exposure to such hazards;
- Investigate and report accidents to our project managers with proposed measures to prevent similar accidents in the future;
- Review reports of major accidents and incidents and relevant statistics to identify trends and monitor safety performance; and
- Review the latest legislation and regulatory development on safety issues.

Our safety supervisors assist our project managers and safety officers to carry out their duties, by incorporating environmental, health and safety requirements established by our management and project managers into routine work orders, and by monitoring workers' compliance with the requirements.

If 100 or more workers are on a single construction site on a daily basis or if construction work constitutes HK\$100 million or more of the total contract value for a project, our project manager will establish a project-specific site committee to supervise health and safety and environmental protection on site. The committee monitors the effectiveness of our safety management system and project safety plan; reviews records and trends of accidents; and plans accident prevention initiatives for implementation on the project.

Safety plans and safety measures

We adopt safety plans which our project managers and safety officers monitor and implement to ensure work safety of our employees and our subcontractors' employees. The safety plans identify health and safety requirements under existing laws and regulations, codes of practice, and guidance established internally or by our customers. They also outline the health and safety risks that project participants may be exposed to. The plans are reviewed from time to time to ensure they can effectively assist us to avoid accidents.

On each of our projects, we conduct risk assessment and identify measures at the outset to mitigate health and safety risks associated with the project. After determining the preventive measures we need to take, we implement them in the form of safe working procedures for the identified job hazards. We require periodic updates of risk assessments to reflect current site conditions. Depending on the nature of the hazard identified in the risk assessment, a permit-to-work system may be implemented to control the hazard, such as work in confined spaces and electrical work. Under a permit-to-work system, application for a permit to carry out the work is submitted to the project manager for approval. A permit is issued only after the relevant work site has been inspected. Each permit is valid for one day, and is revalidated after site re-inspection and further authorisation of the project manager.

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If the risk assessment identifies the need for personal protective equipment, such as eye protectors, hearing protection or respiratory protection, the site will adopt a personal protection programme. The site safety induction training and inspection programme covers the personal protection aspect, and special training is also provided for some specific equipment.

We require our subcontractors to adhere to our environmental, health and safety requirements by incorporating the requirements into their contracts with our Group.

We assign a safety officer and/or safety supervisor to each of our projects to monitor our subcontractor's compliance with our environmental, health and safety requirements, to supervise the daily safety maintenance at project work site, and to provide health and safety guidance to our subcontractors' employees.

Safety audits

Safety audits and reviews are carried out at least once every six months in compliance with the Factory and Industrial Undertaking (Safety Management) Regulation. The audits ensure our compliance with our safety plans and the relevant health and safety statutory requirements, and help to evaluate the safety management system and its effectiveness in meeting our policy objectives.

Work injuries and workplace accidents

We have documented procedures to handle and investigate workplace accidents, such as injuries, damage to property, severe pollution and other issues that may have an impact on worker health. Every accident and dangerous incidents on the work site is reported and investigated in accordance with documented procedures in order to identify the underlying causes and to set up control measures to prevent recurrence of similar problems.

The safety officer of the main contractor is responsible for preparing and submitting an investigation report on any occupational accident that has happened at the project site to the Labour Department and the project employer. The safety officer also carries out safety reviews to improve safety measures, if necessary, and to prevent similar accidents in the future. The safety officer is also responsible for updating records on the accident rate of the main contractor.

Our subcontractors are required to report to us if any accidents occur on project work sites and provide us with results of their investigation and analysis of the accidents. Our in-house environmental, health and safety requirements are incorporated into our contracts with subcontractors, and we keep records of all accidents and report the same to our insurers accordingly.

Historical work injuries and accidents

From time to time, our employees or the employees of our subcontractors may be involved in accidents caused by common workplace issues resulting in injuries given the

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nature of our operations. In FY2016, FY2017 and FY2018, we recorded 33, 23 and 8 work injuries and accidents arising out of industrial activities of industrial undertakings as defined under the Factories and Industrial Undertakings Ordinance (“**industrial accidents**”), which involved our employees or our subcontractors’ employees. The causes of these 64 work injuries and industrial accidents are summarised below:

Causes of work injuries and industrial accidents	Number
Strike against or struck by stationary or moving object	26
Slip, trip or fall on same level	20
Fall of person from height	9
Injured while handling manual works	6
Others (<i>Note</i>).....	3
Total	64

Note: Others include industrial accidents caused when using hand tool, exposure to hot, harmful or corrosive substances, temporary hearing loss caused by sudden loud sound, and traffic accident occurred during transportation to the workplace.

All claims arising from, or may arise from, the above 64 industrial accidents, whether settled or outstanding as at the Latest Practicable Date, were or will be covered by insurance and our Directors estimate that our aggregate monetary exposure with respect to these claims, if materialised, is immaterial to our business operations and financial performance. During the Track Record Period and up to the Latest Practicable Date, we had not faced any material charges for industrial accidents at our operation sites, and we had not suffered from any removal, downgrading or demotion of our qualifications or licences.

The accident rates and fatality rates of our Group are consistently lower than the construction industry average, a comparison of the Group’s accident rates and fatality rates against the industry average published by the Labour Department of the Hong Kong Government in FY2016, FY2017 and FY2018 are as follows:

	FY2016	FY2017	FY2018
Accident rate of our Group.....	6.9	4.4	1.6
Accident rate of the construction industry.....	34.5	32.9	Not yet available
Fatality rate of our Group	nil	nil	nil
Fatality rate of the construction industry.....	0.1	0.2	Not yet available

Notes:

- (1) The accident rate and fatality rate in the construction industry for each of FY2016 and FY2017 is extracted from Occupational Safety and Health Statistics Bulletin Issue No. 18 issued by the Occupational Safety and Health Branch, Labour Department of Hong Kong in August 2018, which represents the accident rate/fatality rate per 1,000 workers of the construction industry in Hong Kong in the respective year.

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- (2) The accident rate of our Group is calculated by taking the number of industrial accidents during the year divided by the estimated number of staff members and site workers of our Group (both in-house workers and subcontractors), and multiplied by 1,000. The estimated number of staff members and site workers of our Group during the year is based on estimation on monthly staff members and site workers deployed by our Group.

To improve the safety standards and reduce the re-occurrence of industrial accidents on our projects, we have taken or reinforced the following measures:

1. Our safety supervisors communicate closely with the main contractors to deliver safety updates to subcontractors;
2. Project meetings are held regularly within our project management team to identify and follow up key safety issues;
3. Our safety supervisors perform regular site visits to ensure that all installation works are carried out in accordance with the safety plans issued by the main contractors;
4. Our safety supervisors are responsible for monitoring work safety and report to the main contractors if they note any safety issues;
5. Our project management teams ensure our subcontractors attend all safety trainings provided by the main contractors;
6. Our project management teams distribute updated safety guidelines to our subcontractors on the proper use of equipment and maintenance of safe workplaces;
7. We adopt the permit-to-work systems for high-risk activities;
8. Our senior management conducts regular site visits to identify unsafe practices; and
9. Handy safety tools and devices and task specific pictorial instructions are developed to improve our safety standard.

The industrial accidents and the related claims as disclosed above have not had a material adverse impact on our operational and financial position. All compensation and legal expenses arising out of potential and actual claims are covered by our insurance policies. We continuously improve our safety standards to reduce the re-occurrence of workplace accidents on our projects.

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Corporate Governance and Operations

Tender submission procedure and record-keeping

As we have to prepare tender submissions on a frequent basis, we have set clear guidelines for our tender submission procedures and require our employees to adhere to our internal documentation or record-keeping requirements. A summary of the procedure and record-keeping at the tender preparation stage is summarised below:

	<u>Procedure</u>	<u>Person-in-charge</u>	<u>Records (if any)</u>
1.	Registration of tender enquiry	Clerical staff	Tender enquiry register
2.	Review of tender	Business segment director	If decline: record in the tender enquiry register/ letter of regret; or if proceed: pass on to next step
3.	Review of all technical information, i.e. referenced documents and drawings of the tender enquiry (including contract conditions, bills of quantities and engineering specifications etc.)	Manager / project manager (tender)	Tender/ contract review checklist. Any ambiguity or clarifications subsequently made should be recorded in the checklist
4.	Cost estimation	Manager / project manager (tender)	Cost estimation sheet
5.	Tender submission discussion to review the contractual, technical, financial, etc. requirements of the tender and the proposed tender offer	Business segment director/ department manager and/or project manager (tender)	Items such as pricing strategy, percentage for overheads, profit margin, qualifications shall be signed on conclusion of the discussion and reflected in the cost estimation sheet
6.	Compilation of a tender offer	Department manager / project manager (tender)	Any grey areas identified in the client's tender requirements shall be qualified in the tender offer and the cost estimation sheet shall be completed and endorsed

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Procedure	Person-in-charge	Records (if any)
7. Approval of the tender offer	Business segment director (or by the department manager/ project manager (tender) in accordance with the relevant authorisation limit)	Signature of the tender offer
8. Retain a copy of the tender offer	Department manager / project manager (tender)	A full copy of the tender offer and cost estimation sheet is retained and kept
9. Status update	Clerical staff	Tender enquiry register

Project financial controls and record-keeping

In order to constantly monitor the financial performance of our projects, we have implemented the following control mechanisms:

Steps	Personnel involved	Records (if any)
1. Records of payments in and out	Project controller/ project manager (contract)	Project financial control register for double checking on the records provided by the accounting department when preparing invoices. Credits notes and certifying vendors' invoices.
2. Budget control	Project controller/ project manager (contract)	Budget control list, providing updates on the budget of a project on a regular basis with particular attention to items such as over-budget items/ profit changes.
3. Monthly summary on key financial data of a project	Project controller/ project manager	Monthly project financial control summary

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Anti-corruption compliance system and conflict of interest

We maintain an anti-corruption system through the implementation of various policies against corruption and fraudulent activities, including measures against bribes and kickbacks. We have gradually and continuously enhanced and implemented policies and procedures designed to prevent corruption in our Group. These are set out as follows:

- We regularly invite the Independent Commission Against Corruption (ICAC) of Hong Kong to give talks to our employees to heighten employee awareness about anti-corruption and anti-bribery matters.
- Clear guidelines and provisions regarding business ethics are included in the letter of employment of all new employees joining our Group. Further, Dr. Poon, chairman and executive Director of our Group, will give presentation at the orientation sessions with our new employees on our Group's culture, with particular emphasis on integrity and business ethics.
- We have an internal code of conduct setting out the basic standard of ethics and conducts expected of our employees, including without limitation to (i) the prevention of bribery, such as our "Bribery, Advantage and Entertainment" policy which prohibits our employees from soliciting, accepting or offering any advantage when conducting business on behalf of our Group; and (ii) the avoidance of conflict of interests, which imposes a duty on our employees to act in the interest of our Group and to avoid conflict between their personal interests and our Group's interest. For instance, we require our employees to make declarations of their outside work upon joining our Group and on an annual basis, and to obtain our consent prior to taking up any outside work, and we generally do not permit our employees to take up any outside work with third parties which have business dealings with our Group. Our code of conduct is circulated to our Directors, senior management and employees, and we accept both named and anonymous complaints regarding any breach of our code of conduct.
- To ensure a fair and transparent subcontracting and sourcing process, selection of suppliers and subcontractors shall be approved by the proper level of management.
- We have provided and will continue to provide anti-corruption compliance training periodically to our Directors, senior management and employees.
- We have maintained a financial control practice under which, director's approval is necessary for all our payments and disbursement and in particular, dual signatures of authorised signatories of our Group are necessary where any cheque amounting to HK\$300,000 or more has to be issued.

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Our Directors confirm that we had not been investigated by regulatory authorities in respect of any bribery activities during the Track Record Period and up to the Latest Practicable Date.

To the best of their knowledge, our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, save and except for the Macau Incident (as defined in the section headed “History, Reorganisation and Corporate Structure”), none of our Group’s current and former employees was involved in criminal convictions in relation to our Group’s businesses or convicted of any misconduct or bribery in any jurisdiction in which we operated during the same period.

We have also implemented measures against conflict of interests by our employees, whereby all of employees are regularly reminded to declare any positions that may result in a conflict of interests situation and all Directors and senior employees have to make declaration on a regular basis.

Illegal Workers

We have internal controls to prevent the employment of illegal workers on our construction sites, which are set out as follows:

- All construction site workers in our Hong Kong and Macau projects are required to provide us with records of their work permits issued by the main contractor and details of the relevant certificates issued upon completion of safety training courses required under the relevant laws and regulations of Hong Kong and Macau.
- Such work permits and certificates can only be obtained by a worker with a valid identity card.
- All workers are required to submit a work permit request to the main contractor through our Group and a copy of their identity card is kept for records.
- Principal terms of our subcontracting agreements include a term which states that subcontractors are prohibited from hiring illegal immigrants.

We are not aware of any hiring of illegal workers on our construction sites during the Track Record Period and up to the Latest Practicable Date.

Credit Management

We closely monitor payments from our customers pursuant to the terms of each project. We will take into account the length of business relationship, past reputation, financial strength and repayment history of our customers to monitor the payments and decide on the appropriate follow-up actions.

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BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During 2016, we made direct sales of our escalators to a customer located in Iran, which was on normal commercial terms, generating revenue in an aggregate amount of approximately RMB3.2 million, representing approximately 0.07% of our total revenue for the same year. Iran is subject to comprehensive sanctions during the Track Record Period and as of the date of this prospectus. Except for the above, we did not make any sale to Iran during the Track Record Period and up to the Latest Practicable Date.

Hogan Lovells, our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

- (a) reviewed documents provided by us about our Group, our business operations, revenues, sales contracts and the customer in Iran, where applicable, ownership structure and management;
- (b) reviewed the customer in Iran during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that it is not on such lists; and
- (c) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of our Global Offering and the expected use of proceeds as set out in the Prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, shareholders, the Stock Exchange and its listing committee and group companies, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Company's shares (including the Stock Exchange, its listing committee and related group companies) is very low.

Our Directors confirm that we have not been notified that any International Sanctions will be imposed on us for our sales and/or deliveries to the Countries subject to International Sanctions during the Track Record Period. The customer in Iran is not specifically identified on the Specially Designated Nationals and Blocked Persons by OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would

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not be deemed as sanctioned targets. Such sales and/or deliveries do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

Our Undertakings and Internal Control Procedures

All of our sales transactions with the customer in Iran had been completed in 2016, and we have no other business activities in connection with Countries subject to International Sanctions during the Track Record Period and up to the Latest Practicable Date. Subject to the full implementation of our internal control procedures set out below, we intend to continue our sales of our lifts and escalators to Iran and may sell to other Countries subject to International Sanctions after the Listing, provided that no Special Designated Nationals and Blocked Persons under the SDN List are involved and no violations of the export control laws take place. However, our Directors do not expect any significant increase in our sales to Iran or any material sales to other Countries subject to International Sanctions following the Listing.

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions.

In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. If we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, we will disclose on the respective websites of the Stock Exchange and our Group and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

We have adopted enhanced internal control and risk management measures to help us continuously monitor our exposure to economic sanctions risks and ensure our compliance with our undertakings and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks. The following measures will be implemented upon Listing:

- We will set up a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;

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- Our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;
- to further enhance our existing internal risk management functions, our Board has established a risk management committee (sanctioned countries), comprising Dr. Poon, chairman and executive Director of our Company, Mr. Phaisalakani Vichai, our chief financial officer and Ms. Li Kit Chi Fiona, our company secretary and legal counsel as initial members, with written policies adopted with effect upon the Listing. The responsibilities of the risk management committee (sanctioned countries) include, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. According to the abovementioned written policies, our risk management committee (sanctioned countries) will, upon the Listing, meet to approve whenever there exists a tender that involves any countries subject to International Sanctions or Sanctioned Persons. In any event, the committee will, upon the Listing, hold at least two meetings each year to monitor our exposure to sanctions risks;
- the risk management committee (sanctioned countries) will meet and evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. The risk management committee (sanctioned countries) needs to review and approve all relevant business transaction from existing customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, the risk management committee (sanctioned countries) will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty. The risk management committee (sanctioned countries) will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;
- the risk management committee (sanctioned countries) will periodically review our internal control policies and procedures with respect to sanctions matters. As and when the risk management committee (sanctioned countries) considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

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- if necessary, external international legal counsel will provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for the Company to comply with our undertaking to the Stock Exchange.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that our measures provide an adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor concurs with our Directors' view that these measures will provide an adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Directors

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out certain information of our Directors:

Name	Age	Position	Date of first appointment as Director	Date of joining our Group	Roles and responsibilities in our Group
Dr. Poon Lok To Otto (潘樂陶博士).	78	Executive Director and chairman	27 September 1995	7 October 1977	Leadership, overall strategic planning and major decision making for our Group
Mr. Cheng Siu Ngai Kevin (鄭小藝先生)	61	Executive Director and chief executive officer	27 September 1995	16 July 1982	Overseeing all business units and corporate units of our Group
Mr. Law Wei Tak (羅威德先生)	63	Executive Director	27 September 1995	1 November 1987	Advising on the overall strategic planning for our Group
Mr. Chan Hoi Ming (陳海明先生)	58	Executive Director	25 November 2015	28 August 1991	Advising on the overall strategic planning for our Group
Dr. Mak Kin Wah (麥建華博士)	63	Non-executive Director and deputy chairman	1 September 2017	1 September 2017	Advising on the overall strategic planning for our Group
Mr. Chan Fu Keung (陳富強先生)	70	Independent non-executive Director	1 August 2015	1 August 2015	Overseeing the management of our Group independently
Mr. Lam Kin Fung Jeffrey (林健鋒先生)	67	Independent non-executive Director	1 May 2018	1 May 2018	Overseeing the management of our Group independently
Mr. Wong King On Samuel (黃敬安先生)	66	Independent non-executive Director	1 May 2018	1 May 2018	Overseeing the management of our Group independently

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DIRECTORS

Executive Directors

Dr. Poon Lok To Otto (潘樂陶博士), aged 78, was appointed as our Director on 27 September 1995 and re-designated as our executive Director on 13 April 2018. He has acted as chairman of our Group since July 2010, and is a director of all subsidiaries of our Company. Dr. Poon is in charge of developing, monitoring and evaluating our business, and is primarily responsible for the leadership, overall strategic planning and major decision making for our Group.

Dr. Poon has over 45 years of experience in the engineering business. He founded our Group in 1977 and held the position of managing director from October 1977 to June 2010. Prior to joining our Group, Dr. Poon had served as the chief engineer at Electra Instruments Limited and Integrated Electronics Limited of the Integrated Electronic Group from August 1969 to August 1973, as director at Eurotherm (Far East) Limited from 1973 to June 1975 and as the senior local staff at John Swire & Sons (H.K.) Limited in 1975.

Dr. Poon obtained an honorary degree of doctor of technology at the Coventry University in the United Kingdom in November 2011. He had passed Part III of the institution examination of the Institution of Electrical Engineers and Part I and II of the institution examination of the Institution of Mechanical Engineers (“IMechE”) in 1963 and 1965 respectively.

Dr. Poon is a chartered engineer of the Engineering Council. Dr. Poon is a fellow of the Hong Kong Institution of Engineers (“HKIE”), the Hong Kong Academy of Engineering Sciences, the Institution of Engineering and Technology and the IMechE and a founding fellow member of the Hong Kong Institute of Qualified Environmental Professionals. Dr. Poon is also a member of the Chartered Institution of Water and Environmental Management and the Chartered Institution of Building Services Engineers and a senior member of the Chinese Mechanical Engineering Society (“CMES”).

Dr. Poon participated in public services both to the community and the engineering profession including, among others, Advisory Council on the Environment, Energy Advisory Committee, Council for Sustainable Development, Solicitors Disciplinary Tribunal Panel, Hong Kong Quality Assurance Agency, Hong Kong Green Building Council, Trustee Board of the IMechE and the CMES. He is the past president of the HKIE, Hong Kong Association of Energy Engineers, Hong Kong Chapter of the Association of Energy Engineers and the Hong Kong Federation of Electrical and Mechanical Contractors Limited (“HKFEMC”) as well as the past chairman of Hong Kong Branch of the IMechE and Hong Kong Climate Change Forum.

Currently, Dr. Poon is a member of the Election Committee - Engineering Subsector and the life president of HKFEMC. He also serves as the chairperson of the Lift and Escalator Safety Advisory Committee, the chairman of the School Advisory Committee of School of Energy and Environment of City University of Hong Kong, a member of the International

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Advisory Committee of Research Institute for Sustainable Urban Development of Hong Kong Polytechnic University, a member of the Advisory Committee of Department of Electrical & Electronic Engineering of the University of Hong Kong, a member of the Hong Kong-France Business Council of Hong Kong Trade Development Council, an advisor to the Bauhinia Foundation Research Centre, an honorary advisor to the Wu Zhi Qiao (Bridge to China) Charitable Foundation, a school manager of the Shun Tak Fraternal Association Cheng Yu Tung Secondary School and a school manager of the Shun Tak Fraternal Association Lee Shau Kee College.

Since August 2003, Dr. Poon has been a director of Nanjing Canatal, a company listed on the Shanghai Stock Exchange (stock code: 603912) since November 2017 and owned as to 25.81% by our Company as at the Latest Practicable Date.

Dr. Poon confirmed that, based on the results of background and litigation searches conducted, there had been no material non-compliance or litigation record found against him during the Track Record Period and up to the Latest Practicable Date. On 23 April 2019, Dr. Poon was sentenced to a fine of HK\$20,000 by the Hong Kong Magistrate Court due to a contravention of section 14(1) of the Buildings Ordinance. As advised, any person who contravenes section 14(1) of the Buildings Ordinance could be subject to a maximum fine of HK\$400,000 and 2 years imprisonment. The Directors and the Sole Sponsor are of the view that, despite Dr. Poon's recent conviction aforementioned, yet (i) a fine of HK\$20,000 falls towards the lower end of the fine range, which reflects the relative immateriality of the offence; (ii) Dr. Poon has promptly completed the required rectification actions; and (iii) the brief for verdict in relation to the conviction does not involve any finding of dishonesty or fraud on the part of Dr. Poon nor reflect negatively on his integrity, and therefore the conviction does not impact his suitability as a Director of the Company under Rule 3.08 and 3.09 of the Listing Rules. As at the Latest Practicable Date, Dr. Poon is appealing against the conviction.

Mr. Cheng Siu Ngai Kevin (鄭小藝先生), aged 61, was appointed as our Director on 27 September 1995 and is re-designated as our executive Director on 13 April 2018. Mr. Cheng is also the chief executive officer of our Group. He sits on the boards of various companies within our Group and serves as a member of our nomination committee. He oversees all business units and corporate units of our Group and is also responsible for devising business strategies, driving innovations and bolstering partnership with all stakeholders.

Mr. Cheng obtained a bachelor of science in engineering degree in November 1980 and a master of science in engineering degree in January 1995, both from The University of Hong Kong. He also obtained a master of accounting degree from the Curtin University of Technology in February 2000.

After obtaining his first bachelor degree, Mr. Cheng worked as an assistant unit engineer and subsequently an assistant engineer at the Hongkong Electric Company Limited from 1980 to 1982. He then joined our Group in July 1982 as a project engineer and was promoted as a contracts manager of ATAL Engineering (then known as Analogue Technical Agencies Limited) in March 1984. Mr. Cheng was subsequently appointed as a director of our Company and various major operating subsidiaries of our Company, including ATAL Engineering, Analogue

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Technical Agencies, ATAL Engineering (Macao), ATAL Engineering (Shanghai) and ATAL Building Services Engineering in respective years during 1987 to 2010, during which he oversaw the project management and project execution of our building services segment and led the expansion of the building services contracting operations of our Group in Mainland China and Macau, and had also been the director-in-charge of the Group's lifts and escalators operations and accounts department. Mr. Cheng was further appointed as the chief executive of ATAL Building Services Engineering, ATAL Building Services (Macao) and Analogue Building Services (Macao) and the chief executive of the building services segment of our Group in respective years during 2012 to 2014, and has been primarily responsible for advising on the overall strategic planning of the building services segment of our Group, which at the relevant time included the intelligent & green building solutions operations. Over the past 35 years, Mr. Cheng was in charge of various business units and corporate functions in our Group and spearheaded the delivery of many major E&M engineering projects in Hong Kong, Macau and Mainland China by our Group. With such experience and in-depth knowledge in the E&M engineering industry and development of our diverse business portfolios, he was further appointed as our chief executive officer in April 2017.

Mr. Cheng has been a member of the Institution of Mechanical Engineers since 1988, a fellow of the Chartered Institution of Building Services Engineers since 2005 and a fellow of the Hong Kong Institution of Engineers since 1997.

Mr. Law Wei Tak (羅威德先生), aged 63, was appointed as our Director on 27 September 1995 and re-designated as our executive Director on 13 April 2018. He also sits on the boards of various companies within our Group. Mr. Law is primarily responsible for advising on the overall strategic planning for our Group.

Mr. Law has worked in the engineering industry for over 38 years and joined our Group in November 1987 as an assistant manager with main area of responsibility in HVAC project management and execution. He acted as a manager of the building services segment of our Group from January 1989 to October 1990, and was mainly responsible for the marketing, tendering and execution of building services projects. Mr. Law was appointed as a director of ATAL Engineering (then known as Analogue Technical Agencies Limited) in November 1990, and was primarily responsible for overseeing the business operations of the building services segment of our Group. In July 2011, Mr. Law was promoted as managing director of ATAL Data Centre Infrastructure and since January 2012, he has become the chief executive of ATAL Data Centre Infrastructure and has been responsible for forming business strategies for the development and expansion of our Group's building services for data centres, infrastructure and healthcare facilities, and overseeing the project management, project execution and marketing for data centres, infrastructure and healthcare facilities projects of the building services segment of our Group. Prior to joining our Group, Mr. Law served as an assistant engineer from November 1980 to December 1982, an engineer from January 1983 to December 1986, and a senior engineer from January to October 1987, at The Jardine Engineering Corporation Limited, a company principally engaged in the provision of E&M engineering contracting and product trading, where he was mainly responsible for engineering design work, tender estimation and contract management of building services engineering.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law obtained a bachelor of science in engineering degree at The University of Hong Kong in November 1980. He has been a member of the Chartered Institution of Building Services Engineers since 1986 and a member of The Hong Kong Institution of Engineers since 1990. He is currently a registered professional engineer of the Engineers Registration Board and has been a chartered engineer of The Engineering Council since 1986, and a certified data centre engineer of the Institution of Data Centre Engineers since 2015.

Mr. Law is the past president and honorary life president of The Hong Kong Air Conditioning and Refrigeration Association Limited. He is also a past vice president and currently a council member of the Hong Kong Federation of Electrical and Mechanical Contractors Ltd. ("FEMC"), and a council member of The Hong Kong E&M Contractors' Association Limited.

Since January 2017 and March 2017, Mr. Law has been a director and deputy chairman of Nanjing Canatal, a company listed on the Shanghai Stock Exchange (stock code: 603912) since November 2017 and owned as to 25.81% by our Company as at the Latest Practicable Date, respectively.

Mr. Chan Hoi Ming (陳海明先生), aged 58, was appointed as our Director on 25 November 2015 and re-designated as our executive Director on 13 April 2018. He also sits on the boards of various companies within our Group. He is primarily responsible for advising on the overall strategic planning for our Group.

Mr. Chan joined our Group as a project manager in August 1991. He was appointed as a manager of the environmental engineering segment of our Group in January 1997, and was mainly responsible for the design, construction and testing and commissioning of our water, wastewater and solid waste treatment plants projects. Mr. Chan was promoted as an associate director of ATAL Engineering in January 2001 and was primarily responsible for overseeing the E&M engineering design, project management and commissioning for wastewater and sewage treatment plant projects awarded to our Group. He was subsequently appointed as a director of ATAL Engineering, ATAL Engineering (Shanghai) and Analogue Technical Agencies (Shanghai) in July 2010, February 2005 and July 2009 respectively. He was also appointed as the deputy chief executive of the environmental engineering segment of our Group in April 2015, and has since been overseeing the environmental engineering operations of our Group in Hong Kong, Mainland China and Macau, including the design, supply, construction, installation, testing and commissioning, operation and maintenance of municipal and industrial water, wastewater and solid waste treatment plants and related infrastructure projects. Since January 2016, Mr. Chan has been acting as the chief executive of the environmental engineering segment of our Group and has been actively involved in devising business strategies for the development and expansion of the environmental engineering operations of our Group in Hong Kong, Mainland China and Macau, overseeing the project management and project execution for our environmental engineering segment, and leading the overall development and implementation of operational methodologies, tools, guidelines and policies for our Group.

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Mr. Chan had previously worked as a project engineer at Chevalier (Envirotech) Limited, a company principally engaged in water and wastewater treatment, solid waste treatment and disposal as well as fuel gas transmission and distribution systems in Hong Kong, from July 1986 to February 1988, where he was mainly responsible for tendering, product design, site installation and commissioning for sewage treatment projects. He joined Construction & Production Systems Limited, a construction company in Hong Kong, as a project manager from April 1988 to August 1989, and was in charge of the execution of contracts and commissioning of machinery and equipment. Mr. Chan also worked as a project engineer of the mechanical projects division at The General Electric Company of Hong Kong Limited, which is now known as GELEC (HK) Limited and a supplier of electrical, mechanical and lighting products in Hong Kong, from September 1989 to January 1990 where his scope of works included tendering, project supervision and site co-ordination.

Mr. Chan graduated from The Hong Kong Polytechnic University with a higher diploma in electrical engineering in November 1984. Mr. Chan was certified by the Engineering Council of the United Kingdom in 29th July 1987 to have satisfied the academic requirements for stage 1 of the professional engineer section of The Engineering Council Register (commonly known as “EC Part II”). He also obtained a postgraduate diploma in environment management from the University of London in December 2001 as an external student.

Mr. Chan is a chartered engineer of The Engineering Council since 1998, a registered professional engineer of the Engineers Registration Board and a class 1 & 2 authorised signatory and qualified person of the Fire Services Department since 2016. Mr. Chan has also been a member of the Institution of Engineering and Technology since 1998, The Chartered Institution of Water and Environmental Management since 1998, a member of the Chartered Institution of Building Service Engineers since 1999, and a fellow of The Hong Kong Institution of Engineers since 2015.

Mr. Chan acted as a director of Shanghai Ganghao Environmental Technology Engineering Limited* (上海港浩環境科技工程有限公司) since its establishment in the PRC in April 2003 and up to November 2005, when its business licence was revoked by the competent PRC governmental authority due to its non-participation in the requisite annual inspections within the prescribed timeframe pursuant to the relevant PRC requirements. Mr. Chan confirmed that the competent company registration authority has not imposed any administrative penalty on him and he has not been subject to any claims as a result of the revocation of the business licence of the aforesaid company.

Since January 2016, Mr. Chan has been a supervisor of Nanjing Canatal, a company listed on the Shanghai Stock Exchange (stock code: 603912) since November 2017 and owned as to 25.81% by our Company as at the Latest Practicable Date.

Non-executive Director

Dr. Mak Kin Wah (麥建華博士), aged 63, was appointed as our Director and our deputy chairman on 1 September 2017. Dr. Mak was re-designated as our non-executive Director on

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13 April 2018. Dr. Mak assumes an advisory role in respect of the overall strategic planning for our Group. He also serves as a member of each of our remuneration committee, nomination committee and audit committee.

Dr. Mak began his career as an engineer at Clough Engineering Group in Perth, Australia and has over 25 years of experience in business management. During his employment at Maunsell Consultants Asia in Hong Kong and before his departure in September 1980, he was involved in various development projects, including Hong Kong Island Eastern Corridor and mass transit escalators in Ocean Park. Dr. Mak joined The Hong Kong Jockey Club in March 1993 and later became an executive director of corporate affairs until January 2017. Since 2017, he has been the president of the Caritas Institute of Higher Education and concurrently the principal of Caritas Bianchi College of Careers. He won the director of the year award of the Hong Kong Institute of Directors in 2009 and the 2013 excellent HR leader award of the Hong Kong Institute of Human Resource Management.

Dr. Mak obtained a master of business administration degree in May 1987 at City University, London, and a doctor of philosophy degree in May 1984 and a master of philosophy degree in December 1981 at University of Cambridge, United Kingdom. He also obtained a bachelor of engineering degree with first class honours in April 1980 at The University of Western Australia.

Dr. Mak is a member of the Institution of Civil Engineers and the Institute of Marine Engineering, Science and Technology. Dr. Mak is a member of the Labour Advisory Board and the Court of Baptist University. Dr. Mak is also the chairman of the Hong Kong Society for the Aged, a general committee member of the Employers' Federation of Hong Kong, a member of the Hong Kong Housing Society and a council member and chairman of the Membership Committee of the Hong Kong Management Association.

Independent non-executive Directors

Mr. Chan Fu Keung (陳富強先生), aged 70, was appointed as an independent non-executive Director of our Company on 1 August 2015. He is also the chairman of our remuneration committee and a member of each of our nomination committee and audit committee.

Since his appointment as an independent non-executive Director on 1 August 2015, Mr. Chan has been providing independent advice to our Group on various areas, particularly on our Group's employee incentive scheme, remuneration policies and organisation structure.

Mr. Chan joined the MTR Corporation Limited (Hong Kong stock code: 66) (the "**MTR Corporation**") in 1989. He was the human resources director of the MTR Corporation from 1998 to 2012 and a member of its executive directorate from 1996 to 2012. He retired after 23 years of service at the MTR Corporation in July 2012. Prior to joining the MTR Corporation, Mr. Chan held senior management positions in various commercial, utility and public sectors in Hong Kong, including the Hong Kong Government, the Hong Kong Productivity Council, Hutchison Whampoa Limited and Hong Kong Telephone Company Limited. In early 1976, he

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joined Hutchison Whampoa Limited and became its remuneration manager in May 1981. Mr. Chan subsequently joined Hong Kong Telephone Company Limited in April 1983, where he was involved in a wide spectrum of human resources functions, including development and review on human resources policies, remuneration, employee incentive and benefits schemes.

Mr. Chan was a council member of the Hong Kong Institute of Human Resource Management and has been its fellow member since 1985. He served the Hospital Authority Board from December 2012 to November 2018. Currently he is the chairman of the Hospital Governing Committee of Tuen Mun Hospital and is the trustee of the Hospital Authority Provident Fund Scheme. He is also a member of the remuneration committee of the board of the West Kowloon Cultural District Authority.

Mr. Chan received a bachelor of social sciences degree from The University of Hong Kong in October 1971.

Mr. Chan has held the following position in the following company listed on the Stock Exchange in the three years immediately prior to the Latest Practicable Date:

<u>Company Name</u>	<u>Listing on the Stock Exchange</u>	<u>Stock code</u>	<u>Period</u>	<u>Role(s)</u>
Stella International Holdings Limited	Main Board	1836	Since 2012	Independent non-executive director Chairman of remuneration committee, member of the audit committee, the corporate governance committee and the nomination committee

Mr. Lam Kin Fung Jeffrey (林健鋒先生), aged 67, was appointed as an independent non-executive Director of our Company on 1 May 2018. He is also the chairman of our nomination committee.

Mr. Lam obtained a bachelor degree in mechanical engineering from Tufts University in the United States in June 1974. He has over 30 years of experience in the toy manufacturing industry and is currently the managing director of Forward Winsome Industries Limited, which is engaged in toy manufacturing.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, a director of the Hong Kong Mortgage Corporation Limited and a member of the board of directors of Heifer International-Hong Kong.

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Mr. Lam held the following positions in the following companies listed on the Stock Exchange in the three years immediately prior to the Latest Practicable Date:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Bracell Limited.....	Main Board	Not applicable*	October 2010 to October 2016	Independent non-executive director
			October 2010 to August 2013	Member of the audit committee
			March 2012 to October 2016	Chairman of the remuneration committee
			August 2014 to October 2016	Member of the independent board committee
CC Land Holdings Limited	Main Board	1224	Since June 1998	Independent non-executive director
				Chairman of the audit committee, member of the nomination committee and remuneration committee
China Overseas Grand Oceans Group Limited	Main Board	81	Since May 2010	Independent non-executive director
				Chairman of the remuneration committee, member of the audit committee and the nomination committee
Chow Tai Fook Jewellery Group Limited	Main Board	1929	Since November 2011	Independent non-executive director
				Member of the audit committee and the nomination committee
CWT International Limited	Main Board	521	Since October 2013	Independent non-executive director
				Member of the audit committee, nomination committee and remuneration committee
i-CABLE Communications Limited	Main Board	1097	Since September 2017	Independent non-executive director
				Chairman of the compensation committee, member of the nomination committee
Wing Tai Properties Limited.....	Main Board	369	Since 6 June 2018	Independent non-executive director
Wynn Macau, Limited ...	Main Board	1128	Since September 2009	Independent non-executive director
				Member of the remuneration committee and chairman of the nomination and corporate governance committee

* Delisted as at the Latest Practicable Date

DIRECTORS AND SENIOR MANAGEMENT

Our Directors and the Sole Sponsor are of the view that Mr. Lam will be able to devote sufficient time to discharge his duties and responsibilities as our independent non-executive Director on the following bases: (i) his involvement in other listed companies as independent non-executive director primarily requires him to oversee their management independently, rather than his allocation of substantial time on the participation of the day to day management and operations of their respective businesses; (ii) notwithstanding his current engagement as independent non-executive director of seven other listed companies, he has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending all board meetings and board committee meetings of these listed companies during their latest financial year, or where he was appointed as independent non-executive director of the relevant company after the commencement of its latest financial year, since his appointment, as disclosed in these listed companies' latest published annual reports; (iii) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in other listed companies, which is expected to facilitate the proper discharge of his duties and responsibilities as our independent non-executive Director; and (iv) he will devote sufficient time to perform his duties as our independent non-executive Director.

Mr. Wong King On Samuel (黃敬安先生), aged 66, was appointed as an independent non-executive Director of our Company on 1 May 2018. He is also the chairman of our audit committee and a member of each of our remuneration committee and nomination committee.

Mr. Wong has over 30 years of experience in accounting and finance. He joined Ernst & Young's predecessor firm, Arthur Young & Company in October 1979 and was elected to partnership of Ernst & Young in January 1993. Mr. Wong was the managing partner, China Central and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in December 2009.

Mr. Wong holds a master of business administration degree from the University of Bradford in the United Kingdom where he was awarded the Binder Hamlyn Prize for the best student in financial subjects in management and administration in December 1978.

Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants ("**ACCA**") and the Certified Practising Accountant Australia. He was the president of ACCA Hong Kong from 1998 to 1999 and a member of the global Council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA from 2003 to 2004. Mr. Wong was awarded the outstanding accounting alumnus by the Hong Kong Polytechnic University in 2002 and the outstanding Polytechnic University alumnus by the Hong Kong Polytechnic University in 2003. Mr. Wong had been the adjunct professor of the school of accounting and finance of the Hong Kong Polytechnic University from September 2002 to August 2010 and the professor of practice (accounting) from September 2013 to August 2016.

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Mr. Wong held the following position in the following company listed on the Stock Exchange in the three years immediately prior to the Latest Practicable Date:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Alibaba Health Information Technology Limited ..	Main Board	241	Since 2014	Independent non-executive director Chairman of audit committee, and member of the remuneration committee and the nomination committee
			Since 2016	Chairman of the risk management committee

Save as disclosed in “Directors” in this section above and “Appendix IV — Statutory and General Information”, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and each Director has no relationship with any other Directors, members of our senior management, our Substantial Shareholders and our Controlling Shareholders. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no other matter that needs to be brought to the attention of our Shareholders, and there is no other information relating to our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our Senior Management

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information of our senior management:

Name	Age	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities in our Group
Mr. Chan Chi Hung (陳志雄先生)	53	1 July 2010	3 July 1989	Overseeing the information communication technologies, energy management, intelligent and green building business of our Group
Mr. Hong Chi Man (康志民先生) ..	59	1 April 2015	19 January 1995	Overseeing the sewage treatment operations of the environmental engineering segment of our Group
Mr. Cheung Ha Ming (張夏明先生)	50	15 June 2016	15 June 2015	Overseeing the Hong Kong operations of the lift and escalator segment of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities in our Group
Mr. Cheong Hei Sing Alex (張熿聲先生).....	52	1 January 2005	1 December 1986	Overseeing the Mainland China operations of the lift and escalator segment of our Group, covering research and development, marketing and sales, production and service support
Mr. Phaisalakani Vichai (熊敬柳先生)	70	18 December 2017	18 December 2017	Overseeing the financial management of our Group

Mr. Chan Chi Hung (陳志雄先生), aged 53, has been appointed as a director of the information, communications and building technologies segment of our Group since March 2017, and is primarily responsible for overseeing the information communication technologies, energy management, intelligent and green building business of our Group.

Mr. Chan has more than 25 years of experience in building technologies specialising in building management system, security system, information and communication technologies system, ELV system, energy management, lighting system and air-conditioning system. He has also been responsible for the design, installation, engineering and maintenance of large scale intelligent building systems contracts in Hong Kong and Macau.

Mr. Chan started his career in the control and building automation business in our Group in 1989. He was promoted as a manager of the intelligent building systems division of the ICBT segment of our Group in 1996, and was primarily responsible for overseeing its sales, installation, engineering and maintenance operations of the intelligent building systems division. He was further promoted as a director of the intelligent building systems division of our Group in 2010, and was primarily responsible for overseeing the intelligent systems, ELV, energy saving and green technologies business of our Group. He was then appointed as a director of our information, communications and buildings technologies segment in March 2017.

Mr. Chan graduated with a master of business administration in general management degree from the Hong Kong Polytechnic University in December 2007. He also obtained a bachelor of science degree in engineering from The University of Hong Kong in December 1989 and a diploma in marketing and international business from The Chinese University of Hong Kong in November 1993.

Mr. Chan is a member of the Hong Kong Institution of Engineers and the American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE). He is currently a registered professional engineer of the Engineers Registration Board. He is also a BEAM (Building Environmental Assessment Method) professional in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan is the past president of Hong Kong Air-conditioning and Refrigeration Association Limited (HKACRA) and is currently a council member of Hong Kong Federation of Electrical & Mechanical Contractors Limited (FEMC). Mr. Chan is also a board member of the Pneumoconiosis Compensation Fund Board (PCFB).

Mr. Hong Chi Man (康志民先生), aged 59, has been a director of ATAL Engineering since 1 April 2015. He oversees the sewage treatment operations of the environmental engineering segment of our Group, and is primarily responsible for the overall management of our projects which involve design, procurement, contract management and administration, program planning and quality assurance system.

Mr. Hong started his career by joining an apprenticeship training program in 1978. He joined our Group in 1989 as a project engineer and he executed a number of projects which involved designing, building, testing and commissioning of small package sewage treatment plants for residential development in the New Territories, Hong Kong. He joined Kenworth Engineering Limited, an E&M engineering services provider, in 1993 and served as a project engineer until 1995. In 1995, he rejoined our Group as an assistant project manager, and was promoted as an associate director of the environmental engineering operations of ATAL Engineering in 2010, and was mainly responsible for administration of the sewage treatment business. In addition, he was also involved in the project execution including process and E&M design, contract management and administration, equipment selection and procurement, supervision of installations, testing and commission of municipal and domestic sewage treatment plants and water treatment facilities. He was subsequently appointed as a director of the environmental engineering operations of ATAL Engineering in 2015.

Mr. Hong was certified by the Engineering Council of the United Kingdom in September 1992 to have satisfied the academic requirements for Stage 1 of the professional engineer section of The Engineering Council Register (commonly known as “**EC Part II**”), which is recognised by the Institution of Mechanical Engineers. He also holds a master of science degree in civil engineering from the Hong Kong Polytechnic University in November 2000, and a master of business administration degree in technology management from La Trobe University in September 2005 through distance learning.

Mr. Hong is a chartered engineer of the Engineering Council in the United Kingdom, and a member of each of the Institution of Mechanical Engineers and the Hong Kong Institution of Engineers.

Mr. Cheung Ha Ming (張夏明先生), aged 50, has been a director of Anlev Elex Elevator since June 2016, and oversees the Hong Kong operations of the lift and escalator segment of our Group.

Mr. Cheung started his career as an assistant engineer in the maintenance department of Goldstar Industrial Systems (HK) Limited during 1993 to 1995. He served Otis Elevator Company (HK) Limited from 1995 to 2004 and his last position with this company was senior engineer-field support of the new equipment department. Later in 2004, he joined Kone Elevator (HK) Limited as a technical sales manager, and his last position with this company was senior sales operations manager. He joined Thyssenkrupp Elevator (HK) Limited in 2010

DIRECTORS AND SENIOR MANAGEMENT

as the head of new installation and modernisation until joining our Group in June 2015 as an associate director of Anlev Elex Elevator. He was subsequently promoted as a director of Anlev Elex Elevator in June 2016.

Mr. Cheung obtained a master of business administration degree from City University of Hong Kong in November 2002 and a bachelor of engineering in mechanical engineering degree from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1993.

Mr. Cheung is a chartered engineer of the Engineering Council in the United Kingdom, a registered lift engineer, a registered escalator engineer in Hong Kong and a member of each of the Institution of Mechanical Engineers and The International Association of Elevator Engineers.

Mr. Cheong Hei Sing Alex (張熿聲先生), aged 52, has been a director of Nanjing Anlev Elevator since 2003, and a director of Anlev (HK) since 2005. He oversees the Mainland China business operations of the lift and escalator segment of our Group, including research and development, marketing and sales, production and customer service and support.

Mr. Cheong joined our Group in 1986 as a design draftsman and was involved in the early development of a new series of precision air-conditioning products. He later became an assistant design engineer, design engineer and senior design engineer during 1988 to 2004 and was the key person responsible for the design of certain series of data-chillers, precision air-conditioning systems, escalators and moving walkways. Since 2003, he has been a director of Nanjing Anlev Elevator, and is mainly responsible for overseeing the production and export of Anlev lifts and escalators at our manufacturing plant in Nanjing, Mainland China. In 2005, he was appointed as a director and a manager of Anlev (HK) and has since been overseeing the sales and marketing and customer services functions of the Hong Kong operations of our lifts and escalators segment. Since 2012, Mr. Cheong has also been a director of research and development and production of our Group and is primarily in charge of the product development and business development of our lifts and escalators segment.

Prior to joining our Group, Mr. Cheong worked as an engineering assistant at Glory Engineering Company Limited from October 1985 to October 1986.

Mr. Cheong obtained from the Hong Kong Polytechnic an endorsement to the higher certificate in mechanical engineering in November 1988, an endorsement certificate in air-conditioning and refrigeration in November 1987 and a higher certificate in mechanical engineering in November 1986. In July 1985, Mr. Cheong obtained a diploma in mechanical engineering from Morrison Hill Technical Institute.

Mr. Phaisalakani Vichai (alias Mr. Andy Hung) (熊敬柳先生), aged 70, was appointed as our chief financial officer on 18 December 2017 and is primarily responsible for overseeing the financial management of our Group.

Mr. Phaisalakani had worked for an international accounting firm for over 10 years and has extensive experiences in finance and corporate management in various industries. He served as the group controller of Gold Peak Industries (Holdings) Limited (Hong Kong stock code: 40) from February 1985 to November 1987, and a director of finance at Lee Kum Kee

DIRECTORS AND SENIOR MANAGEMENT

Group Limited from April 1994 to April 1999. In July 2001, he was first appointed as the chief financial officer and was then appointed as executive director of Willas-Array Electronics (Holdings) Limited (Hong Kong stock code: 854 and Singapore stock code: BDR) in November 2004 until his retirement in June 2013. He had also served as a senior consultant of Vestate Group Holdings Limited (then known as Walker Group Holdings Limited, Hong Kong stock code: 1386) from December 2013 until September 2015.

Mr. Phaisalakani is currently an independent non-executive director of two other companies listed in Hong Kong, namely Victory City International Holdings Limited (Hong Kong stock code: 539), where he is a member of its audit committee, remuneration committee and nomination committee, and Eagle Ride Investment Holdings Limited (Hong Kong stock code: 901), where he is the chairman of its audit committee and a member of its remuneration committee and nomination committee.

Mr. Phaisalakani graduated from Minnesota State University — Mankato, Minnesota, United States of America in June 1973, where he obtained a bachelor of science degree. He is a chartered professional accountant in Canada as well as a member of Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Ms. Li Kit Chi Fiona (李潔志小姐), aged 59, was appointed as our company secretary on 14 September 2018.

Ms. Li joined our Group since 11 November 2015 as legal counsel, providing legal support to our Group's various businesses.

Ms. Li is a solicitor in Hong Kong and obtained a bachelor of economics degree and bachelor of laws degree from Monash University, Australia, in December 1983 and May 1985 respectively. She also obtained a Chinese bachelor of laws degree from the China University of Political Science and Law (中國政法大學) in June 1999 and a master of business administration degree from The Chinese University of Hong Kong in December 1998. She has won the South China Morning Post/Henley Management Award in January 1995.

Ms. Li has over 20 years of legal experience. She has worked for Molomby & Molomby in Melbourne, Australia and Deacons in Hong Kong. She was the manager and legal adviser of CNT (Holdings) Group Limited and the legal and secretarial manager at B.A.T. China Limited in Hong Kong. She later served as a legal counsel to various companies, including Smart Faith Management Limited and Nagaworld Limited.

Ms. Li had been an independent non-executive director, a member of the remuneration committee and the audit committee and the chairman of the nomination committee of Green Energy Group Limited (Hong Kong stock code: 979) from 31 May 2012 to 21 June 2018.

Since October 2018, Ms. Li has been a supervisor of Nanjing Canatal, a company listed on the Shanghai Stock Exchange (stock code: 603912) since November 2017 and owned as to 25.81% by our Company as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

We have established our audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our audit committee comprises three members, namely Mr. Wong King On, Samuel, Mr. Chan Fu Keung, both of whom are our independent non-executive Directors, and Dr. Mak Kin Wah, our non-executive Director. Mr. Wong King On, Samuel is the chairman of our audit committee and is the independent non-executive Director who possesses the appropriate professional qualifications.

The primary duties of our audit committee include, among other things, considering issues relating to the appointment, re-appointment and removal of the external auditor, reviewing our financial information, overseeing our financial reporting system, risk management and internal control systems.

Remuneration Committee

We have established our remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our remuneration committee comprises three members, namely Mr. Chan Fu Keung, Mr. Wong King On, Samuel and Dr. Mak Kin Wah. Mr. Chan Fu Keung was appointed as the chairman of our remuneration committee.

The primary duties of our remuneration committee include, among other things, making recommendations to our Board on our policy and structure for all Directors' and senior management's remuneration, the establishment of a formal and transparent procedure for developing remuneration policy and the remuneration packages of our Directors and senior management.

Nomination Committee

We have established our nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our nomination committee comprises five members, namely, Mr. Lam Kin Fung, Jeffrey, Mr. Chan Fu Keung, Mr. Wong King On, Samuel, Dr. Mak Kin Wah and Mr. Cheng Siu Ngai, Kevin. Mr. Lam Kin Fung, Jeffrey has been appointed as the chairman of our nomination committee.

The primary duties of our nomination committee include, among other things, making recommendations on any proposed changes to our Board to complement our corporate strategy.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The aggregate amounts of remuneration (including fees, salaries, contributions to retirement benefit schemes, performance-related bonuses, other allowances and benefits in

DIRECTORS AND SENIOR MANAGEMENT

kind) paid to our Directors for FY2016, FY2017 and FY2018 were HK\$23.4 million, HK\$16.9 million and HK\$27.9 million, respectively. None of our Directors had waived any remuneration during the same periods.

Five, four and four of the five highest paid individuals of our Group for FY2016, FY2017 and FY2018, respectively were our Directors. The aggregate amounts of remuneration (including salaries, contributions to retirement benefit schemes, performance related bonuses and other allowances) paid to our highest paid non-Director individuals were nil, HK\$2.5 million and HK\$4.3 million for FY2016, FY2017 and FY2018, respectively. Approximately nil, nil and nil were paid by our Group to our Directors or the top five highest paid employees of our Group as an inducement to join or upon joining us or as a compensation for loss of office for FY2016, FY2017 and FY2018, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding performance related bonus, of our Directors for FY2018 to be approximately HK\$11.7 million.

See “Appendix IV — Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 1. Particulars of Directors’ Letters of Appointment” for further information.

COMPLIANCE ADVISER

We have appointed BOCOM International Asia as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with, and if necessary, seek advice from, our compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our business activities, developments or results deviate from any forecast, estimate, or other information in this listing document; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Upon the Listing, each of Dr. Poon and Arling Investment will be a Controlling Shareholder of our Company under the Listing Rules. The table below sets forth the information regarding the ownership of our Shares by our Controlling Shareholders immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the options under the Share Option Scheme):

	<u>Number of Shares</u>	<u>Approximate percentage of voting rights</u>
Dr. Poon.....	888,650,000	63.48%
Arling Investment.....	888,650,000	63.48%

Please see “History, Reorganisation and Corporate Structure — Capitalisation Issue” and “Substantial Shareholders” for further information.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders based on the following reasons:

No competition and clear delineation of business

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge, belief and information, none of our Controlling Shareholders, our Directors and none of their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

Independence of management and directorship

Our Company has a Board and members of senior management that function independently from our Controlling Shareholders and their respective associates. Our Board is comprised of four executive Directors, one non-executive Director and three independent non-executive Directors. Our senior management consists of five members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

- (i) with three independent non-executive Directors out of a total of eight Directors in our Board, which exceeds the minimum requirement under the Listing Rules, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) all members of our senior management are full-time employees of our Group and have, for the entire or substantially the entire Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (iii) each of our Directors is aware of his fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;
- (iv) connected transactions between our Company and companies controlled by our Controlling Shareholders are subject to the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval (where applicable);
- (v) all of the businesses that are related to the operation of electrical and mechanical engineering services in Hong Kong, Macau and Mainland China held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganisation. Therefore, there is no competition that would adversely affect the management independence of our Group; and
- (vi) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. See "Corporate governance measures" in this section below.

Operational independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (i) our Company is not reliant on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (ii) our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (iii) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments);

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) our Company has established a set of internal control procedures to facilitate the effective operation of our business;
- (v) save for the two office premises leased to our Group by Perfect Motive pursuant to a lease entered into between our Group and Perfect Motive on 13 April 2018 (“**Connected Lease**”) (further details of which are set out in “Business — Property Interests — Properties in Hong Kong”), all of the properties used as our office premises, warehouses are owned by us or leased from Independent Third Parties by our Company or our subsidiaries;
- (vi) all external service required by our Company or our subsidiaries are provided by Independent Third Parties; and
- (vii) we do not rely on our Controlling Shareholders for access to suppliers and customers.

Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

Our Directors confirm that, save and except for the Connected Lease, all related party transactions with our Controlling Shareholders will be discontinued upon the Listing. These transactions between our Group and entities controlled by our Controlling Shareholders are not material in value as far as our Group is concerned.

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective associates upon the Listing for the following reasons:

- (i) **Strong financial positions:** We have been financially sound throughout the Track Record Period. For FY2016, FY2017 and FY2018, our Group’s revenue was HK\$4,411.7 million, HK\$4,965.3 million and HK\$5,966.0 million, respectively, and our profit for the year for the same periods were HK\$120.8 million, HK\$433.6 million and HK\$315.3 million, respectively. As at 31 December 2017 and 2018, our Group had cash and bank balances of HK\$544.2 million and HK\$570.0 million, respectively. Our Group’s net cash flows from operating activities for FY2017 and FY2018 was HK\$380.4 million and HK\$595.6 million, respectively.
- (ii) **Strong credit position:** Besides having a strong financial position and cash generating operation as mentioned above, based on discussions with relevant lending banks, our Directors confirm that our Group also has a strong credit position on a stand-alone basis. Our Group expects to maintain a net cash position after the Listing.

All the non-trade amounts due to and from our Controlling Shareholders and companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

securities provided by us for the benefit of our Controlling Shareholders, and companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released upon or before Listing. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favour of our Group or vice versa upon the Listing.

CORPORATE GOVERNANCE MEASURES

Upon the Listing, our Company will continue to enter into connected transactions with certain companies controlled by our Controlling Shareholders from time to time. Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the Listing, our Company has amended our Bye-laws to comply with the Listing Rules. In particular, our Bye-laws provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he or his close associates has/have a material interest, nor shall such Director be counted in the quorum present at the meeting;
- (ii) we have appointed BOCOM International Asia as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;
- (iii) the management structure of our Group includes an audit committee, a remuneration committee, and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- (iv) pursuant to the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company is expected to comply with the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options as may be granted under the Share Option Scheme), the following persons will become substantial shareholders (as defined in the Listing Rules) of our Company:

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Dr. Poon.....	Founder of a discretionary trust	888,650,000	63.48%
Arling Investment.....	Beneficial interest	888,650,000	63.48%

Notes:

- (1) Our Company will be directly owned as to 63.48% by Arling Investment. Arling Investment is wholly owned by Ardik Investment and Ardik Investment is in turn wholly owned by HSBC International Trustee Limited as the trustee of The Otto Poon Family Trust. Dr. Poon is the settlor and protector of The Otto Poon Family Trust. Accordingly, Ardik Investment and Dr. Poon is deemed to be interested in the same number of Shares held by Arling Investment. Nevertheless, HSBC International Trustee Limited and Ardik Investment are not entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company pursuant to the trust deed of The Otto Poon Family Trust and will not be our Controlling Shareholders under the Listing Rules upon completion of the Capitalisation Issue and the Global Offering. For more details, please see “History, Reorganisation and Corporate Structure — Capitalisation Issue”.
- (2) For details of persons who will have an interest or short position in the Share and the underlying Share which would fall to be disclosed to our Company under the SFO, please see “Appendix IV — Statutory and General Information — 3. Disclosure of Interests — (b) Interests of Substantial Shareholders”.

Save as disclosed in this prospectus, our Directors are not aware of any persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking into account any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options as may be granted under the Share Option Scheme), become substantial shareholders (as defined in the Listing Rules) of our Company, or will be directly or indirectly, interested in 10% or more of the total number of shares in of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or our subsidiaries.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital:

As at the date of this prospectus:

100,000,000,000 Shares of HK\$0.01 each HK\$1,000,000,000

In contemplation of the Global Offering, the authorised share capital of our Company was increased pursuant to the written resolutions of our Shareholders passed on 14 September 2018 by HK\$1,000,000,000 by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each, ranking *pari passu* in all respects with the then existing shares of our Company. Immediately following such increase, the authorised share capital of our Company was US\$12,600 divided into 12,600 shares with a par value of US\$1.00 each and HK\$1,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.01 each.

On the same day, our Company allotted and issued 7,921,680 Shares at par value for HK\$79,216.80 to Arling Investment, 468,000 Shares at par value for HK\$4,680 to each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law, and 34,320 Shares at par value for HK\$343.20 to Ms. Ng Yuk Ling Margaret, which were set-off against and funded out of the repurchase price paid by our Company for the repurchase of 10,156 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$10,156 from Arling Investment, 600 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$600 from each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law, and 44 shares of our Company with par value of US\$1.00 each from Ms. Ng Yuk Ling Margaret for a total repurchase price of US\$44.

Following the said repurchase, the authorised but unissued share capital of our Company was diminished by cancellation of all the unissued share capital of our Company with par value of US\$1.00 each in the share capital of our Company pursuant to the written resolutions of our Shareholders passed on 14 September 2018. After such cancellation, our share capital was HK\$1,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.01 each.

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which have been or may be granted under the Share Option Scheme):

<i>Issued and to be issued, fully paid or credited as fully paid:</i>		<i>HK\$</i>
9,360,000	Shares in issue immediately prior to the Capitalisation Issue	93,600
1,040,640,000	Shares to be issued pursuant to the Capitalisation Issue	10,406,400
350,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	3,500,000
<u>1,400,000,000</u>	Shares	<u>14,000,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which have been or may be granted under the Share Option Scheme):

<i>Issued and to be issued, fully paid or credited as fully paid:</i>		<i>HK\$</i>
9,360,000	Shares in issue immediately prior to the Capitalisation Issue	93,600
1,040,640,000	Shares to be issued pursuant to the Capitalisation Issue	10,406,400
402,500,000	Shares to be issued pursuant to the Global Offering (inclusive of any Shares which may be issued under the Over-allotment Option)	4,025,000
<u>1,452,500,000</u>	Shares	<u>14,525,000</u>

ASSUMPTIONS

This table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account (a) Shares which may be allotted and issued upon the exercise of options which have been or may be granted under the Share Option Scheme; or (b) of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

SHARE CAPITAL

RANKING

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option shall rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 14 September 2018, conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 1,040,640,000 Shares, credited as fully paid, at par to our Shareholders whose names appear on the register of members of our Company at close of business on 11 October 2018 (or any other date as our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted) to their then respective shareholdings by way of capitalisation of the sum of HK\$10,406,400 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issued Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of at least 25% of our total issued share capital in the hands of the public.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 14 September 2018. A summary of the principal terms of the Share Option Scheme is set out in “D. Share Option Scheme” in Appendix IV to this prospectus.

We did not have any outstanding share option(s), warrant(s), convertible instrument(s) or similar right(s) convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment of all conditions as stated in “Structure of the Global Offering”, our Directors have been granted with a general unconditional mandate to allot, issue and deal with Shares in aggregate number of not more than the sum of:

- (a) 20% of the aggregate number of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares that may be issued upon exercise of the Over-allotment Option); and

SHARE CAPITAL

- (b) the aggregate number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate number of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue, or (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws; or (iii) any specific authority granted by the Shareholders in general meeting(s); or (iv) the exercise of options which may be granted under the Share Option Scheme or any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the issuing mandate is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable Bermuda law or the Bye-laws to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "A. Further Information about our Group — 5. Written resolutions of our Shareholders passed on 14 September 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted with a general unconditional mandate to exercise all the powers of our Company to repurchase Shares in an aggregate number of not more than 10% of the aggregate number of the Shares in issue following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares that may be issued upon exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "A. Further Information about our Group — 7. Repurchase by our Group of its own securities" in Appendix IV to this prospectus.

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This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the repurchase mandate is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable Bermuda law or the Bye-laws to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "A. Further Information about our Group — 5. Written resolutions of our Shareholders passed on 14 September 2018" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, each of which ranks *pari passu* to the other Shares. The circumstances under which general meeting and class meeting have to be held are prescribed under the Bye-laws. For further information, please see "Summary of Constitution of the Company and Bermuda Company Law" in Appendix III to this prospectus.

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You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in “Appendix I — Accountant’s Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.

OVERVIEW

We are a leading E&M engineering group in Hong Kong which provides multi-disciplinary and comprehensive E&M engineering and technology services to a wide range of projects and sectors in Hong Kong, Macau and Mainland China. We also manufacture lifts and escalators and sell them internationally. According to the Frost & Sullivan Report, we were the largest E&M engineering service provider in Hong Kong with a market share of approximately 9.1% in terms of revenue in 2018.

Established in 1977, we began as an E&M equipment trading company and have evolved into a comprehensive engineering service provider. Our principal business encompasses (i) *Building services* — the design, installation and maintenance of E&M engineering systems in buildings, data centres, healthcare and infrastructure facilities, (ii) *Environmental engineering services* — the design, build, operation and maintenance of environmental treatment systems, (iii) *Information, Communications, and Building Technologies (ICBT)* — the design, hardware and software development, engineering, installation and maintenance of information and communication technologies solutions and intelligent and green building technologies solutions, and (iv) *Lifts and escalators* — the design, manufacturing, installation and maintenance of lifts and escalators. We generate our revenue from our four business segments through (1) contracting services on a project basis, (2) operations and maintenance services, and (3) sale of goods. Throughout our development, we have been driven by our vision of becoming an innovative, leading and sustainable multi-disciplinary engineering group.

During the Track Record Period, our revenue was HK\$4,411.7 million, HK\$4,965.3 million and HK\$5,966.0 million in FY2016, FY2017 and FY2018, respectively, while our net profit for the respective years was HK\$120.8 million, HK\$433.6 million and HK\$315.3 million.

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BASIS OF PRESENTATION

The financial information has been prepared by our Directors based on accounting policies which conform with HKFRS issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in note 2 of the Accountants' Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Construction activities in Hong Kong, Mainland China and Macau

We principally provide our E&M engineering services to commercial properties and facilities development projects in Hong Kong, Mainland China and Macau. In FY2016, FY2017 and FY2018, our total revenue amounted to HK\$4,411.7 million, HK\$4,965.3 million and HK\$5,966.0 million, respectively. Revenue derived from contracting works which depends on the construction activities in Hong Kong, Mainland China and Macau, accounted for over 85% of our total revenue during the Track Record Period. Accordingly, changes in construction activities in Hong Kong, Mainland China and Macau could have significant impact on the demand for our services and, therefore, significant impact on our business and results of operations.

Ability to secure new projects and maintain our backlog

We generated the majority of our revenue from projects which are on contract basis and non-recurring in nature. We generally secure our government and non-government projects through tenders. Our future growth and success will then depend on our ability to maintain a stable and sustainable project backlog. During the Track Record Period, our tender success rate in terms of contract value were approximately 8.7%, 12.2% and 14.7% for FY2016, FY2017 and FY2018, respectively. Our results of operations will be adversely affected if we are unable to secure sufficient number and sizeable contracts in the future.

Ability to complete our projects with quality on a timely basis

If there is any quality problem in relation to our services or delay in our projects, we may incur liability. Moreover, service standard and works quality are usually one of the considerations in awarding tenders by our customers. Accordingly, if we are unable to maintain our service standards and work quality or unable to complete our projects on a timely basis, our financial performance may be adversely affected due to cost-overruns for catching up scheduled time or reworking for substandard works. In addition, since our revenue recognition is based on measurement of progress by output method of our contract works, any delay in

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completing our works with appropriate certification will affect our revenue recognised during the same period. Thus, our revenue and results of the operation may be affected if we are unable to complete our scheduled work on time.

Fluctuation in cost of sales and services

Our cost of materials, equipment and spare parts and subcontracting cost are the major components of our cost of sales during the Track Record Period. The price and availability of different materials, equipment and spare parts may vary from period to period due to factors such as customer specification, demand and market conditions. Our cost of materials, equipment and spare parts accounted for 42.8%, 48.6% and 35.6% of our total cost of sales and services in FY2016, FY2017 and FY2018, respectively.

Any unexpected changes to our subcontracting cost may also affect our profitability. In FY2016, FY2017 and FY2018, subcontracting cost accounted for 38.5%, 31.0% and 41.1% of our total cost of sales and services, respectively.

The following sensitivity analysis illustrates the impact of certain hypothetical fluctuations of our (i) cost of materials, equipment and spare parts and (ii) subcontracting cost on our profit before tax during the Track Record Period. Based on the relevant historical changes, hypothetical fluctuations of our cost of materials, equipment and spare parts are assumed to be 10%, 15% and 20%, while those of our subcontracting cost are assumed to be 10%, 15% and 20%.

Hypothetical fluctuations	Changes in cost of materials, equipment and spare parts		
	+/-10%	+/-15%	+/-20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/increase in profit before tax			
FY2016	-/+122,121	-/+183,182	-/+244,242
FY2017	-/+145,315	-/+217,972	-/+290,630
FY2018	-/+133,588	-/+200,381	-/+267,175
Hypothetical fluctuations	Changes in subcontracting cost		
	+/-10%	+/-15%	+/-20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/increase in profit before tax			
FY2016	-/+109,757	-/+164,635	-/+219,514
FY2017	-/+92,539	-/+138,808	-/+185,078
FY2018	-/+154,344	-/+231,515	-/+308,687

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Fluctuation of staff cost and supply of qualified staff

We depend on qualified and experienced engineering staff to provide quality services. Any shortage of qualified and experienced engineering staff may lead to delay of our existing work or affect our ability to take up new projects, and hence affect our results of operations. Consequently, our direct staff cost may vary, period from period, due to the construction market and supply of labour. Even though we take into consideration the expected increase in direct staff cost when we submit tenders, the unexpected increase in direct staff cost due to market conditions may adversely affect our results of operations. In FY2016, FY2017 and FY2018, direct staff cost accounted for 14.2%, 13.6% and 12.0% of our total cost of sales and services, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our direct staff cost on our profit before tax during the Track Record Period. Based on the historical fluctuations of our direct staff cost, the hypothetical fluctuations are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations	Changes in direct staff cost		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/increase in profit before tax			
FY2016	-/+20,276	-/+40,551	-/+60,827
FY2017	-/+20,250	-/+40,499	-/+60,749
FY2018	-/+22,432	-/+44,863	-/+67,295

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on (i) revenue and profit recognition of construction contracts; (ii) useful lives and impairment of property, plant and equipment; and (iii) estimated impairment of trade receivables and contract assets, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor the underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are summarised below, and the full text is set out in notes 4 and 5 of the Accountant's Report contained in Appendix I to this prospectus.

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Significant accounting policies

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Specifically, we use a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

We recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates and enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. We recognise revenue when it transfers control of a product or service to a customer. We recognise revenue from the following major sources: 1) provision of contracting services, 2) provision of maintenance services and 3) sales of goods.

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a. *Provision of contracting services*

Recognition

We provide contracting services under long-term contracts with customers. Such contracts are entered into before the contracting services begin. Under the terms of the contracts, our customers control the properties during the course of construction by us. Revenue from provision of contracting services is therefore recognised over time using output method, i.e. based on surveys of contracting work completed by us to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by us to the customer in relation to the work completed by us relative to the remaining goods or services promised under the contract. The Directors of our Company consider that output method would faithfully depict our performance towards complete satisfaction of the performance obligation under HKFRS 15.

For contracts that contain variable consideration (i.e. variation order), we estimate the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which we will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, we update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the change in circumstances during the reporting period.

For warranty embedded to the construction contracts, we account for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Contract assets/liabilities

We have enforceable rights to considerations from customers for the provision of contracting services. Contract assets arise when we completed the contracting work under such construction contracts but not yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress payment exceeds the revenue recognised to date under the output method then we recognise a contract liability for the difference.

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b. *Provision of maintenance services*

Recognition

We provide maintenance services, including operation and maintenance services to customers. Income is recognised over the contract period when the relevant services are provided by us and the customers simultaneously receive and consume the benefits provided by our performance.

c. *Sales of goods*

Recognition

We sell lifts and escalators to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

d. *Other income*

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as expenses on a straight-line basis over the lease term.

Inventories

Inventories comprise direct materials to be applied to contracts and are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

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Impairment of financial assets and contract assets (before the adoption of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, and contract assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset and contract assets, the estimated future cash flows of the financial assets and contract assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include our past experience of collecting payments, an increase in the number of delayed payments in the portfolio over the credit period ranging from 14 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost and contract assets, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset and contract assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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For financial assets measured at amortised cost and contract assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets under expected credit losses (“ECL”) model (upon the adoption of HKFRS 9 on 1 January 2018)

We recognise a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9, contract assets, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, twelve-months ECL represent the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment are done based on our Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We always recognise lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively for other debtors based on our Group’s internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, we recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, we measure the loss allowance for that financial instrument at an amount equal to twelve-months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, we consider both quantitative and qualitative

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information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which our Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to our Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, we presume that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless we have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, we assume that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. We consider a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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We regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

We consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including our Group, in full (without taking into account any collaterals held by our Group).

Irrespective of the above analysis, we consider that default has occurred when a financial asset is more than 90 days past due unless we have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

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Write-off policy

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under our Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that we expect to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status; and
- nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised costs of the financial asset.

Provisions

Provisions are recognised when we have a present obligation (legal or constructive) as a result of a past event, it is probable that we will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at

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the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of our Company have made in the process of applying our Group's accounting policies and that have the most significant effect on the amounts recognised in the historical financial information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, our Directors have reviewed our investment property portfolios and concluded that our investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining our deferred taxation on investment properties, our Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. We have not recognised any deferred tax on changes in fair value of investment properties as we are not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue and profit recognition of construction contracts

We recognise contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the measurement of progress of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised.

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Useful lives and impairment of property, plant and equipment

Our management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. The estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of our Group.

As at 31 December 2016 and 2017 and 2018, the carrying amount of property, plant and equipment of our Group, excluding leasehold properties in Hong Kong amounted to HK\$48.7 million, HK\$43.8 million and HK\$44.3 million, respectively.

Estimated impairment of trade receivables and contract assets

Before the adoption of HKFRS 9, we made allowances for trade receivables and contract assets based on the assessment of the recoverability of trade receivables and contract assets.

When there is objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where appropriate). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise.

Since the adoption of HKFRS 9 on 1 January 2018, management estimates the amount of loss allowance for expected credit losses on trade receivables and contract assets that are measured at amortised cost based on the credit risk of trade receivables. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the trade receivables. The assessment of the credit risk of trade receivables involve high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at 31 December 2016 and 2017 and 2018, the total carrying amount of trade receivables and contract assets of our Group amounted to HK\$1,682.8 million, HK\$1,735.7 million and HK\$1,700.1 million, net of allowance for impairment of HK\$26.5 million, HK\$24.9 million and HK\$49.8 million, respectively.

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IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently applied Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments and related Interpretations (“HK(IFRIC) — Int”) (hereinafter collectively referred to as the “HKFRSs”), which are effective for the annual periods beginning on 1 January 2018 throughout the Track Record Period except that we adopted HKFRS 9 *Financial Instruments* on 1 January 2018 and applied HKAS 39 *Financial Instruments: Recognition and Measurement* for the two years ended 31 December 2017. The HKICPA issued new accounting standards including HKFRS 16 “Leases”, which will be effective for annual periods beginning on or after 1 January 2019. See note 3 of the Accountants’ Report in Appendix I to this prospectus for details of application of these accounting policies. The impacts of the applications of these accounting policies are as follows:

Our Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

For further information regarding the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018, please refer to Note 3 of the Accountants’ Report as set out in Appendix I to this prospectus.

Our Group and our Company have not recognised additional impairment loss allowance upon the initial recognition of HKFRS 9 on 1 January 2018 as the amounts involved are insignificant.

The adoption of HKFRS 9 and HKFRS 15 for the preparation of the Accountants’ Report has no significant impact on the financial position and performance of our Group when compared to the requirements of HKAS 39 and HKAS 18/HKAS 11.

HKFRS 16 Leases

As at 31 December 2018, we have non-cancellable operating lease commitments of approximately HK\$31.6 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, we will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, we currently consider refundable rental deposits paid of HK\$5.2 million and refundable rental deposits received of HK\$0.5 million as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payment relating to the right to use the underlying assets, accordingly, the

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carrying amounts of such deposits may be adjusted to amortised cost and such adjustment are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated in note 3 of the Accountants' Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table summarises the consolidated statement of profit or loss from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue	4,411,712	100.0	4,965,277	100.0	5,966,046	100.0
Cost of sales	(3,862,159)	(87.5)	(4,041,917)	(81.4)	(5,077,652)	(85.1)
Gross profit	549,553	12.5	923,360	18.6	888,394	14.9
Other income	16,772	0.4	9,739	0.2	10,213	0.2
Other gains and losses	(3,314)	(0.1)	56,311	1.1	8,199	0.1
Impairment losses reversed/ (recognised) in respect of trade receivables, net	3,500	0.1	40	—(Note)	(27,485)	(0.5)
Selling and distribution expenses	(2,874)	(0.1)	(2,756)	(0.1)	(3,525)	(0.1)
Administrative expenses	(361,834)	(8.2)	(488,775)	(9.8)	(499,883)	(8.4)
Listing expenses	—	—	(1,619)	—(Note)	(28,303)	(0.5)
Share of results of associates	(40,271)	(0.9)	13,522	0.3	27,286	0.5
Share of results of joint ventures	(1,186)	—(Note)	(523)	—(Note)	607	—(Note)
Finance costs	(1,606)	—(Note)	(691)	—(Note)	(689)	—(Note)
Profit before tax	158,740	3.6	508,608	10.2	374,814	6.3
Income tax expense	(37,908)	(0.9)	(75,031)	(1.5)	(59,532)	(1.0)
Profit for the year	120,832	2.7	433,577	8.7	315,282	5.3

Note: Amount less than 0.05%

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DESCRIPTION AND MANAGEMENT DISCUSSION AND ANALYSIS OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we recorded total revenue of HK\$4,411.7 million, HK\$4,965.3 million and HK\$5,966.0 million, in FY2016, FY2017 and FY2018, respectively. Our revenue represents income from our provision of services and sale of goods in our ordinary course of such businesses and is shown net of discounts and sales-related taxes. Our revenue comprises (i) contracting works; (ii) maintenance works; and (iii) sale of goods, the breakdown of which is as follows:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contracting works	3,865,787	87.6	4,254,972	85.7	5,220,719	87.5
Maintenance works	430,590	9.8	476,538	9.6	551,381	9.2
Sale of goods	115,335	2.6	233,767	4.7	193,946	3.3
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

Our contracting works revenue represents revenue from our E & M engineering contract works, whilst our maintenance works revenue represents revenue from operation, repair and maintenance services. Our sale of goods represents revenue from manufacture and sales of lifts and escalators, and sale of products in the other business segments.

During the Track Record Period, the revenue contributed by different nature of works remained relatively stable, while the majority of our revenue is generated from contracting works, which accounted for 87.6%, 85.7% and 87.5% in FY2016, FY2017 and FY2018, respectively.

Due to the nature of our business, revenue from contracting works and maintenance works is primarily driven by the number, size and types of projects involved, nature of services provided and measurement of progress of the projects by output method which affects the timing of recognition of our revenue. Thus, the fluctuation in our contracting revenue between one financial year and the financial year immediately preceding it is largely dependent on the combined effect of the different progress of the different mix of the new and ongoing projects in the financial years.

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By business segment

We generate revenue from our four business segments namely (i) building services, (ii) environmental engineering, (iii) ICBT and (iv) lifts and escalators. The following table sets forth the breakdowns of our revenue generated from different business segments for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building services.....	3,081,489	69.8	3,098,934	62.4	4,431,333	74.3
Environmental engineering	834,995	18.9	1,256,563	25.3	866,451	14.5
ICBT	354,074	8.0	429,159	8.6	530,851	8.9
Lifts and escalators.....	190,161	4.3	234,956	4.7	249,696	4.2
	<u>4,460,719</u>	<u>101.0</u>	<u>5,019,612</u>	<u>101.0</u>	<u>6,078,331</u>	<u>101.9</u>
Less: inter-segment sales ^(Note)	<u>(49,007)</u>	<u>(1.0)</u>	<u>(54,335)</u>	<u>(1.0)</u>	<u>(112,285)</u>	<u>(1.9)</u>
	<u><u>4,411,712</u></u>	<u><u>100.0</u></u>	<u><u>4,965,277</u></u>	<u><u>100.0</u></u>	<u><u>5,966,046</u></u>	<u><u>100.0</u></u>

Note: Inter-segment sales represent principally contracting works undertaken by our ICBT segment for our building services segment.

Building services

Our revenue from building services segment is derived from the provision of services such as the design, installation, testing and commissioning and maintenance of HVAC system, fire service system, plumbing and drainage system and electrical and ELV system, combined service E&M engineering contracts for wide range of buildings and the sale of related products for building services.

In FY2016, FY2017 and FY2018, our revenue generated from this segment amounted to HK\$3,081.5 million, HK\$3,098.9 million and HK\$4,431.3 million, respectively, which accounted for 69.8%, 62.4% and 74.3% of our total revenue for the respective year. The relatively higher revenue of FY2018 compared to those of FY2016 and FY2017 was mainly due to increase in value of work done and works certified from (i) a major infrastructure building services projects in Hong Kong; (ii) revenue contributed from an infrastructure contracting work project in Hong Kong undertaken in FY2018, in which we acted as a direct contractor; and (iii) a building services project for a commercial building in Hong Kong, where we act as a subcontractor.

Environmental engineering

Our environmental engineering services mainly comprise total solutions for the design, construction, operation and maintenance of environmental engineering systems and treatment plants of sewage, water, solid waste, sludge and gas, which are mainly government projects and also the trading of related products. In FY2016, FY2017 and FY2018, our revenue

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generated from this segment amounted to HK\$835.0 million, HK\$1,256.6 million and HK\$866.5 million, respectively, which accounted for 18.9%, 25.3% and 14.5% of our total revenue for the respective year. Our revenue from environmental engineering segment was relatively higher in FY2017 mainly attributable to (i) a number of contracting works projects for sewage treatment plants in the Mainland China with aggregate revenue recognised of approximately HK\$183.2 million which mostly commenced their revenue recognition in FY2017; and (ii) increase in revenue recognition of a number of water treatment works projects in Hong Kong by HK\$235.4 million due to increase in value of work done and works certified in FY2017. Our revenue from environmental engineering segment decreased to HK\$866.5 million in FY2018, mainly due to (i) decrease in revenue from an expansion of water treatment works project in Hong Kong; and (ii) decrease in revenue from a contracting works project for sewage treatment plant in Hong Kong. We acted as a direct contractor in both projects.

ICBT

Our revenue from ICBT services, which is derived mainly in Hong Kong comprise the revenue from provision of design, software integration and development, supply, installation and maintenance of infrastructure communications, building management control, security and access systems, such as automatic passenger clearance system and also the trading of related products. In FY2016, FY2017 and FY2018, our revenue generated from this segment amounted to HK\$354.1 million, HK\$429.2 million and HK\$530.9 million, respectively, which accounted for 8.0%, 8.6% and 8.9% of our total revenue for the respective year.

Lifts and escalators

During the Track Record Period, our revenue from lifts and escalators represents revenue from provision of the design, production, sale, installation and maintenance of a wide range of lifts, escalators and walkways catering for different uses and requirements. In FY2016, FY2017 and FY2018, our revenue generated from this segment amounted to HK\$190.2 million, HK\$235.0 million and HK\$249.7 million, respectively, which accounted for 4.3%, 4.7% and 4.2% of our total revenue for the respective year.

By role of our Group

During the Track Record Period, we are generally engaged by either (a) the property owner or developer, referred to as the clients or employers of the project (in which case we act as direct or main contractor) or (b) the main contractors (in which case we act as a subcontractor). The following table sets out our total revenue by the engagement role of our Group for the periods indicated:

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct contractor	2,418,057	54.8	2,819,710	56.8	2,664,449	44.7
Subcontractor	1,993,655	45.2	2,145,567	43.2	3,301,597	55.3
	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

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The composition of our revenue generated from projects where we acted as direct contractor and subcontractor remained relatively stable in FY2016 and FY2017. Our revenue from projects where we acted as subcontractor increased in FY2018 mainly due to increase in value of work done and works certified in FY2018 from (i) major infrastructure building services projects in Hong Kong; and (ii) a building services project for a commercial building in Hong Kong, where we both act as a subcontractor.

By sector

The following table sets forth the breakdowns of our revenue by servicing sector for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Government ⁽¹⁾	762,359	17.3	1,004,621	20.2	876,790	14.7
Non-government ⁽²⁾	3,649,353	82.7	3,960,656	79.8	5,089,256	85.3
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

Notes:

- (1) Government projects are projects in which we, or our joint operations, enter into contract directly or through joint operation with department, unit or sub-unit of government as our customer.
- (2) Non-government projects are projects that are not classified as government projects.

In FY2016, FY2017 and FY2018, 82.7%, 79.8% and 85.3% of our total revenue was generated from non-government projects, respectively. Government projects comprise mainly projects in our environmental engineering segment for the design, construction, operation and maintenance of environmental engineering systems and treatment plants of sewage, water, solid waste, sludge and gas.

By geographical location

The following table sets forth the breakdowns of our revenue by geographical location for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong.....	3,595,123	81.5	3,905,268	78.7	5,122,820	85.9
Mainland China	442,424	10.0	740,533	14.9	349,367	5.9
Macau	332,177	7.5	255,373	5.1	444,402	7.4
Others ^(Note)	41,988	1.0	64,103	1.3	49,457	0.8
Total	<u>4,411,712</u>	<u>100.0</u>	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

Note: Others mainly represent sale to Singapore, Korea, the United Kingdom and other countries.

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During the Track Record Period, we generated substantial revenue from Hong Kong, Mainland China and Macau. Revenue generated in Hong Kong accounted for 81.5%, 78.7% and 85.9% of our revenue in FY2016, FY2017 and FY2018, respectively. Revenue generated from Mainland China increased from FY2016 to FY2017, mainly due to more construction works, mainly from environmental engineering segment carried out in Mainland China, while the revenue generated from Macau decreased from FY2016 to FY2017 primarily attributable to decrease in value of work done and works certified of certain casino and hotel projects as some projects were finalised. Our revenue from Macau increased from FY2017 to FY2018 primarily attributable to certain casino and hotel projects in which we acted as a direct contractor, with increase in value of work done and works certified in FY2018 compared to FY2017, while the revenue generated from Mainland China decreased in FY2018 compare to that of FY2017 mainly due to decrease in value of work done and works certified in FY2018 from integrated building services for a race horse training centre and related projects in Conghua, Guangzhou, Mainland China in which we acted as a subcontractor.

Cost of sales and services

Our cost of sales and services mainly comprise of (i) costs of materials, equipment and spare parts for our provision of services; (ii) subcontracting cost; (iii) direct staff cost and (iv) others which are directly attributable to our revenue generating activities.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Costs of materials, equipment and spare parts	1,652,521	42.8	1,966,369	48.6	1,807,680	35.6
Subcontracting cost.....	1,485,210	38.5	1,252,214	31.0	2,088,546	41.1
Direct staff cost	548,735	14.2	548,029	13.6	607,079	12.0
Others	175,693	4.5	275,305	6.8	574,347	11.3
Total	<u>3,862,159</u>	<u>100.0</u>	<u>4,041,917</u>	<u>100.0</u>	<u>5,077,652</u>	<u>100.0</u>

Cost of materials, equipment and spare parts mainly represented (i) raw materials and consumables used on the project sites procured by us for our construction works; (ii) inventories sold such as lift, escalators and walkway for our lifts and escalators segment; and (iii) spare parts used for our maintenance works. During the Track Record Period, our cost of materials, equipment and spare parts is our major cost of sales, accounted for approximately 42.8%, 48.6% and 35.6% of our total cost of sales and services for each of the FY2016, FY2017 and FY2018, respectively. The amount and timing of materials to be ordered usually depend on the scope of work, the progress of works and specific requirements of each project, and, accordingly, we do not maintain inventory level in a significant amount for our provision

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of services. We possess a level of inventory mainly for maintenance business of lifts and escalators segment. Our cost of materials, equipment and spare parts was relatively higher in FY2017, mainly attributable to cost incurred for a major infrastructure building services project in Hong Kong.

Our subcontracting cost mainly represents the cost of services from third-party service providers. Based on the labour-intensiveness of the works involved, specialist work requirements and cost effectiveness, we may subcontract certain works of a contract to selected subcontractors. See “Business — Subcontracting” for details. The subcontracting cost incurred in a financial year is dependent on the subcontracting works required for different projects, which may or may not fluctuate in a same magnitude as our fluctuation in revenue. Our subcontracting cost accounted for 38.5%, 31.0% and 41.1% of our total cost of sales and services for FY2016, FY2017 and FY2018, respectively. Our subcontracting cost was relatively low in FY2017 mainly due to decrease in subcontracting cost incurred for a building services project of contracting works for railway system extension which was substantially completed in FY2016 and a building services project of contracting works of design and construction of a data centre in Hong Kong for a major state-owned telecommunication group in Mainland China which was completed in FY2016. Our subcontracting cost was relatively higher in FY2018 mainly due to certain building services contracting projects which entailed a higher composition of subcontracting work of the respective projects.

Direct staff cost represents our staff cost incurred which is directly attributable to our engineering projects including contracting works, maintenance works and sale of goods business. Our direct staff cost accounted for 14.2%, 13.6% and 12.0% of our total cost of sales and services for FY2016, FY2017 and FY2018, respectively, which remained relatively stable.

Others mainly comprise cost adjustment which primarily arises from (i) certain non-government projects of contracting works for railway system extension in Hong Kong; (ii) the development of a shopping centre and hotel complex in Beijing; (iii) a contracting works project for sewage treatment plant in Hong Kong; (iv) a major infrastructure building services project in Hong Kong; and (v) an infrastructure contracting work project in Hong Kong which was undertaken in FY2018, and other overheads such as site expenses, testing fee and others. Cost adjustment arises, as a result of timing difference between actual cost billed and cost attributable to the relevant part of revenue recognised. Our cost of sales and services represent costs and expenses directly attributable to our revenue generating activities and are recognised using output method; whereas our actual costs represent the actual amount billed by our subcontractors, suppliers and direct labour for the execution of our project works and may, therefore, vary from the direct costs recognised in the consolidated statements of profit or loss.

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Gross profit and gross profit margin

Our gross profit and gross profit margin are dependent on various factors, amongst others, the nature of the projects that were undertaken by us and the progress of such projects during the respective financial year. The following table sets forth a breakdown of gross profit and gross profit margin by business segment and nature of work for the periods indicated:

	FY2016		FY2017		FY2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
By business segment						
Building services.....	282,540	9.2	600,836	19.4	558,462	12.6
Environmental engineering	113,992	13.7	119,690	9.5	95,476	11.0
ICBT	84,150	23.8	113,637	26.5	139,862	26.3
Lifts and escalators.....	69,152	36.4	90,131	38.4	95,398	38.2
	549,834	12.3	924,294	18.4	889,198	14.6
Less: inter-segment sales ^(Note)	(281)	N/A	(934)	N/A	(804)	N/A
	<u>549,553</u>	12.5	<u>923,360</u>	18.6	<u>888,394</u>	14.9
By nature of work						
Contracting works	378,910	9.8	693,009	16.3	633,530	12.1
Maintenance works	129,389	30.0	158,626	33.3	179,822	32.6
Sale of goods	41,254	35.8	71,725	30.7	75,042	38.7
Total	<u>549,553</u>	12.5	<u>923,360</u>	18.6	<u>888,394</u>	14.9

Note: Inter-segment sales represent principally contracting works undertaken by our ICBT segment for our building services segment.

During the Track Record Period, the majority of our gross profit was generated from building services and contracting works.

Our gross profit amounted to HK\$549.6 million, HK\$923.4 million and HK\$888.4 million in FY2016, FY2017 and FY2018, respectively, while the gross profit margin was 12.5%, 18.6% and 14.9% for the respective years.

Our gross profit and gross profit margin from building services segment were relatively lower in FY2016 compared to FY2017 mainly due to gross loss recognised in relation to certain non-government projects of contracting works for railway system extension in Hong Kong of HK\$147.1 million, which was mainly due to extension of projects construction period as a result of factors such as unfavourable construction conditions including labour shortage and/or inefficiencies of other parties engaged in the project. Our gross profit and gross profit margin

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for building services segment improved in FY2017 mainly due to combined effect of (i) a major infrastructure building services project in Hong Kong; and (ii) a contracting project for renovation works of a hotel in Macau with aggregate gross profit contribution of approximately HK\$193.8 million. Our gross profit for building services segment decreased to HK\$558.5 million, with gross profit margin decreased to 12.6%, in FY2018, which is mainly due to higher gross profit contribution of the two projects in FY2017 mentioned above.

Our gross profit margin of environmental engineering segment decreased from 13.7% in FY2016 to 9.5% in FY2017 mainly due to cost overrun of certain of our government projects in which we acted as direct contractor due to extension of projects construction period for similar reasons as set out in the above paragraph. Our gross profit and gross profit margin increased in FY2018 compared to that of FY2017 mainly due to the recognition of gross profit from a contracting work project for a sewage treatment plant in Hong Kong, which was still in early stage of construction in FY2017 that the gross profit could not be reasonably measured then.

Our gross profit margin of ICBT segment remained relatively stable at 23.8%, 26.5% and 26.3% in FY2016, FY2017 and FY2018, respectively.

Our gross profit margin of lifts and escalators segment remained relatively stable at 36.4%, 38.4% and 38.2% in FY2016, FY2017 and FY2018, respectively.

Other income

Other income mainly represents interest income from an associate, government subsidies, bank interest income, rental income arising from our investment properties, trade and other payables written off and others. Other income amounted to HK\$16.8 million, HK\$9.7 million and HK\$10.2 million for FY2016, FY2017 and FY2018, respectively. The following table sets forth a breakdown of other income for the periods indicated:

	FY2016	FY2017	FY2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	2,107	2,123	2,174
Bank interest income	2,167	2,645	3,880
Interest income from an associate	3,244	1,105	—
Interest income from a joint venture	810	219	—
Investment income/dividend from financial assets at fair value through profit or loss (“FVTPL”)	1,930	1,038	406
Government subsidies	2,207	933	2,475
Amounts received in respect of a litigation	155	—	—
Sundry income	4,152	1,676	1,278
	<u>16,772</u>	<u>9,739</u>	<u>10,213</u>

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Bank interest income mainly represents interest income from our bank deposits and pledged bank deposits to secure general short-term banking facilities granted to certain of our subsidiaries. The deposits carry interest at market rates, per annum, ranging from 0% to 1.4%, 0% to 4% and 0% to 3.35% in FY2016, FY2017 and FY2018, respectively.

Interest income from an associate represents interest charged on an amount due from our associate, at HIBOR plus 3% per annum. As stipulated in the loan agreement, the capped interest income during the loan period is HK\$4.8 million which had been fully recognised up to FY2017.

Investment income from financial assets at FVTPL represents investment or dividend income from unlisted investment funds and equity securities issued by listed companies in Hong Kong.

Our government subsidies represent various government subsidies received by our subsidiaries for (i) encouragement of employment in Hong Kong which is recurring and (ii) new districts development in Shanghai which is one-off in nature. There were no unfulfilled conditions or contingencies relating to these subsidies.

Amounts received in respect of a litigation were in relation to claims between our subsidiary and a subcontractor. Such litigation was finalised in 2012 and the certain portion of the damages awarded to us was received in FY2016. See note 45 of Accountants' Report contained in the Appendix I to this prospectus for details of the litigation.

Sundry income mainly represents trade and other payables written off, special receipts from a joint venture and others. Trade and other payables written off represent payables generally aged over 7 years and the related contractual obligation is considered expired. Special receipts from a joint venture represent the excess portion of dividend income received from a joint venture in Mainland China following our disposal of its equity interest from 52.5% to 40% in the prior year.

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Other gains and losses

Other gains and losses mainly represent gain from change in fair value of investment properties, (loss)/ gain from change in fair value of financial assets through FVTPL and impairment loss recognised in respect of amount due from our associate and others. We recognised other losses of HK\$3.3 million, other gains of HK\$56.3 million and other gains of HK\$8.2 million for FY2016, FY2017 and FY2018, respectively. The following table sets forth a breakdown of other gains and losses for the periods indicated:

	FY2016	FY2017	FY2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain from change in fair value of investment properties ..	170	1,700	14,190
(Loss)/gain from change in fair value of financial assets at FVTPL	(2,469)	6,335	2,233
Net exchange gains/(losses).....	353	13	(3,734)
Impairment loss recognised in respect of amount due from an associate	(6,822)	(7,030)	—
Gain/(loss) on dilution in interest in an associate	6,170	55,076	(3,812)
(Loss)/gain on liquidation of subsidiaries	(620)	—	1,622
Cumulative loss reclassified to profit or loss on dissolution of a joint venture	—	—	(1,564)
Others ^(Note)	(96)	217	(736)
	<u>(3,314)</u>	<u>56,311</u>	<u>8,199</u>

Note: Others mainly represents loss on disposals/written off of property, plant and equipment in FY2016, FY2017 and FY2018, and gain on disposal of available-for-sale investment in FY2017.

(Loss)/gain from change in fair value of financial assets at FVTPL represents (loss)/gain arising from the closing value of investment funds and equity securities which were unsold as at each reporting dates.

Our net exchange (losses)/gains arises as most of our costs and expenses are denominated in Hong Kong dollars and U.S. dollars, while some of our sales is denominated in RMB and other foreign currencies.

Impairment loss recognised in respect of amount due from an associate represents impairment made in relation to an associate, namely Oscar Bioenergy Joint Venture, as a result of its losses incurred in FY2016 and FY2017.

Gain on dilution in interest in an associate resulted from the decrease of interest in Nanjing Canatal from 40% to 36.04% in FY2016 and from 36.04% to 27.03% upon listing of Nanjing Canatal on the Shanghai Stock Exchange in November 2017. In FY2018, our interest in Nanjing Canatal decreased from 27.03% to 26.58%, and a loss on dilution of HK\$3.8 million was recognised for FY2018 upon the issue of restricted shares by Nanjing Canatal to its eligible employees below the market price. See note 18 of Accountants' Report set out in Appendix I for details.

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Impairment loss reversed (recognised) in respect of trade receivables, net

We recorded net impairment loss reversed in respect of trade receivables of HK\$3.5 million, HK\$40,000 and impairment loss recognised in respect of trade receivables of HK\$27.5 million in FY2016, FY2017 and FY2018, respectively.

We recorded net impairment loss reversed in respect of trade receivables in FY2016 and FY2017 as a result of repayment received in such year for impaired amounts as at 31 December 2015 and 2016. Net impairment loss recognised in FY2018 in respect of trade receivables in the amount of HK\$27.5 million was recorded as a result of receivables from certain customers which are considered as irrecoverable as the amounts remained unsettled despite our request for settlements from these customers for months.

Selling and distribution expenses

Selling and distribution expenses primarily comprise transportation expenses for delivery of our products, travelling expenses, packaging expenses and others.

Selling and distribution expenses amounted to HK\$2.9 million, HK\$2.8 million and HK\$3.5 million for FY2016, FY2017 and FY2018, respectively. Selling and distribution expenses was relatively higher in FY2018 mainly due to increase in expenses incurred for our lift and escalators segment as a result of development of such business in Mainland China.

Administrative expenses

Administrative expenses primarily comprise staff costs, depreciation and amortisation, rental expenses, other office expenses and others.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff cost	256,923	71.0	366,748	75.0	374,418	74.9
Depreciation and amortisation.....	27,368	7.6	26,843	5.5	14,019	2.8
Professional fee	9,912	2.7	26,813	5.5	16,697	3.4
Rental expenses	12,659	3.5	14,423	3.0	29,706	5.9
Staff recruitment expenses....	7,687	2.1	5,391	1.1	5,666	1.1
Others ^(Note)	47,285	13.1	48,557	9.9	59,377	11.9
Total	<u>361,834</u>	<u>100.0</u>	<u>488,775</u>	<u>100.0</u>	<u>499,883</u>	<u>100.0</u>

Note: Others mainly comprise maintenance expenses for motor vehicle, printing and stationery and other office expenses.

Administrative expenses amounted to HK\$361.8 million, HK\$488.8 million and HK\$499.9 million for FY2016, FY2017 and FY2018, respectively.

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Staff cost included in administrative expenses mainly comprises of salaries and other benefits and retirement benefit scheme contributions of our management, administrative and supporting staff and director's remuneration.

Increase in professional fee in FY2017 mainly represent consultancy fee paid to certain PRC consultants engaged by our Group for (a) consultancy and advisory services in support of our tendering and performance of a project for the supply of wastewater treatment facility to a wastewater treatment plant in Baoding, Mainland China ("**Baoding Wastewater Treatment Plant Project**"), including tendering consultancy services and technical advice on the optimisation and testing and commissioning of the equipment procured by our clients from us, (b) technical services in support of our performance of a project for the supply of anaerobic bacteria to a wastewater treatment plant in Qingdao, Mainland China ("**Qingdao Wastewater Treatment Plant Project**"), and (c) technical services in support of our performance of a project for the procurement of wastewater treatment equipment by our clients from us to upgrade a wastewater treatment plant in Jiading, Mainland China ("**Jiading Wastewater Treatment Plant Project**").

During the Track Record Period, our Group engaged 14 PRC consultants ("**PRC Local Consultants**") to provide us with consultancy, advisory and/or technical services mainly in support of our tendering and/or performance of ten PRC environmental engineering projects mainly including the procurement and supply, installation, testing and commissioning of environmental engineering equipment or facilities for wastewater treatment plants in the PRC, such as the Baoding Wastewater Treatment Plant Project, the Qingdao Wastewater Treatment Plant Project and the Jiading Wastewater Treatment Plant Project. Such PRC Local Consultants mainly include a subsidiary of a PRC-listed environmental engineering company with market capitalisation of around RMB2.8 billion as at the Latest Practicable Date, a national institute for engineering design and research, a European-based environmental technology consultant with over 25 years of experience in the water, energy and environment sector, and some relatively small-scale companies established in the PRC each with registered share capital below RMB12 million. These PRC Local Consultants are principally engaged in the trading of environmental engineering equipment and provision of related technical advisory services. Our business relationships with these 14 PRC Local Consultants range from one to three years. Our Directors believe that these PRC Local Consultants were experienced in the environmental engineering equipment industry of Mainland China, and were capable of providing our Group with the required professional technical advice, in particular as to the PRC legal and regulatory requirements on wastewater treatment plant equipment, which is critical to ensuring our Group's compliance with the relevant PRC laws and regulations in the course of our performance of the relevant equipment supply projects. Our Directors believe that it is consistent with industry practice.

Pursuant to the terms of the consultancy agreements entered into between our Group and the PRC Local Consultants during the Track Record Period, (a) the PRC Local Consultants were prohibited from disclosing any confidential information in relation to these consultancy agreements, such as technical knowhow, intellectual property and project information, to third parties, (b) no agency, partnership or employment relationship shall exist between our Group and the PRC Local Consultants, (c) our Group shall settle the fees within ten days from the

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date of the consultancy agreements, and the PRC Local Consultants were prohibited from paying us any rebates or commission, and (d) each consultancy agreement was effective from the date of its signing until the completion of the performance of the contract(s) between our Group and our client in the relevant environmental engineering project. The consultancy service fees paid by our Group to the PRC Local Consultants were determined based on arm's length negotiations between the parties, taking into account (i) the duration of the relevant environmental engineering project and (ii) the complexity and extent of the advice and technical services required for that project.

To the best of the knowledge of our Directors, other than the abovementioned consultancy agreements, the PRC Local Consultants engaged by our Group during the Track Record Period are Independent Third Parties and have no past or present relationship with our Group, the directors, senior management and shareholders of our Group members and their respective associates. Our Group has not entered into any other consultancy agreements of similar nature as the abovementioned consultancy agreements for its other businesses during the Track Record Period and up to the Latest Practicable Date.

For further details on the consultancy arrangements of our Group, please see "Business — Subcontracting and Consultancy Arrangements — Consultancy Arrangements".

Listing expenses

Listing expenses comprise professional fees and other expenses in relation to our Listing. Our Listing expenses amounted to HK\$1.6 million and HK\$28.3 million, respectively, in FY2017 and FY2018.

Share of results of associates and joint ventures

Our share of results of associates mainly represented our share of results derived from our three associates in FY2016, FY2017 and FY2018, respectively.

In FY2016 and FY2017, our share of results was mainly attributable to (i) share of loss from an associate of HK\$52.9 million and HK\$12.0 million, respectively, and (ii) approximately HK\$8.3 million and HK\$3.5 million recognised as obligations in excess of its interest, respectively, offset by share of gain from another associate of HK\$26.3 million and HK\$30.7 million, respectively.

As at 31 December 2016 and 2017, the amount due from an associate before our share of post-acquisition losses, of approximately HK\$52.9 million and HK\$64.9 million, with interest bearing at HIBOR plus 3% per annum is non-trade nature, unsecured and repayable on demand. The directors of our Company consider the amounts due from that associate, being Oscar Bioenergy Joint Venture ("**OBJV**"), are unlikely to be repaid in the foreseeable future and forms part of the net investment in an associate as at 31 December 2016 and 2017.

Prior to the formation of the OBJV, our Group's environmental engineering business was principally focused on the design, construction, operation and maintenance of water and

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sewage treatment plants. With an aim to enhance our knowhow on the design, installation, operation and maintenance of organic waste treatment plants and organic waste treatment processes and expand the service portfolio and business reach of our environmental engineering segment in this area, we, through ATAL Engineering, formed OBJV with two joint venture partners, including a Hong Kong subsidiary of a global operator specialising in water and organic waste management (“**OBJV Partner A**”) and a Spanish company engaged in the design and development of environmental engineering systems and processes and waste management products (“**OBJV Partner B**”), in July 2013 to jointly prepare and submit a tender for a government contract for a project (“**Siu Ho Wan Project**”) to design, build and operate phase one of Hong Kong’s first organic waste treatment plant at Siu Ho Wan (“**Siu Ho Wan Plant**”), and to perform the contract if it was awarded to OBJV. The respective roles of the joint venture partners in OBJV were divided as follows:

- OBJV Partner A is the joint venture leader and shall be responsible for the day to day management and coordination of the design, works and operation of the Siu Ho Wan Project;
- ATAL Engineering is responsible for the supervision of the design and the works of the Siu Ho Wan Project; and
- OBJV Partner B was nominated by OBJV Partner A as design consultant and technology provider to (i) share its knowhow regarding, among others, the design, installation, operation, maintenance and optimisation of the Siu Ho Wan Plant, and to (ii) perform the functions, duties and design of, the environmental engineering process of conversion by way of anaerobic digestion and composting of organic waste into compost and biogas for the purpose of OBJV’s performance of the Siu Ho Wan Project.

To the best of the knowledge of our Directors, OBJV Partner A and OBJV Partner B are Independent Third Parties and had no past or present relationship with our Group, the directors, senior management and shareholders of our Group members and their respective associates, other than:

- (a) the formation of the OBJV pursuant to the joint venture agreement entered into between ATAL Engineering, OBJV Partner A and OBJV Partner B; and
- (b) (in relation to OBJV Partner A only) the formation of other joint ventures with OBJV Partner A or its affiliate during 2009 to 2017 to tender for and/or perform government contracts (i) to design, build and operate the sewage treatment plant in Pillar Point, Hong Kong, (ii) to upgrade the sludge dewatering and disposal facilities at the Stonecutters Island, Hong Kong, and (iii) to design, build and operate phase one of the sewage treatment works in San Wai, Hong Kong (collectively, the “**Other Projects with OBJV Partner A**”).

The Siu Ho Wan Project was awarded to OBJV in November 2014. During the project period, OBJV Partner B ceased to participate in OBJV and the Siu Ho Wan Project following

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its business restructuring exercise. As OBJV Partner B's design and technical knowhow, including that required for the design, installation, operation, maintenance and optimisation of the Siu Ho Wan Plant, had been assigned to a UK technical services provider ("**OBJV Process Designer**") experienced in engineering services, technical facilities management and systems integration and since OBJV Partner B had ceased to participate in OBJV, OBJV had engaged OBJV Process Designer as its new design consultant and technology provider for the Siu Ho Wan Project in place of OBJV Partner B. It was then discovered that the organic waste treatment process for the Siu Ho Wan Plant previously proposed by OBJV Partner B was under-designed and the design parameters of the Siu Ho Wan Plant were required to be increased in order for it to carry out the adjusted organic waste treatment process, which had resulted in a considerable increase in design, equipment procurement and construction costs and a delay in the project period. The OBJV Process Designer subsequently disposed of their design and technical knowhow to a third party and resigned from the Siu Ho Wan Project, which had further impacted the design, equipment planning and procurement and construction of the Siu Ho Wan Plant, and resulted in substantial extension of the project period and significant increases in project overhead and equipment procurement costs.

The total awarded contract sum for the Siu Ho Wan Project was HK\$2,381 million, including HK\$1,286 million for the design and build of the Siu Ho Wan Plant and HK\$1,095 million for the operation and maintenance of the Siu Ho Wan Plant for 15 years. Due to the aforementioned change in design and extended construction period of the Siu Ho Wan Plant, OBJV had incurred additional cost of HK\$442.6 million for the design and build of the Siu Ho Wan Project, which is expected to result in an overall loss of HK\$243.6 million as at 31 December 2018. As we are interested in the assets, distribution of funds, profits and risks of the OBJV through the 40% interest held by ATAL Engineering, we have obligation to share its losses and have shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK\$61.2 million, HK\$76.7 million and HK\$83.6 million as at 31 December 2016, 2017 and 2018, respectively. Taking into account of the impairment loss of HK\$6.8 million, HK\$7.0 million and nil recognised for the amount due from OBJV for FY2016, FY2017 and FY2018, respectively (details of which are disclosed under "Other gains and losses" in this sub-section above), the total cumulative losses of OBJV shared by our Group amounted to HK\$68.0 million, HK\$90.5 million and HK\$97.4 million as at 31 December 2016, 2017 and 2018, respectively. Accordingly, we shared a total loss of HK\$97.4 million for the design and build of the Siu Ho Wan Project from the commencement of the Siu Ho Wan Project up to 31 December 2018.

Given that (i) the design and build of the Siu Ho Wan Project was completed in December 2018, following which the Siu Ho Wan Project has entered into the operation and maintenance period of 15 years, which involves the operation and maintenance of the Siu Ho Wan Plant by OBJV and is expected to entail a lower level of operational risks, and (ii) foreseeable expenses and risks in relation to the operations of OBJV had already been taken into account in assessing the expected loss to be incurred by the time of the completion of the design and build of the Siu Ho Wan Plant by our Group by virtue of our interest in OBJV, for which provision had already been made in FY2017, our Directors are of the view that it is unlikely that the financial performance of OBJV will fluctuate substantially for the remaining term of the Siu Ho Wan Project (which is expected to be completed in 2033 upon expiry of the operation and

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maintenance period under the government contract for the Siu Ho Wan Project). Nevertheless, since our Group's investment in OBJV is project-based and OBJV had recorded significant losses in respect of the design and build of the Siu Ho Wan Plant, our investment in OBJV is unlikely to be recovered in full upon completion of the Siu Ho Wan Project even after taking into account of the expected returns from the the operation and maintenance period of the Siu Ho Wan Project. In light of the obligation of each of OBJV and its joint venture partners, including ATAL Engineering, to complete the Siu Ho Wan Project under the government contract, our Group intends to continue to work closely with other joint venture partners of OBJV to monitor its work progress, minimise project delays and enhance cost control measures to avoid future losses.

Having considered the satisfactory financial performance of our investments in the aforementioned Other Projects with OBJV Partner A during 2009 to 2017, our Directors are of the view that the performance of OBJV in the Siu Ho Wan Project and the losses incurred by our Group by virtue of our interest in OBJV is an isolated event primarily resulting from the changes in design consultant and technology provider for the project, which were unexpected and beyond our Group's and OBJV's control.

Our share of results of associates and joint ventures for FY2016 and FY2017 also included our share of (i) losses incurred by Hunan Prisma Electrical Company Limited* (湖南普里斯瑪電氣有限公司) ("**Hunan Prisma**"), one of our associates, and (ii) losses incurred by Hunan Anlev Hiro Elevator Company Limited* (湖南海諾安諾電梯有限公司) ("**Anlev Hiro**"), one of our joint ventures. We invested in Hunan Prisma and Anlev Hiro in 2013 with an aim of expanding our business reach in Mainland China's local elevator industry. Our Directors considered that both Hunan Prisma and Anlev Hiro have not achieved the purposes for which they were set up since their respective establishment, and their respective joint venture partners have decided to commence the process of winding-up Anlev Hiro and Hunan Prisma in February 2018 and March 2018, respectively. For details, please see "A. Further information about our Group - 4. Winding-up of Two Joint Venture Companies" in Appendix IV. During FY2018, Anlev Hiro was dissolved, no gain or loss was resulted from the dissolution. However, cumulative loss of HK\$1.6 million in the translation reserve was reclassified to profit or loss upon the dissolution. Such loss was recorded in our other gains and losses in the consolidated statements of profit or loss and other comprehensive income in FY2018.

The following table shows a breakdown of our share of results of our associates and joint ventures for the periods indicated:

	FY2016	FY2017	FY2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Share of profits (losses) of:</i>			
Associates	(40,271)	13,522	27,286
Joint Ventures	(1,186)	(523)	607

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See notes 18 and 19 to the Accountants' Report in Appendix I for details of our associates and joint ventures.

Our investment in associates may not guarantee a share of profits. If our associates and joint ventures do not perform as expected or do not generate sufficient revenue in any financial year, our return of investments in our associates and joint ventures, and our financial condition or results of operations, could be materially and adversely affected. For details, please see "Risk Factors - We are subject to liquidity risk in our investments in associates and joint ventures and if our associates and joint ventures do not perform as we expect them to be or do not generate sufficient revenue in any financial year, our financial condition or result of operations could be materially and adversely affected".

Finance costs

Other finance costs comprise interest expenses on bank borrowings and ancillary costs in respect of banking facilities of HK\$1.6 million, HK\$0.7 million and HK\$0.7 million for FY2016, FY2017 and FY2018, respectively.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) *Bermuda/BVI profits tax*

Our Group has not been subject to any taxation in Bermuda/BVI.

(ii) *Hong Kong profits tax*

Hong Kong profits tax has been provided at the rate of 16.5%, in the FY2016, FY2017 and FY2018 on the estimated assessable profit for the Track Record Period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime will be applicable to the qualifying corporation of our Group for the annual reporting periods ending on or after 1 April 2018. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

(iii) *Macau complementary tax*

Under Macau Complementary Tax Law, companies are divided into Group A and Group B. Group A companies are assessed based on the estimated assessable profit. Group B

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companies are assessed by the Macau Finance Bureau on a deemed profit basis. Macau Complementary Tax is calculated at a rate of 12% on the estimated assessable profit above MOP 600,000 during the Track Record Period.

(iv) ***PRC enterprise income tax***

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in our Group during the Track Record Period.

(v) ***PRC withholding income tax***

Dividends declared by the PRC subsidiaries to parent companies incorporated outside PRC are subject to withholding tax of 10% for FY2016 and FY2017. According to the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. 5% withholding tax rate was used for FY2018 when the 5% withholding tax is first applicable to our Group. See note 10 of the Accountants’ Report set out in Appendix I for details of withholding tax provision of our Group during the Track Record Period.

Our income tax expenses were HK\$37.9 million, HK\$75.0 million and HK\$59.5 million for FY2016, FY2017 and FY2018, respectively; our effective tax rate for the corresponding periods was 23.9%, 14.8% and 15.9%, respectively. Since our Group is subject to Hong Kong profit tax, Macau complementary tax and PRC enterprise income tax, our effective tax rate fluctuated within 12% to 25% during the Track Record Period. Our effective tax rate was relatively higher in FY2016 mainly as a result of increase in expenses not deductible for tax purpose, such as impairment loss recognised in respect of amount due from an associate and increase in share of losses of associates. Our effective tax rate decreased to 14.8% in FY2017 mainly due to increase in share of profits of associates and increase in income not taxable for tax purposes such as gain on dilution of interest in an associate. Our effective tax rate remained relatively stable at 15.9% in FY2018.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Exchange differences on translation of foreign operations

Our exchange differences on translation of foreign operations recognised in other comprehensive income arise from the translation of assets and liabilities of foreign operations of our Group from their functional currencies of RMB to the presentation currency of our Group of HK\$ at the exchange rates prevailing at the end of each reporting period, and their income and expenses at the average exchange rates for the years.

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REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2018 compared to FY2017

Revenue

The following table sets forth a breakdown of our total revenue by business segment, role of our Group, project sectors and geographical locations for the periods indicated:

	FY2017		FY2018	
	HK\$'000	%	HK\$'000	%
By business segment				
Building services	3,098,934	62.4	4,431,333	74.3
Environmental engineering	1,256,563	25.3	866,451	14.5
ICBT	429,159	8.6	530,851	8.9
Lifts and escalators	234,956	4.7	249,696	4.2
	5,019,612	101.0	6,078,331	101.9
Less: inter-segment sales ⁽¹⁾	(54,335)	(1.0)	(112,285)	(1.9)
	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>
By role of our Group				
Direct contractor	2,819,710	56.8	2,664,449	44.7
Subcontractor	2,145,567	43.2	3,301,597	55.3
	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>
By sector				
Government ⁽²⁾	1,004,621	20.2	876,790	14.7
Non-government ⁽³⁾	3,960,656	79.8	5,089,256	85.3
	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>
By geographical location				
Hong Kong	3,905,268	78.7	5,122,820	85.9
Mainland China	740,533	14.9	349,367	5.9
Macau	255,373	5.1	444,402	7.4
Others ⁽⁴⁾	64,103	1.3	49,457	0.8
	<u>4,965,277</u>	<u>100.0</u>	<u>5,966,046</u>	<u>100.0</u>

Notes:

- (1) Inter-segment sales represent principally contracting works undertaken by our ICBT segment for our building services segment.
- (2) Government projects are projects in which we, or our joint operations, enter into contract directly or through joint operation with department, unit or sub-unit of government as our customer.
- (3) Non-government projects are projects that are not classified as government projects.
- (4) Others mainly represent sales to Singapore, Korea, the United Kingdom and other countries.

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Our revenue increased by HK\$1,000.7 million or 20.2% from HK\$4,965.3 million in FY2017 to HK\$5,966.0 million in FY2018 as a result of the combined effect of (i) increase in revenue from building services segment of HK\$1,332.4 million; (ii) decrease in revenue from environmental engineering segment of HK\$390.1 million; and (iii) relatively stable revenue generated from ICBT segment and lifts and escalators segment.

We set out below the analysis in revenue by business segments:

Revenue from building services

Our revenue from building services increased by HK\$1,332.4 million or 43.0% from HK\$3,098.9 million in FY2017 to HK\$4,431.3 million in FY2018 mainly due to (i) increase in revenue of HK\$248.9 million as a result of increase in value of work done and works certified in FY2018 from a building services project for a commercial building in Hong Kong, where we act as a subcontractor; (ii) revenue of HK\$273.4 million contributed by an infrastructure contracting work project in Hong Kong undertaken in FY2018, in which we acted as a direct contractor; and (iii) increase in revenue of HK\$175.1 million as a result of increase in value of work done and works certified in FY2018 from a major infrastructure building services project in Hong Kong, where we act as a subcontractor.

Revenue from environmental engineering

Our revenue from environmental engineering decreased by HK\$390.1 million from HK\$1,256.6 million in FY2017 to HK\$866.5 million in FY2018, mainly due to (i) decrease in revenue from an expansion of water treatment works project in Hong Kong; and (ii) decrease in revenue from a contracting works project for sewage treatment plant in Hong Kong. We acted as a direct contractor in both projects.

Revenue from ICBT

Our revenue from ICBT increased by HK\$101.7 million from HK\$429.2 million in FY2017 to HK\$530.9 million in FY2018, mainly due to increase in revenue as a result of increase in value of work done and works certified in FY2018 from a redevelopment project for a commercial building in Hong Kong which we acted as a subcontractor.

Revenue from lifts and escalators

Our revenue from lifts and escalators remained relatively stable at HK\$235.0 million in FY2017 and HK\$249.7 million in FY2018.

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We set out below the analysis on our revenue by geographical location:

Revenue from Hong Kong

Our revenue derived in Hong Kong increased by HK\$1,217.5 million or 31.2% from HK\$3,905.3 million in FY2017 to HK\$5,122.8 million in FY2018 mainly due to (i) increase in revenue of HK\$248.9 million as a result of increase in value of work done and works certified in FY2018 from a building services project for a commercial building in Hong Kong, where we act as a subcontractor; (ii) revenue of HK\$273.4 million contributed by an infrastructure contracting work project in Hong Kong undertaken in FY2018, in which we acted as a direct contractor; and (iii) increase in revenue of HK\$175.1 million as a result of increase in value of work done and works certified in FY2018 from a major infrastructure building services project in Hong Kong, where we act as a subcontractor.

Revenue from Mainland China

Our revenue derived in Mainland China decreased by HK\$391.1 million or 52.8% from HK\$740.5 million in FY2017 to HK\$349.4 million in FY2018, mainly due to (i) decrease in revenue of HK\$194.3 million as a result of decrease in value of work done and works certified in FY2018 from integrated building services for a race horse training centre and related projects in Conghua, Guangzhou, Mainland China in which we acted as a subcontractor; (ii) decrease in revenue of HK\$52 million as a result of decrease in value of work done and works certified in FY2018 from wastewater treatment plant project in Changsha, in which we acted as a subcontractor; and (iii) decrease in revenue of HK\$45 million as a result of decrease in value of work done and works certified in FY2018 from Baoding Wastewater Treatment Plant Project in which we acted as a direct contractor.

Revenue from Macau

Our revenue derived in Macau increased by HK\$189.0 million or 74.0% from HK\$255.4 million in FY2017 to HK\$444.4 million in FY2018. The increase was mainly due to certain casino and hotel projects in which we acted as a direct contractor, with increase in value of work done and works certified in FY2018 compared to FY2017.

Cost of sales and services

Cost of sales and services increased by HK\$1,035.8 million or 25.6% from \$4,041.9 million in FY2017 to HK\$5,077.7 million in FY2018. Such increase was mainly due to the increase in subcontracting cost of HK\$836.3 million. Our subcontracting cost was relatively higher in FY2018 mainly due to certain building services contracting projects which entailed a higher composition of subcontracting work of the respective projects.

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Gross profit and gross profit margin

As a result of the foregoing changes from FY2017 to FY2018, our gross profit decreased by HK\$35.0 million or 3.8% from HK\$923.4 million in FY2017 to HK\$888.4 million in FY2018. Our gross profit margin decreased from 18.6% in FY2017 to 14.9% in FY2018 mainly due to higher gross profit and gross profit margin of a contracting project for renovation works of a hotel in Macau recognised in FY2017.

Other income

Other income remained relatively stable at HK\$9.7 million and HK\$10.2 million in FY2017 and FY2018, respectively.

Other gains and losses

Our other gains decreased from HK\$56.3 million in FY2017 to HK\$8.2 million in FY2018 mainly due to a gain from change in fair value of investment properties of HK\$14.2 million, partially offset by a loss on dilution in interest in Nanjing Canatal of HK\$3.8 million, which is non-recurring in nature, following its issue of restricted shares to its eligible employees below market price. In contrast, there was a gain on dilution in interest in Nanjing Canatal of HK\$55.1 million in FY2017.

Impairment loss reversed (recognised) in respect of trade receivables, net

We recorded net impairment loss reversed in respect of trade receivables of HK\$40,000 in FY2017 and net impairment loss recognised in respect of trade receivables of HK\$27.5 million in FY2018. Net impairment loss recognised in FY2018 in respect of trade receivables in the amount of HK\$27.5 million was recorded as a result of receivables from certain customers which are considered as irrecoverable as the amounts remained unsettled despite our request for settlements from these customers for months discussed previously. In contrast, we had net impairment loss reversed in respect of trade receivables of HK\$40,000 in FY2017 as a result of repayment received in such year for impaired amounts as at previous years.

Selling and distribution expenses

Selling and distribution expenses increased from HK\$2.8 million in FY2017 to HK\$3.5 million in FY2018 mainly due to increase in expenses incurred for our lift and escalators segment as a result of development of such business in Mainland China.

Administrative expenses

Administrative expenses remained relatively stable at HK\$488.8 million in FY2017 and HK\$499.9 million in FY2018.

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Share of results of associates

Our share of profits of associates increased from HK\$13.5 million in FY2017 to HK\$27.3 million in FY2018, which was mainly attributable to increase in share of profits from Nanjing Canatal.

Share of results of joint ventures

Our share of results of joint ventures was share of loss of HK\$0.5 million in FY2017 and share of profits of HK\$0.6 million in FY2018. Such change was due to decrease in losses of our joint ventures in FY2018.

Finance costs

Finance costs remained relatively stable at HK\$0.7 million in both FY2017 and FY2018.

Income tax expense

Income tax expense decreased by HK\$15.5 million or 20.7% from HK\$75.0 million in FY2017 to HK\$59.5 million in FY2018, mainly due to decrease in assessable income. The effective tax rate remained relatively stable at 14.8% and 15.9% in FY2017 and FY2018, respectively.

Profit for the year

As a result of the foregoing changes from FY2017 to FY2018, profit for the year decreased by HK\$118.3 million or 27.3% from HK\$433.6 million in FY2017 to HK\$315.3 million in FY2018. Our net profit margin decreased from 8.7% in FY2017 to 5.3% in FY2018, mainly due to decrease in our gross profit margin and the absence of non-recurring gain on dilution in interest in Nanjing Canatal as mentioned above.

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FY2017 compared to FY2016

Revenue

The following table sets forth a breakdown of our total revenue by business segment, role of our Group, project sectors and geographical locations for the periods indicated:

	FY2016		FY2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
By business segment				
Building services	3,081,489	69.8	3,098,934	62.4
Environmental engineering.....	834,995	18.9	1,256,563	25.3
ICBT	354,074	8.0	429,159	8.6
Lifts and escalators	190,161	4.3	234,956	4.7
	4,460,719	101.0	5,019,612	101.0
Less: inter-segment sales ⁽¹⁾	(49,007)	(1.0)	(54,335)	(1.0)
	4,411,712	100.0	4,965,277	100.0
By role of our Group				
Direct contractor.....	2,418,057	54.8	2,819,710	56.8
Subcontractor	1,993,655	45.2	2,145,567	43.2
	4,411,712	100.0	4,965,277	100.0
By sector				
Government ⁽²⁾	762,359	17.3	1,004,621	20.2
Non-government ⁽³⁾	3,649,353	82.7	3,960,656	79.8
	4,411,712	100.0	4,965,277	100.0
By geographical location				
Hong Kong	3,595,123	81.5	3,905,268	78.7
Mainland China	442,424	10.0	740,533	14.9
Macau	332,177	7.5	255,373	5.1
Others ⁽⁴⁾	41,988	1.0	64,103	1.3
	4,411,712	100.0	4,965,277	100.0

Notes:

- (1) Inter-segment sales represent principally contracting works undertaken by our ICBT segment for our building services segment.
- (2) Government projects are projects in which we, or our joint operations, enter into contract directly or through joint operation with department, unit or sub-unit of government as our customer.
- (3) Non-government projects are projects that are not classified as government projects.
- (4) Others mainly represent sales to Singapore, Korea, the United Kingdom and other countries.

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Our revenue increased by HK\$553.6 million or 12.5% from HK\$4,411.7 million in FY2016 to HK\$4,965.3 million in FY2017 as a result of the combined effect of (i) relatively stable revenue generated from building services; (ii) increase in revenue from environment engineering segment of HK\$421.6 million; (iii) increase in revenue from ICBT segment of HK\$75.1 million; and (iv) increase in revenue from lifts and escalators segment of HK\$44.8 million.

We set out below the analysis in revenue by business segments:

Revenue from building services

Our revenue from building services remained relatively stable at HK\$3,081.5 million in FY2016 and HK\$3,098.9 million in FY2017 mainly due to (i) increase in revenue of HK\$199.4 million as a result of increase in value of work done and works certified in FY2017 from a major infrastructure building services projects in Hong Kong, where we act as a subcontractor; and (ii) increase in revenue of HK\$187.8 million as a result of increase in value of work done and works certified in FY2017 from an integrated building service installation for a race horse training centre in Conghua, Guangzhou, Mainland China. The increase was partially offset by decrease in revenue of HK\$295.1 million attributable to contracting works of design and construction of a data centre in Mainland China which was completed in FY2016.

Revenue from environmental engineering

Our revenue from environmental engineering increased by HK\$421.6 million or 50.5% from HK\$835.0 million in FY2016 to HK\$1,256.6 million in FY2017, mainly due to (i) increase in revenue of HK\$58.6 million from expansion of water treatment works in Tai Po; and (ii) increase in revenue of HK\$59.5 million from upgrading works for sludge dewatering in Stone Cutters Island. We acted as a direct contractor in both projects.

Revenue from ICBT

Our revenue from ICBT increased by HK\$75.1 million or 21.2% from HK\$354.1 million in FY2016 to HK\$429.2 million in FY2017, mainly due to increase in revenue of HK\$62.0 million from a major infrastructure ICBT project in Hong Kong, in which we acted as a direct contractor.

Revenue from lifts and escalators

Our revenue from lifts and escalators increased by HK\$44.8 million or 23.6% from HK\$190.2 million in FY2016 to HK\$235.0 million in FY2017, mainly due to increase in provision of our maintenance works in this segment as a result of increase in demand from our customers.

We set out below the analysis on our revenue by geographical location:

Revenue from Hong Kong

Our revenue derived in Hong Kong increased by HK\$310.2 million or 8.6% from HK\$3,595.1 million in FY2016 to HK\$3,905.3 million in FY2017 mainly due to (i) increase in

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revenue of HK\$199.4 million and HK\$62.0 million from building services and ICBT segments, respectively, as a result of increase in value of work done and works certified from a major infrastructure building services project in Hong Kong where we act as a subcontractor; (ii) increase in revenue of HK\$58.6 million from an environmental engineering project for expansion of water treatment works in Tai Po, in which we acted as a direct contractor; and (iii) increase in revenue of HK\$59.5 million from an environmental engineering project for upgrading works for sludge dewatering in Stonecutters Island.

Revenue from Mainland China

Our revenue derived in Mainland China increased by HK\$298.1 million or 67.4% from HK\$442.4 million in FY2016 to HK\$740.5 million in FY2017, mainly due to increase in revenue of HK\$187.8 million as a result of increase in value of work done and works certified in FY2017 from integrated building service installations for a race horse training centre in Conghua, Guangzhou, Mainland China in which we acted as a subcontractor.

Revenue from Macau

Our revenue derived in Macau decreased by HK\$76.8 million or 23.1% from HK\$332.2 million in FY2016 to HK\$255.4 million in FY2017. The decrease was mainly due to decrease in revenue generated from projects in Macau, primarily attributable to certain casino and hotel projects in which we acted as the direct contractor, which were completed in FY2016.

Cost of sales and services

Cost of sales and services increased by HK\$179.7 million or 4.7% from \$3,862.2 million in FY2016 to HK\$4,041.9 million in FY2017. Such increase was mainly due to (i) increase in cost of materials, equipment and spare parts of HK\$313.8 million, primarily as a result of increase in cost incurred for a major infrastructure building services project in Hong Kong. The increase was partially offset by (ii) decrease in subcontracting cost of HK\$233.0 million, mainly as a result of decrease in subcontracting cost incurred for the building services contracting works for railway system extension and the building services contracting works of design and construction of a data centre which was substantially completed in FY2016.

Gross profit and gross profit margin

As a result of the foregoing changes from FY2016 to FY2017, our gross profit increased by HK\$373.8 million or 68.0% from HK\$549.6 million in FY2016 to HK\$923.4 million in FY2017. Our gross profit margin improved from 12.5% in FY2016 to 18.6% in FY2017 mainly due to (i) improvement in gross profit contribution and margin of our building services and ICBT segment mainly in relation to a major infrastructure project in Hong Kong; and (ii) decrease in gross loss from certain loss-making projects undertaken in FY2016 as mentioned above.

Other income

Other income decreased by HK\$7.0 million or 41.9% from HK\$16.8 million in FY2016 to HK\$9.7 million in FY2017 mainly due to (i) a decrease in government subsidies of HK\$1.3

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million which was received in FY2017; (ii) a decrease in sundry income of HK\$2.5 million primarily attributable to a decrease in trade and other payables written off of HK\$2.4 million; and (iii) a decrease in interest income from an associate of HK\$2.1 million.

Other gains and losses

We recorded other losses of HK\$3.3 million in FY2016 and other gains of HK\$56.3 million in FY2017. Such change was mainly due to gain on dilution in interest in Nanjing Canatal of HK\$55.1 million in FY2017, which is non-recurring in nature, following its listing on the main board of the Shanghai Stock Exchange.

Impairment loss reversed (recognised) in respect of trade receivables, net

Our net impairment loss reversed in respect of trade receivables decreased from HK\$3.5 million in FY2016 to HK\$40,000 in FY2017 primarily due to the decrease in repayment received in such year for impaired amounts in previous years.

Selling and distribution expenses

Selling and distribution expenses remained relatively stable at HK\$2.9 million and HK\$2.8 million in FY2016 and FY2017, respectively.

Administrative expenses

Administrative expenses increased by HK\$127.0 million or 35.1% from HK\$361.8 million in FY2016 to HK\$488.8 million in FY2017. The increase was primarily due to (i) increase in staff cost of HK\$109.8 million mainly as a result of an increase in performance-based bonus; and (ii) increase in professional fee of HK\$16.9 million mainly in relation to consultancy fee paid for procurement of trading goods for our certain environmental engineering projects in Mainland China which commenced in FY2017.

Share of results of associates

Our share of profits of associates increased from a loss of HK\$40.3 million in FY2016 to a gain of HK\$13.5 million in FY2017, which was mainly attributable to (i) increase in contribution from Nanjing Canatal as a result of increase in its profit; and (ii) decrease in loss shared from another associate.

Share of results of joint ventures

Our share of losses of joint ventures decreased from HK\$1.2 million in FY2016 to HK\$0.5 million in FY2017. Such decrease was due to decrease in losses of our joint ventures in FY2017.

Finance costs

Finance costs decreased by HK\$0.9 million or 56.3% from HK\$1.6 million in FY2016 to HK\$0.7 million in FY2017, mainly due to a decrease in our average bank borrowings.

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Income tax expense

Income tax expense increased by HK\$37.1 million or 97.9% from HK\$37.9 million in FY2016 to HK\$75.0 million in FY2017, mainly due to increase in assessable income. The effective tax rate decreased from 23.9% in FY2016 to 14.8% in FY2017 mainly due to decrease in expenses not deductible for tax purposes in FY2017, such as (i) decrease in losses in share of results of associates and (ii) increase in income not taxable for tax purposes such as gain on dilution interest in an associate.

Profit for the year

As a result of the foregoing changes from FY2016 to FY2017, profit for the year increased by HK\$312.8 million or 258.8% from HK\$120.8 million in FY2016 to HK\$433.6 million in FY2017, respectively. Our net profit margin increased from 2.7% in FY2016 to 8.7% in FY2017, mainly due to (i) increase in gross profit margin; and (ii) increase in other gains as mentioned above.

SUMMARY OF ASSETS AND LIABILITIES

The following table sets out our consolidated financial position as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	58,410	60,110	74,300
Property, plant and equipment	496,512	516,671	44,326
Intangible assets	7,755	7,174	6,592
Deposits paid for acquisition of software.....	11,731	15,198	22,415
Interests in associates.....	152,692	234,684	241,279
Interests in joint ventures	13,573	14,040	—
Prepaid land use rights	3,043	3,177	2,930
Deferred tax assets	712	765	775
	<u>744,428</u>	<u>851,819</u>	<u>392,617</u>
Current assets			
Prepaid land use rights	86	93	88
Inventories	48,903	74,747	62,390
Contract assets	1,077,233	949,384	978,397
Trade receivables.....	605,538	786,338	721,712
Other receivables, deposits and prepayments	64,736	95,592	80,337
Amount due from an associate	—	—	—
Amounts due from partners of joint operations	120	13,368	4,312
Available-for-sale investment	—	—	—
Financial assets at fair value through profit or loss	35,901	14,997	17,230

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	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial instruments	—	759	—
Tax recoverable	13,016	1,356	17,384
Pledged bank deposits	117,016	124,711	208,553
Bank balances and cash.....	391,075	544,235	569,951
	<u>2,353,624</u>	<u>2,605,580</u>	<u>2,660,354</u>
Current liabilities			
Trade and retention payables	547,459	479,416	462,922
Other payables and accrued expenses	770,866	904,122	1,173,774
Dividend payable	—	—	100,000
Obligations in excess of interest in an associate.....	8,298	11,851	—
Amounts due to associates	13,738	14,442	12,533
Amounts due to joint ventures	20,142	21,591	—
Amounts due to partners of joint operations.....	26,364	4,939	26,526
Derivative financial instruments	2,191	14	602
Bank borrowings	44,350	40,440	—
Tax payable	37,091	59,149	54,667
	<u>1,470,499</u>	<u>1,535,964</u>	<u>1,831,024</u>
Net current assets	<u>883,125</u>	<u>1,069,616</u>	<u>829,330</u>
Total assets less current liabilities	<u>1,627,553</u>	<u>1,921,435</u>	<u>1,221,947</u>
Capital and reserves			
Share capital.....	94	94	94
Reserves	1,558,016	1,852,030	1,206,513
Total equity	<u>1,558,110</u>	<u>1,852,124</u>	<u>1,206,607</u>
Non-current liabilities			
Bank borrowings	19,234	10,776	—
Deferred tax liabilities	46,700	55,296	12,371
Deferred income.....	3,509	3,239	2,969
	<u>69,443</u>	<u>69,311</u>	<u>15,340</u>
	<u>1,627,553</u>	<u>1,921,435</u>	<u>1,221,947</u>

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DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Investment properties

Investment properties represented a number of office premises held by us for generating rental income and/or capital appreciation. Our investment properties amounted to HK\$58.4 million, HK\$60.1 million and HK\$74.3 million as at 31 December 2016, 2017 and 2018, respectively. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to the initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

Our investment properties increased from HK\$58.4 million as at 31 December 2016 to HK\$60.1 million as at 31 December 2017 and further to HK\$74.3 million as at 31 December 2018. The increase was mainly due to increase in fair value recognised in profit or loss of HK\$1.7 million and HK\$14.2 million in FY2017 and FY2018, respectively.

Valuation methodology

The fair value of our investment properties has been arrived at on the basis of a valuation carried out at the end of each reporting period by a property valuer. The valuation, which conforms to International Valuation Standards, was arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same location and conditions, and on the assumption that our current use of the investment properties is at its highest and best use. See note 15 of Accountants' Report set out in Appendix I for details.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of leasehold properties in Hong Kong, buildings in Mainland China, leasehold improvements, furniture and fixtures, machinery and equipment and motor vehicles. Our property, plant and equipment amounted to HK\$496.5 million, HK\$516.7 million and HK\$44.3 million as at 31 December 2016, 2017 and 2018, respectively, representing 16.0%, 14.9% and 1.5% of our total assets as at the respective dates.

The property, plant and equipment increased from HK\$496.5 million as at 31 December 2016 to HK\$516.7 million as at 31 December 2017 mainly due to surplus on revaluation of our leasehold properties of HK\$39.8 million, which was partially offset by net depreciation charge of HK\$27.7 million. The balance then decreased to HK\$44.3 million as at 31 December 2018 mainly due to the distribution in specie in the interest in Wise Eagle. See note 52 of the Accountant's Report set out in Appendix I for details.

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Intangible assets

As at 31 December 2016, 2017 and 2018, our intangible assets, being our patents, amounted to HK\$7.8 million, HK\$7.2 million and HK\$6.6 million at carrying values, respectively. The patents are amortised on a straight-line basis over their estimated useful lives, being 7 and 17 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Interests in associates and joint ventures

Our interest in associate and joint ventures represent investment cost and respective share of result. Our interests in associates amounted to HK\$152.7 million, HK\$234.7 million and HK\$241.3 million as at 31 December 2016, 2017 and 2018, respectively. The increase was mainly due to the increase in share of profits from the associates.

On the other hand, our interests in joint ventures remained relatively stable at HK\$13.6 million and HK\$14.0 million as at 31 December 2016 and 2017, respectively. During FY2018, Anlev Hiro was dissolved and we did not have any interest in joint venture as at 31 December 2018. For details of and impairment policies on our interests in associates and joint ventures, see note 4 of the Accountants' Report set out in Appendix I.

Inventories

Our inventories primarily consist of (i) raw materials, consumables and spare parts including control panels, switches, valves, sensors, actuators, door lock and accessories, circuit boards and raw materials for manufacture of lifts and escalators such as steps, panels, steel plates; (ii) work in progress, which are mainly lifts and escalators and automated pedestrian overpass; and (iii) finished goods, mainly for sewage treatment facilities. The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Raw materials, consumable stores and spare parts	26,047	52,681	52,352
Work in progress	7,859	6,878	7,102
Finished goods	14,997	15,188	2,936
Total	<u>48,903</u>	<u>74,747</u>	<u>62,390</u>

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Our inventories increased from HK\$48.9 million as at 31 December 2016 to HK\$74.7 million as at 31 December 2017 as a result of increase in purchase of HK\$21 million of trading goods for our certain environmental engineering projects in Mainland China commenced in FY2017. Our inventories decreased to HK\$62.4 million as at 31 December 2018 mainly in relation to sales of finished goods for our environmental engineering projects in Mainland China before the year end.

We adopt stringent inventory control and endeavour to maintain low inventory levels required for our operations through effective inventory management. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. We manage our inventory levels principally based on the anticipated demand.

The table below sets forth a summary of average turnover days of inventories as at the dates indicated:

	FY2016	FY2017	FY2018
Average turnover days of inventories ^(Note)	4.5	5.6	4.9

Note: Average turnover days of inventories for FY2016, FY2017 and FY2018 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and services and multiplying by 365 days for FY2016, FY2017 and FY2018.

Our average turnover days of inventories remained low at 4.5 days, 5.6 days and 4.9 days in FY2016, FY2017 and FY2018, respectively.

As at 30 April 2019, HK\$9.5 million or 15.2% of our inventories outstanding as at 31 December 2018 were utilised or sold.

Contract assets

Our revenue is recognised based on output method, i.e. based on surveys of contracting work completed by our Group to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by our Group to the customer in relation to the work completed by our Group relative to the remaining goods or services promised under the contract. There is normally a timing difference between the completion of work examined and approved by our customer, and thus billings.

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Our contract assets arise when we completed the contracting work under such construction contracts but not yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The changes in contract assets are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when we have unconditional right to the consideration.

Our contract assets decreased from HK\$1,077.2 million as at 31 December 2016 to HK\$949.4 million as at 31 December 2017 mainly attributable to an upgrading works project for sludge dewatering in Stonecutters Island and certain non-government projects of contracting works for railway system extension in Hong Kong. Our contract assets then remained relatively stable at HK\$978.4 million as at 31 December 2018.

As at 30 April 2019, HK\$219.8 million or 36.5% and HK\$153.8 million or 25.5% of our contract assets, except for retention receivables, outstanding as at 31 December 2018 were billed and settled respectively.

Retention receivables

Included in contract assets, there were retention receivables amounted to HK\$325.9 million, HK\$317.6 million and HK\$375.5 million, respectively, as at 31 December 2016, 2017 and 2018. Retention receivables represent certain percentage of the total contract sum, generally up to 5% of the total contract sum, held up by our customers to secure our due performance of contracts. Generally, a portion of the retention money is released upon the issue of certificate of practical completion of the project and the balance of the retention money will be released upon the issue of certificate of completion of making good defects after the expiry of the defect liability period. Nonetheless, the timing of release varied from project to project in accordance to the agreed terms with each customer. Thus, the amount of retention receivables as at the end of the reporting period depends on the settlement of final accounts and defect liability period. As all the retention receivables are expected in the normal operating cycle, they are classified as current assets.

Our retention receivables decreased slightly from HK\$325.9 million as at 31 December 2016 to HK\$317.6 million as at 31 December 2017 and increased to HK\$375.5 million as at 31 December 2018. We do not have any retention receivables that were past due but not impaired at the end of each reporting period.

As at 30 April 2019, HK\$13.5 million or 3.6% of our retention receivables outstanding as at 31 December 2018 were settled.

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Trade receivables

The following table sets forth the breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables.....	557,699	747,140	658,523
Unbilled revenue	47,839	39,198	63,189
	<u>605,538</u>	<u>786,338</u>	<u>721,712</u>

Trade receivables

Our trade receivables primarily consist of receivables from our customers for project works and sale of goods. The following table sets forth our trade receivables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables.....	584,212	772,015	708,362
Less: allowance for impairment	<u>(26,513)</u>	<u>(24,875)</u>	<u>(49,839)</u>
Trade Receivables- net	<u>557,699</u>	<u>747,140</u>	<u>658,523</u>

Our trade receivables increased from HK\$557.7 million as at 31 December 2016 to HK\$747.1 million as at 31 December 2017, which was due to increase in billings of HK\$161.1 million in December 2017 compared to that of December 2016. Our trade receivables decreased to HK\$658.5 million as at 31 December 2018 mainly attributable to the settlement of a major infrastructure building services project in Hong Kong which we acted as a subcontractor.

Our trading terms with our customers are mainly on credit. Before accepting any new customers, we apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit of customer. The credit period is generally for a period ranging from 14 to 90 days. We seek to maintain strict control over our outstanding receivables and our finance department is primarily responsible for minimising the credit risk. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

As at 31 December 2016, 2017 and 2018, balance of allowance for impairment amounted to HK\$26.5 million, HK\$24.9 million and HK\$49.8 million, respectively. The balance of impairment of trade receivables increased to HK\$49.8 million as at 31 December 2018 mainly attributable to those receivables from certain customers which are considered as irrecoverable as the amounts remained unsettled despite our request for settlements from these customers for months.

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The following table sets forth the aging of trade receivables net of allowance for impairment presented based on the invoice dates as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days.....	352,508	569,459	350,885
31-90 days.....	167,955	111,751	232,827
91-360 days.....	32,681	64,433	72,674
Over 1 year.....	4,555	1,497	2,137
Total	<u>557,699</u>	<u>747,140</u>	<u>658,523</u>

The following table sets forth the aging analysis of our trade receivables which are past due but not impaired, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days.....	164,007	164,356	134,137
31-90 days.....	47,884	67,865	138,067
91-360 days.....	27,625	50,420	50,405
Over 1 year.....	329	1,239	530
Total	<u>239,845</u>	<u>283,880</u>	<u>323,139</u>

As at 31 December 2016, 2017 and 2018, trade receivables of HK\$239.8 million, HK\$283.9 million and HK\$323.1 million, respectively, were past due but not impaired, of which 68.4%, 57.9% and 41.5% were due 1-30 days. These related to customers for whom there is no significant financial difficulty and based on our experience, and our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable due to long-term/on-going relationship and good repayment records from these customers.

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Since the adoption of HKFRS 9 on 1 January 2018, we have applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For trade receivables with significant amounts, they are assessed individually for impairment allowance and collectively for remaining trade receivables based on our internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As at 30 April 2019, HK\$567.1 million or 86.1% of our trade receivables outstanding as at 31 December 2018 were settled.

The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
Average turnover days of trade receivables ^(Note)	<u>49.5</u>	<u>48.0</u>	<u>43.0</u>

Note: Average turnover days of trade receivables for FY2016, FY2017 and FY2018 derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days for FY2016, FY2017 and FY2018.

Our average turnover days of trade receivables remained relatively stable at 49.5 days, 48.0 days and 43.0 days during the Track Record Period and are within the credit period offered to our customers.

Unbilled revenue

Unbilled revenue represents the accrued revenue for works performed by us but yet to be billed. We have unconditional right to the payment of the unbilled revenue which is expected to be billed within 90 days and receive within 12 months from the end of respective reporting period. The balance fluctuated from HK\$47.8 million to HK\$39.2 million and further to HK\$63.2 million as at 31 December 2016, 2017 and 2018, respectively, as a result of different timing of projects undertaken and timing of billing. As at 30 April 2019, HK\$18.5 million or 29.3% of our unbilled revenue outstanding as at 31 December 2018 were subsequently billed.

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Other receivables, deposits and prepayments

The following table sets forth the breakdown of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend receivables from an associate	—	—	10,824
Other receivables	6,792	12,233	8,096
Deferred issue costs	—	2,921	7,912
Deposits and prepayments	57,944	80,438	53,505
	64,736	95,592	80,337

Other receivables

Our other receivables mainly comprised miscellaneous costs charged to our subcontractors. The balance were HK\$6.8 million, HK\$12.2 million and HK\$8.1 million as at 31 December 2016, 2017 and 2018, respectively.

Deposits and prepayments

Our deposits and prepayments mainly comprised prepayments to suppliers, tendering deposits and rental deposits. The balance increased from HK\$57.9 million as at 31 December 2016 to HK\$80.4 million as at 31 December 2017 that was mainly due to increase in prepayments to suppliers incurred for our environmental engineering projects commenced in FY2017 in Mainland China. Such prepayments to suppliers were subsequently utilised in FY2018. Thus, our prepayments and deposits decreased to HK\$53.5 million as at 31 December 2018.

Financial assets at fair value through profit or loss

During the Track Record Period, we had financial assets at fair value through profit or loss amounted to HK\$35.9 million, HK\$15.0 million and HK\$17.2 million as at 31 December 2016, 2017 and 2018, respectively, while the change in fair value during the respective years were loss of HK\$2.5 million and gain of HK\$6.3 million and HK\$2.2 million.

The following table set forth the breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	35,901	14,997	17,230
	35,901	14,997	17,230

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Our financial assets at fair value through profit or loss principally represents investments in equity securities issued by listed companies in Hong Kong as at 31 December 2016, 2017 and 2018.

The fair value of unlisted investment funds and equity securities purchased by us were established by reference to the prices quoted by respective administrators and available on the Stock Exchange, respectively, and were recorded in accordance with applicable accounting framework. Any changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments until settlement of such contracts. The gain or loss on fair value change of such financial assets at fair value through profit or loss accounted for a relatively insignificant portion to our total revenue during the Track Record Period.

Investment policy

We adopted a treasury and investment policy for financial assets that set out overall principles as well as detailed approval processes of our investing activities. Such policy includes, amongst other things, the following:

- speculative investments are prohibited;
- investments should be yield-earning in nature and diversified in order to mitigate its risk;
- investments should be reviewed by our Board on a regular basis;
- investments should be undertaken only to the extent that adequate liquid capital is maintained.

Amount due from an associate

As at 31 December 2016, 2017 and 2018, the gross amount due from an associate of approximately HK\$6.8 million, HK\$13.9 million and HK\$13.9 million, respectively, is trading in nature, unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2016 and 2017, impairment loss of approximately HK\$6.8 million and HK\$7.0 million has been recognised for the amount due from an associate, namely OBJV. No impairment loss was recognised in FY2018.

Amounts due from partners of joint operations/loan to a joint venture

Our amounts due from partners of joint operations amounted to HK\$0.1 million, HK\$13.4 million and HK\$4.3 million as at 31 December 2016, 2017 and 2018, respectively. Our amounts due from partners of joint operations decreased to HK\$4.3 million as at 31 December 2018 mainly in relation to settlement from a joint operation involving environmental engineering project.

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All our amounts due from joint ventures or partners of joint operations were non-trade, unsecured, non-interest bearing and repayable on demand. For further details, please refer to notes 26 and 27 of the Accountants' Report in Appendix I to this prospectus.

Trade and retention payables

The following table sets forth the breakdown of our trade and retention payables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	407,443	320,589	298,400
Trade accruals	20,016	36,012	37,588
Retention payables	114,770	122,815	126,934
Bills payables	5,230	—	—
Total	<u>547,459</u>	<u>479,416</u>	<u>462,922</u>

Trade payables

Our trade payables are derived primarily from payables relating to subcontractors and other suppliers. The following table sets forth the aging analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days.....	216,351	178,862	160,395
31-90 days.....	131,849	78,524	59,460
91- 360 days.....	49,114	47,047	37,819
Over 1 year.....	10,129	16,156	40,726
	<u>407,443</u>	<u>320,589</u>	<u>298,400</u>

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Our trade payables decreased from HK\$407.4 million as at 31 December 2016 to HK\$320.6 million as at 31 December 2017 as more trade payables balances were settled near year end compared to FY2017. Our trade payables then remained relatively stable at HK\$298.4 million as at 31 December 2018.

The trade payables are non-interest-bearing and are normally settled on terms ranging from 0 to 90 days. The following table sets out the average trade payables turnover days for the Track Record Period:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
Average turnover days of trade payables ^(Note)	<u>39.3</u>	<u>32.9</u>	<u>22.2</u>

Note: Average turnover days of trade payables for each of FY2016, FY2017 and FY2018 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and services and multiplying the resulting value by 365 days for FY2016, FY2017 and FY2018.

Average trade payables turnover days were 39.3 days, 32.9 days and 22.2 days for FY2016, FY2017 and FY2018, respectively, and were within the credit period offered by our suppliers. Our turnover days for FY2018 was relatively lower mainly due to the increase in cost of sales relative to trade payable balance, as explained in the paragraph headed “Cost of sales and services” above.

As at 30 April 2019, HK\$219.9 million or 73.7% of trade payables outstanding as at 31 December 2018 had been settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

Trade accruals

Trade accruals represent the contract costs incurred for work done performed by our subcontractors which progress payment application was approved but invoices or billings are yet to be received by us as at the year end date. Our trade accruals fluctuated from HK\$20.0 million as at 31 December 2016 to HK\$36.0 million as at 31 December 2017 as a result of difference in timing of projects undertaken and billings from our subcontractors. Our trade accruals remained relatively stable at HK\$37.6 million as at 31 December 2018.

Retention payables

Retention payables were progress payments we withheld from our subcontractors with respect to their works performed. Our retention payables were HK\$114.8 million, HK\$122.8 million and HK\$126.9 million as at 31 December 2016, 2017 and 2018, respectively. Retentions payable is recognised immediately after we deduct a portion of progress payment from the subcontractors from the progress payment rather than at the time when the certificate of completion is issued. We generally withhold 5%-10% of each payment to our subcontractors as retention money, up to 5% of the total contract sum of each project. Part of the retention

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payables will be released to our subcontractors after the issue of the practical completion certificate and the remaining portion will be released at the end of the defect liability period. As all the retention payables is expected in the normal operating cycle, they are classified as current liabilities.

As at 30 April 2019, HK\$23.1 million or 18.2% of our retention payables outstanding as at 31 December 2018 were settled.

Other payables and accrued expenses

Our other payables and accrued expenses mainly represent receipt in advance, accrued staff cost and accrued contract costs. The table below sets forth, as at the end of the reporting periods indicated, the breakdown of our other payables and accruals:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Receipt in advance.....	62,207	25,365	24,693
Accrued staff cost	100,277	166,365	155,657
Accrued contract costs	583,829	681,888	965,593
Accrued issue costs and listing expenses	—	—	7,382
Others.....	24,553	30,504	20,449
Total	770,866	904,122	1,173,774

Other payables and accrued expenses increased from HK\$770.9 million as at 31 December 2016 to HK\$904.1 million as at 31 December 2017, which was mainly attributable to (i) increase in accrued staff cost of HK\$66.1 million principally as a result of increase in provision of performance-based bonus in FY2017; (ii) increase in cost accrued for maintenance works and sales of goods of HK\$7.5 million, which is generally in line with increase in revenue; and (iii) increase in accrued contract costs of HK\$98.0 million partially offset by decrease in receipts in advances from customers of HK\$36.8 million mainly in relation to procurement of trading goods for certain of our environmental engineering projects in Mainland China which was utilised in FY2017. Other payables and accrued expenses increased to HK\$1,173.8 million as at 31 December 2018 mainly due to increase in accrued contract costs of HK\$283.7 million as explained below.

Dividend payable

Dividend payable to shareholders of HK\$100.0 million as at 31 December 2018 was subsequently settled in April 2019.

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Accrued contract costs

Our accrued contract costs represent accruals for costs incurred for work done performed by our subcontractors which progress payment application was not yet approved by us and yet to be billed. Our accrued contract costs were HK\$583.8 million, HK\$681.9 million and HK\$965.6 million as at 31 December 2016, 2017 and 2018. The increase throughout the Track Record Period was mainly due to (i) increase in value of work done performed in relation to a sewage treatment plant project; (ii) an infrastructure contracting work project in Hong Kong undertaken in FY2018, in which we acted as a direct contractor; and (iii) increase in value of work done and works certified in relation to a casino and hotel project in which we acted as a direct contractor.

As at 30 April 2019, HK\$18.5 million of our accrued contract costs outstanding as at 31 December 2018 were subsequently settled.

Derivative financial instruments

We are exposed to foreign exchange risk primarily through purchases which give rise to payables that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk include primarily European dollars (“EUR”), British pounds (“GBP”), Singapore dollars (“SGD”), Swiss franc (“CHF”) and RMB, attributable to transactions entered into by us with suppliers, and we have entered into hedging arrangements to mitigate such risk.

During the Track Record Period, we have entered into foreign-currency forward contracts in order to hedge our risk exposure related to our payment to our suppliers denominated in foreign currencies. As at 31 December 2016, 2017 and 2018, our foreign-currency forward contracts classified as current liabilities amounted to HK\$2.2 million, HK\$14,000 and HK\$0.6 million, respectively, while the changes in fair value were minimal during the respective years. We also had foreign-currency forward contracts classified as current assets as at 31 December 2017 amounted to HK\$0.8 million.

The fair value of derivative financial instruments purchased by us were determined by the discounted cash flow of the contracts and were recorded in accordance with applicable accounting framework. Any changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments until settlement of such contracts. The gain or loss on fair value change of such foreign-currency forward contracts accounted for a relatively insignificant portion to our total revenue. As at the Latest Practicable Date, the nominal value of the unsettled derivative financial instruments purchased by us amounted to HK\$3.2 million.

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As at the Latest Practicable Date, we had an aggregate of 5 outstanding foreign-currency forward contracts. The following table sets out the details of these forward contracts:

Contract	Total notional amount	Contract date	Expiry date/Last settlement date	Forward rate	Valuation gain/(loss)
					<i>HK\$'000</i> <i>(unaudited)</i>
Bank to sell EUR	EUR 73,000	04 October 2018	04 July 2019	HK\$9.219/EUR	(23)
Bank to sell EUR	EUR 46,000	26 October 2018	26 July 2019	HK\$9.1535/EUR	(12)
Bank to sell EUR	EUR 27,000	15 January 2019	17 October 2019	HK\$9.188/EUR	(8)
Bank to sell GBP	GBP 152,000	15 January 2019	17 October 2019	HK\$10.205/GBP	(46)
Bank to sell CHF	CHF 48,000	27 December 2018	30 September 2019	HK\$8.0855/CHF	(8)

Having considered the level of our current exposure to foreign exchange risk, we have adopted the following measures to mitigate such risk:

- (i) all contracts are restricted to the case of covering the trade with related exchange exposure incurred in the ordinary course of business primarily to hedge foreign exchange risk of overseas suppliers;
- (ii) concluded contract shall be utilised within the contract period. Any unused balance will be set off by the bank at the maturity date;
- (iii) where the forward rate differs significantly and unfavourably from the rate adopted in the project/contract, confirmation shall be obtained from the relevant business unit or corporate unit manager before the booking is arranged by finance team;
- (iv) our finance department would closely monitor the movement of relevant exchange rates to ensure that the net exposure is kept to an acceptable level;
- (v) our senior finance personnel would regularly review the analysis prepared by our accounting and finance department and assess whether there is any material and adverse impact on our financial performance and whether we should enter into any hedging or derivative financial instruments to manage such foreign exchange risk exposures.

We consider that (i) we are generally able to control our risk exposure on foreign exchange; and (ii) our exposure to foreign exchange risk is insignificant and it is not necessary to adopt any hedging strategy.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of costs and expenses in relation to our ordinary course of business, operating and administrative expenses and other capital expenditure such as purchase of plant and equipment and investment in other companies. Our use of cash has been funded principally through cash generated from our operations. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Global offering for implementing our future plans as set out under “Future plans and use of proceeds”.

The following table summarises, for the periods indicated, our statements of cash flows:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	<u>223,410</u>	<u>460,777</u>	<u>380,466</u>
Net cash (used in)/generated from operating activities	(10,458)	380,439	595,641
Net cash generated from/(used in) investing activities.....	32,175	(2,661)	(98,311)
Net cash generated from/(used in) financing activities	<u>84,011</u>	<u>(234,817)</u>	<u>(459,434)</u>
Net increase in cash and cash equivalents	105,728	142,961	37,896
Cash and cash equivalents at beginning of year	294,864	391,075	544,235
Effect of foreign exchange rate changes	<u>(9,517)</u>	<u>10,199</u>	<u>(12,180)</u>
Cash and cash equivalents at end of year	<u><u>391,075</u></u>	<u><u>544,235</u></u>	<u><u>569,951</u></u>

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our customers. Our cash outflow used in operating activities was principally for project costs and other operating expenses.

For FY2018, we had net cash generated from operating activities of HK\$595.6 million, mainly as a result of the cash generated from operations before working capital change of HK\$380.5 million, taxes paid of HK\$82.3 million and positive changes in working capital of HK\$297.5 million. The change in working capital primarily reflected (i) increase in other payables and accrued expenses of HK\$270.9 million mainly due to increase in accrued contract costs of HK\$283.7 million; and (ii) decrease in trade receivables of HK\$34.2 million mainly attributable to the settlement of a major infrastructure building services project in Hong Kong which we acted as a subcontractor. The cash inflow was partially offset by increase in contract assets of HK\$34.4 million.

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For FY2017, we had net cash generated from operating activities of HK\$380.4 million, mainly as a result of the cash generated from operations before working capital change of HK\$460.8 million, taxes paid of HK\$39.8 million and negative changes in working capital of HK\$40.6 million. The change in working capital primarily reflected (i) increase in trade receivables of HK\$177.6 million mainly due to increase in billings of HK\$161.1 million in December 2017 compared to that of December 2016; and (ii) decrease in trade and retention payables of HK\$73.5 million as more trade payable balances were settled near year end as at 31 December 2017 compared to that as at 31 December 2016. The cash outflow was partially offset by (i) decrease in contract assets of HK\$135.6 million mainly in relation to an upgrading works project for sludge dewatering in Stonecutters Island and certain non-government projects of contracting works for railway works for railway system extension in Hong Kong; and (ii) increase in other payables and accrued expenses of HK\$131.2 million mainly due to (a) increase in accrued contract costs of HK\$98.1 million; and (b) increase in provision for performance-based bonus.

For FY2016, we had net cash used in operating activities of HK\$10.5 million, mainly as a result of the cash generated from operations before working capital change of HK\$223.4 million, taxes paid of HK\$35.9 million and negative changes in working capital of HK\$198.0 million. The change in working capital primarily reflected (i) increase in contract assets of HK\$239.2 million mainly attributable to an upgrading works project for sludge dewatering in Stonecutters Island and certain non-government projects of contracting works of railway system extension in Hong Kong; and (ii) decrease in trade and retention payables of HK\$35.7 million mainly due to (a) decrease in trade payables of HK\$17.1 million as more trade payables balances were settled near year end as at 31 December 2016 compared to that as at 31 December 2015; and (b) decrease in trade accruals of HK\$34.2 million as a result of timing of billings from our sub-contractors. The cash outflow was partially offset by (i) decrease in trade receivables of HK\$61.0 million mainly attributable to decrease in billings in December 2016 compared to that of December 2015; and (ii) increase in other payables and accrued expenses of HK\$32.1 million mainly due to increase in receipts in advances of HK\$55.9 million mainly in relation to procurement of trading goods for our certain environmental engineering projects in Mainland China, partially offset by decrease in accrued staff cost of HK\$33.2 million as a result of lower provision of performance-based bonus in FY2016.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from redemption of financial assets at fair value through profit or loss, release of pledged bank deposits and dividend received from joint venture or an associate. Our cash outflow used in investing activities was principally for investments in structured deposits and purchases of property, plant and equipment.

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For FY2018, we had net cash used in investing activities of HK\$98.3 million primarily attributable to placement of pledged bank deposit of HK\$101.0 million which was partially offset by release of pledged bank deposits of HK\$16.0 million.

For FY2017, we had net cash used in investing activities of HK\$2.7 million primarily attributable to (i) placement of pledged deposits of HK\$26.8 million; (ii) advances to partners of joint operations of HK\$13.2 million; and (iii) advances to associates of HK\$12.0 million. The cash outflow was partially offset by (i) redemption of financial assets at FVTPL of HK\$27.2 million; and (ii) release of pledged bank deposits of HK\$20.8 million.

For FY2016, we had net cash generated from investing activities of HK\$32.2 million primarily attributable to (i) redemption of financial assets at FVTPL of HK\$33.1 million; (ii) dividends received from a joint venture of HK\$27.1 million; and (iii) repayments from joint ventures of HK\$14.7 million. The cash outflow was partially offset by (i) purchase of financial assets at FVTPL of HK\$40.1 million; and (ii) deposits paid for acquisition of software of HK\$11.7 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally proceeds from bank borrowings and advances from associates and joint ventures. Our cash outflow used in financing activities was principally for dividend payment, repayment of bank borrowings and payment for finance costs.

For FY2018, we had net cash used in financing activities of HK\$459.4 million primarily attributable to Second Dividend Declaration of HK\$400.0 million paid in July 2018 and repayment of bank borrowings of HK\$51.2 million.

For FY2017, we had net cash used in financing activities of HK\$234.8 million primarily attributable to dividend paid of HK\$200.0 million and repayment of bank borrowings of HK\$44.4 million. The cash outflow was partially offset by the proceeds from bank borrowing raised of HK\$32.0 million.

For FY2016, we had net cash generated from financing activities of HK\$84.0 million primarily attributable to (i) the proceeds from bank borrowing raised of HK\$36.0 million; and (ii) advances from partners of joint operations, associates and joint ventures of HK\$26.1 million, HK\$13.7 million and HK\$20.1 million, respectively. The cash inflow was partially offset by the repayment of bank borrowings of HK\$10.3 million.

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Net Current Assets

We recorded net current assets of HK\$883.1 million, HK\$1,069.6 million, HK\$829.3 million, and HK\$865.1 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets				
Prepaid land use rights	86	93	88	90
Inventories	48,903	74,747	62,390	72,814
Contract assets	1,077,233	949,384	978,397	950,577
Trade receivables	605,538	786,338	721,712	512,997
Other receivables, deposits and prepayments	64,736	95,592	80,337	116,167
Amount due from an associate	—	—	—	—
Amounts due from partners of joint operations	120	13,368	4,312	22,906
Available-for-sale investment	—	—	—	—
Financial assets at fair value through profit or loss	35,901	14,997	17,230	19,278
Derivative financial instruments	—	759	—	—
Tax recoverable	13,016	1,356	17,384	16,299
Pledged bank deposits	117,016	124,711	208,553	209,290
Bank balances and cash	391,075	544,235	569,951	717,066
	<u>2,353,624</u>	<u>2,605,580</u>	<u>2,660,354</u>	<u>2,637,484</u>
Current liabilities				
Trade and retention payables	547,459	479,416	462,922	423,884
Other payables and accrued expenses	770,866	904,122	1,173,774	1,280,253
Dividend payable	—	—	100,000	—
Lease liabilities	—	—	—	24,949
Obligations in excess of interest in an associate	8,298	11,851	—	—
Amounts due to associates	13,738	14,442	12,533	12,796
Amounts due to joint ventures	20,142	21,591	—	—
Amounts due to partners of joint operations	26,364	4,939	26,526	2,324
Derivative financial instruments	2,191	14	602	90
Bank borrowings	44,350	40,440	—	—
Tax payable	37,091	59,149	54,667	28,104
	<u>1,470,499</u>	<u>1,535,964</u>	<u>1,831,024</u>	<u>1,772,400</u>
Net current assets	<u>883,125</u>	<u>1,069,616</u>	<u>829,330</u>	<u>865,084</u>

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Our net current assets increased from HK\$883.1 million as at 31 December 2016 to HK\$1,069.6 million as at 31 December 2017. The increase was primarily due to (i) increase in trade receivables of HK\$180.8 million as a result of increase in billings of HK\$161.1 million in December 2017 compared to that of December 2016; and (ii) increase in inventories of HK\$25.8 million. The increase was partially offset by increase in other payables and accrued expenses of HK\$133.3 million mainly due to increase in accrued contract costs and provision for performance-based bonus for FY2017.

Our net current assets then decreased to HK\$829.3 million as at 31 December 2018, as compared with the corresponding amount of HK\$1,069.6 million as at 31 December 2017 which was primarily due to increase in other payables and accrued expenses of HK\$269.7 million mainly attributable to the increase in accrued contract costs of HK\$283.7 million and dividend payable to shareholders of HK\$100.0 million, partially offset by the increase in pledged bank deposits of HK\$83.8 million and the decrease in current portion of bank borrowings of HK\$40.4 million as a result of the repayment.

Our net current assets remained relatively stable at HK\$865.1 million as at 30 April 2019.

Working Capital Sufficiency

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our operating cashflow, available facilities, other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the proceeds from Global Offering necessary to meet our operations and to fund our future plans are set out in “Future Plans and Use of Proceeds”.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants’ Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Company and our Shareholders as a whole.

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CAPITAL EXPENDITURES

Our capital expenditures have principally consisted of expenditures on acquisitions of machines and equipment, furniture and fixtures and motor vehicles for our operations. For FY2016, FY2017 and FY2018, we incurred capital expenditures of HK\$6.0 million, HK\$7.2 million and HK\$15.3 million, respectively.

For the two years ending 31 December 2020, we estimate that the capital expenditures will amount to HK\$81.0 million primarily for expansion and development for our lifts and escalators segment.

Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to “Future plans and use of proceeds” for further information.

We expect to fund our contractual commitments and capital expenditures principally through cash generated from our operating activities, other internal resources, proceeds from borrowings and the net proceeds we receive from the Global Offering.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As lessor

As at the end of the reporting periods during the Track Record Period, we had contracted with tenants in respect of leased properties for the following future minimum lease payments to be received from tenants:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,564	2,162	1,511
In the second to fifth year inclusive	1,578	1,992	506
Total	<u>3,142</u>	<u>4,154</u>	<u>2,017</u>

FINANCIAL INFORMATION

As lessee

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of leasehold land and buildings and warehouse, staff quarters and car parks under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	14,099	12,950	21,078
In the second to fifth year inclusive	7,778	4,253	10,474
Total	21,877	17,203	31,552

Capital commitments

As at the end of the reporting periods during the Track Record Period, our Group had the following commitments contracted but not provided for in the consolidated financial statements.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Information technology infrastructure	767	767	—
Enterprise resources planning system.....	16,962	13,752	10,028
Human Resources management system.....	—	—	8,209
	17,729	14,519	18,237

INDEBTEDNESS

The following table sets out our total debts as at the dates indicated:

	As at 31 December			As at 30 April 2019
	2016	2017	2018	<i>HK\$'000</i> <i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Interests bearing:				
Secured loans.....	63,584	51,216	—	—
Non-interest bearing:				
Amounts due to an associate	13,738	14,442	12,533	12,796
Amounts due to joint ventures.....	20,142	21,591	—	—
Amounts due to partners of joint operations ...	26,364	4,939	26,526	2,324
Lease liabilities.....	—	—	—	58,794
	60,244	40,972	39,059	73,914
	123,828	92,188	39,059	73,914

FINANCIAL INFORMATION

Bank borrowings

The following table sets forth the repayment schedule of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April 2019
	2016	2017	2018	HK\$'000 (unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Current portion				
Within one year	44,350	40,440	—	—
Non-current portion				
Within a period of more than one year but not exceeding two years	8,471	8,601	—	—
Within a period of more than two years but not exceeding five years	10,763	2,175	—	—
	<u>19,234</u>	<u>10,776</u>	<u>—</u>	<u>—</u>
Total	<u>63,584</u>	<u>51,216</u>	<u>—</u>	<u>—</u>

The following table sets out the range of effective interest rates for our borrowings as at the dates indicated:

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
	%	%	%	%
				<i>(unaudited)</i>
Bank borrowings	<u>0.9123 - 2.7589</u>	<u>1.1432 - 2.95</u>	<u>N/A</u>	<u>N/A</u>

As at the dates indicated, we had the following pledge of assets:

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Leasehold properties	447,800	472,900	—	—
Investment properties	58,410	60,110	74,300	74,300
Bank deposits	117,016	124,711	208,553	209,290
Financial assets at FVTPL	35,901	14,997	17,230	19,278
Total	<u>659,127</u>	<u>672,718</u>	<u>300,083</u>	<u>302,868</u>

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As at 31 December 2016, banking facilities of certain of our subsidiaries were secured by personal guarantee provided by a Director. Such guarantee had been released in FY2017. During the Track Record Period, a banking facility was secured by a pledge of the properties held by Perfect Motive. Such pledge was replaced by a charge over deposits granted by ATAL Engineering in May 2018.

As at 30 April 2019, being the latest practicable date for the purpose of this indebtedness statement, we did not have any outstanding bank borrowings. As at 30 April 2019, we had aggregate banking facilities of HK\$1,765.8 million, of which HK\$1,354.3 million was unutilised.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. Save as aforesaid, as at the date of this prospectus, we did not have any plan for material external debt financing. We confirm we do not have material financial covenants nor any breach of such covenants during the Track Record Period.

Amounts due to associates/joint ventures/partners of joint operations

Our amounts due to associates were HK\$13.7 million, HK\$14.4 million and HK\$12.5 million as at 31 December 2016, 2017 and 2018, respectively. Our amounts due to joint ventures amounted to HK\$20.1 million, HK\$21.6 million and nil as at 31 December 2016, 2017 and 2018, respectively, while our amounts due to partners of joint operations amounted to HK\$26.4 million, HK\$4.9 million and HK\$26.5 million as at the same date, respectively.

All of our amounts due to associates, joint ventures and partners of joint operations were non-trade, non-interest bearing and repayable on demand, unsecured and unguaranteed. For details, please refer to notes 25, 26 and 27 of the Accountants' Report in Appendix I to this prospectus.

Lease liabilities

Our Group has adopted HKFRS 16 for accounting period beginning on or after January 1, 2019 as stated in note 3 of the Accountants' Report in Appendix I to this Prospectus. As such, leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position for accounting period beginning on or after January 1, 2019. As at 30 April 2019, the non-current and current portion of our lease liabilities amounted to HK\$33.8 million and HK\$24.9 million, respectively. The lease liabilities represent payment for right of using underlying assets, of which HK\$30.8 million is secured with the rental deposits and unguaranteed, and the remaining is unsecured and unguaranteed.

FINANCIAL INFORMATION

Contingent liabilities

We did not have any contingent liabilities at the end of each reporting period. The table below sets forth the contingent liabilities of our Company for the date indicated:

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to subsidiaries				
Guarantees given to banks, in respect of banking facilities granted to subsidiaries				
- amount guaranteed	1,521,413	1,737,665	1,673,198	1,677,261
- amount utilised	589,025	581,714	412,825	411,500

Performance bonds

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had outstanding performance bonds of HK\$500.8 million, HK\$486.0 million, HK\$368.8 million and HK\$375.1 million, respectively, in relation to our normal course of business.

As at 30 April 2019, save as disclosed above, and apart from intra-group liabilities, we did not have any loan capital issued which is outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	FY2016	FY2017	FY2018
Gross Profit Margin (%) ⁽¹⁾	12.5	18.6	14.9
Net Profit Margin (%) ⁽²⁾	2.7	8.7	5.3
Return on equity (%) ⁽³⁾	8.0	25.4	20.6
Return on total assets (%) ⁽⁴⁾	4.0	13.2	9.7
	As at 31 December		
	2016	2017	2018
Current ratio ⁽⁵⁾	1.6	1.7	1.5
Gearing ratio (%) ⁽⁶⁾	4.1	2.8	—
Net debt to equity ratio (%) ⁽⁷⁾	Net cash	Net cash	Net cash

FINANCIAL INFORMATION

Notes:

- (1) Gross profit margin for FY2016, FY2017 and FY2018 was calculated on gross profit divided by revenue for the respective year. See “Review of Historical Results of Operation” for more details on our gross profit margins.
- (2) Net profit margin for FY2016, FY2017 and FY2018 was calculated on profit for the year divided by revenue for the respective year. See “Review of Historical Results of Operation” for more details on our net profit margins.
- (3) Return on equity for FY2016, FY2017 and FY2018 was calculated based on the net profit for the year for the respective years divided by the average balance of total equity of the respective years and multiplied by 100%.
- (4) Return on total assets for FY2016, FY2017 and FY2018 was calculated based on the net profit for the respective years divided by the average balance of total assets of the respective years and multiplied by 100%.
- (5) Current ratios as at 31 December 2016, 2017 and 2018 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (6) Gearing ratios as at 31 December 2016, 2017 and 2018 were calculated based on the total interest-bearing bank borrowings as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.
- (7) Net debt to equity ratios as at 31 December 2016, 2017 and 2018 was calculated based on net debts (being total interest-bearing bank borrowings net of cash and cash equivalents) as at the respective dates divided by total equity as at the respective years.

Return on equity

Our return on equity increased from 8.0% for FY2016 to 25.4% in FY2017 mainly due to increase in our profit for the year of HK\$312.7 million and a modest increase in total equity despite profit accumulation from our increase in profit for the year as a result of the declaration of dividend of HK\$200.0 million. Our return on equity decreased to 20.6% in FY2018 mainly due to a 27.3% decrease in profit of the year.

Return on total assets

Our return on total assets increased from 4.0% for FY2016 to 13.2% in FY2017 mainly due to increase in our profit for the year of HK\$312.7 million. Our return on total assets decreased to 9.7% in FY2018 mainly due to the decrease in profit for the year by HK\$118.3 million in FY2018 compared to that of FY2017.

Current ratio

Our current ratios were 1.6, 1.7 and 1.5 as at 31 December 2016, 2017 and 2018, respectively, which remained relatively stable.

Gearing ratio

Our gearing ratios were 4.1% and 2.8% as at 31 December 2016 and 2017, respectively. The relatively higher gearing ratio as at 31 December 2016 was mainly due to relatively higher balance of bank borrowings as at 31 December 2016. We did not have any bank borrowings as at 31 December 2018.

FINANCIAL INFORMATION

Net debt to equity ratio

During the Track Record Period, our Group maintained net cash position.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk, such as market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Details of the risk to which we are exposed are set out in note 40 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

Total expenses in relation to the Listing (at the Offer Price of HK\$1.20, and assuming that the Over-allotment Option is not exercised) amounted to approximately HK\$84.3 million. During the Track Record Period, we incurred Listing expenses of HK\$37.8 million for FY2017 and FY2018, of which HK\$29.9 million was expensed in our consolidated statements of profit or loss and HK\$7.9 million was directly attributable to the issue of Shares and has been capitalised as deferred issue costs. For the year ending 31 December 2019 we expect to incur additional Listing expenses of HK\$46.5 million, of which HK\$7.0 million is expected to be recognised as administration expenses and HK\$39.5 million is expected to be recognised as a deduction in equity.

DIVIDEND

During the Track Record Period, dividends declared and paid by our Company to its then shareholders were nil, HK\$200.0 million and HK\$1,037.0 million for FY2016, FY2017 and FY2018, respectively.

On 18 April 2018, our Company declared and paid a dividend by way of distribution in specie ("**Distribution in Specie**") of its shareholding in Wise Eagle. Following the payment of such dividend, our Company ceased to hold any interest in Wise Eagle. Wise Eagle wholly owns Perfect Motive, a property holding company which owns the premises 12/F and 13/F of Island Place Tower, North Point, Hong Kong. Such properties were and will continue to be leased to us. The rental expenses for leasing of these offices will be charged to our consolidated statements of profit or loss and no longer be eliminated upon the completion of of the distribution in specie. See "History, Reorganisation and Corporate Structure — Reorganisation" and "Business — Property Interests — Properties in Hong Kong" for details. On 24 April 2018, our Company further declared and approved an interim dividend of

FINANCIAL INFORMATION

HK\$281.7 million payable to the then existing Shareholders, which was settled through the current accounts due from Wise Eagle and Perfect Motive to our Group of HK\$281.7 million on the same date. Our Company further declared dividends in the amount of HK\$400.0 million and HK\$100 million on 20 July 2018 and 12 December 2018, respectively, which was fully settled by cash in July 2018 and April 2019, respectively.

Any declaration and payment of dividends by our Company shall be made in accordance with the constitutional documents of our Company and the relevant laws and regulations, including the Bermuda Companies Act. The declaration of dividends is subject to the discretion of our Board and, where required under the constitutional documents of our Company and the Bermuda Companies Act, the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

Our Directors currently intend to, subject to our constitutional documents, the applicable laws and regulations and the approval by our Shareholders, if required, and taking into account our financial conditions and the other factors set out above, distribute to our Shareholders no less than 50% of our profits available for distribution.

DISTRIBUTABLE RESERVES

As at 31 December 2018, our Company had retained profits amounting to HK\$19.8 million. The retained profits of our Company are available for distribution to our equity Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see "Unaudited Pro Forma Financial Information" in Appendix II for our unaudited pro forma adjusted consolidated net tangible assets.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Based on our unaudited management accounts, our gross profit margin from 1 January 2019 to 30 April 2019 remained stable as compared to that for the same period in FY2018.

From 1 January 2019 to the Latest Practicable Date, we had been awarded 25 new contracts with individual contract sum over HK\$10 million and an aggregate contract sum of approximately HK\$2,339.3 million. However, due to the nature of our industry and the contract terms of our service agreements, the revenue under our contracts secured are recognised based on various work progress milestones. Taking into account the continuation of the trade war between the United States and Mainland China and delay in the commencement and completion of some works for E&M engineering projects in Hong Kong, Macau and Mainland China, we believe that the recognition of revenue and gross profit of our secured contracts may not be timely reflected in our operating results in the first half of FY2019 or FY2019. In addition, we expect to experience (i) an increase in staff costs for FY2019, in view of the expected costs of additional headcount and our budgeted annual salary increment for FY2019; and (ii) an increase in the depreciation and amortisation for FY2019, which is mainly attributable to the depreciation charge arising from our new Enterprise Resource Planning (ERP) system upon its go-live in February 2019. As such, despite the fact that we have secured a healthy pipeline of E&M projects in FY2019 up to the Latest Practicable Date, we hold a conservative view that our operating results for the first half of FY2019 and FY2019 may be materially and adversely affected by the above factors. Please see the risk factor headed “Our profit fluctuated during the Track Record Period and our operating results may fluctuate significantly between different periods within a financial year or on a period-on-period basis, due to various factors, some of which are beyond our control. Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.” in the “Risk Factors” section.

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. Save as described above, as far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING AND GLOBAL OFFERING

Our Directors are of the view that the Listing and the Global Offering will provide our Group with the following advantages:

1. Strengthening our corporate profile, credibility and competitiveness

The status of being a listed company on the Stock Exchange in Hong Kong is an efficient and complementary means of enhancing the brand awareness of our Group, which is expected to raise our Group's market exposure and enhance our reputation amongst our competitors, in particular to the overseas potential customers, and in turn help implement our business strategies. Our Directors are also of the view that, since a significant number of our competitors are listed companies on recognised stock exchange(s), the listing status of our Group could strengthen our corporate profile and enhance our competitiveness for tendering projects in the future.

We also believe that a public listing status would assist us in reinforcing our image and enhancing the confidence of our stakeholders in our Group, in particular well-established property developers and main contractors, as well as newcomers to the geographical regions and/or business segments in which we operate, who are usually more willing and inclined to establish business relationship with listed companies.

2. Diversifying shareholder base and enhancing liquidity in trading of our Shares

Taking reference from other Hong Kong listed companies in similar industry, our Directors noted that the transaction volume of their shares are of a reasonable level and that their choice of financing are broader (for example, secondary financing and introduction of strategic investors) and therefore, believe that the Listing will provide liquidity to and create a market for the trading of our Shares, which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected. Where opportunity arises and in line with our relatively conservative liquidity management approach, we may also consider to fund future acquisition(s) by way of issuance of Shares as consideration in order to lower the cash requirement for future acquisition(s), which could be better utilised for other purposes.

FUTURE PLANS AND USE OF PROCEEDS

3. Gaining access to additional financing sources for our capital requirements

We adopt a relatively conservative liquidity management approach and as at 30 April 2019, our cash and bank balances were approximately HK\$717.0 million and our unutilised banking facilities were approximately HK\$1,354.3 million. As an E&M engineering company, our cash flow and liquidity position are affected by the status and progress of our projects and fluctuate from time to time. Our Directors therefore consider that it is prudent for our Group to maintain a relatively higher level of cash and banking facilities to ensure that we have sufficient cash to support our business operations, including funding the project costs for our projects and meeting our payment obligations to our suppliers and subcontractors. We consider that while we maintain a healthy cash level to support our existing operations, the net proceeds from the Global Offering are necessary for the implementation of our business strategies and future plans. As disclosed in this section and in “Business — Our Business Strategies — Summary of Estimated Investment Costs and Timeline for Implementation of Our Business Strategies”, the total expected expenditure for the implementation of our business strategies and future plans to support our growth is estimated to be approximately HK\$424.4 million during the period from the Listing and up to 31 December 2021, which will be mainly financed by the net proceeds from the Global Offering.

Our Directors therefore believe that our Group will be able to expand in a more expedient manner with the net proceeds from the Global Offering, which in turn will enable us to enhance our market competitiveness and increase market share in the E&M engineering markets in Hong Kong, Mainland China and Macau.

4. Enhancing employees’ performance through equity-based incentive scheme

The Listing will enable our Company to offer equity-based and publicly tradable shares under the Share Option Scheme to our employees as incentive. As the performance of the Share price will generally relate to our performance, we believe through the incentive scheme, our employees will be more motivated to improve our performance to create value for our Shareholders.

In view of the above, although our Group had sufficient financial resources to meet the working capital requirements during the Track Record Period, our Directors consider that it is strategically and commercially justifiable to pursue the Listing and the Global Offering, and the net proceeds from the Global Offering are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group.

FUTURE PLANS

See “Business — Our Business Strategies” for detailed description of our future plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, at the Offer Price of HK\$1.20) will be approximately HK\$335.7 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- (i) approximately 20%, or HK\$67.1 million, will be used for supporting the expansion and development of our building services segment commencing after the Listing including the payment of tender preparation cost and start-up costs for new projects commencing after the Listing, such as the provision of performance bonds and payment of material costs and subcontracting fees, including:
 - a. approximately 10% or HK\$33.55 million for the further development and expansion of our building services for data centres in Hong Kong, Mainland China and Southeast Asia; and
 - b. approximately 10% or HK\$33.55 million for the further development and expansion of our building services for healthcare and infrastructure facilities in Hong Kong.

Please see “Business — Our Business Strategies — Continue to expand our existing E&M engineering services and consolidate our leading market position — Expansion of our building services segment” for further information;

- (ii) approximately 30%, or HK\$100.7 million, will be used for enhancing our engineering capabilities in environmental engineering segment, including:
 - a. approximately HK\$59.3 million for acquisition of, investment in, cooperating or forming joint ventures with companies which are engaged in environmental engineering treatment and equipment to increase our competitiveness in the market. In particular, we target companies which are:
 - i. environmental equipment suppliers in our supply chain for vertical integration, including suppliers of equipment that improves the processes of wastewater treatment plants, in terms of process effectiveness, energy efficiency, and reduction of footprint by using less chemicals; and
 - ii. contractors with existing client base and sales network, with which we can further expand our market presence and market share.

In selecting the above target companies for acquisition or investment by our Group, we will primarily consider suppliers and contractors that (i) are engaged in environmental engineering works, in particular those that have developed

FUTURE PLANS AND USE OF PROCEEDS

new or specialised environmental engineering treatment processes or equipment with market potential, (ii) have proven track records, strong work references and established customer networks our target markets, including Hong Kong, Mainland China, Southeast Asia and Europe, (iii) are equipped with personnel who have the relevant environmental engineering experience and expertise, as well as the necessary licences and qualifications to carry out the relevant environmental engineering works in our target markets, and (iv) are expected to complement our environmental engineering business and allow us to create synergy with them, for example by combining their stronger presence in overseas markets with our environmental engineering capabilities, in order to enhance our brand awareness and reputation in those overseas markets and enable our Group to build up market experience and knowledge in respect of those overseas markets. We consider that investing in, or co-operating with, an established company in the environmental engineering field is an efficient means to enhancing our environmental engineering capabilities, as considerable time is often required for the relevant personnel to develop new environmental engineering treatment technologies or acquire knowledge, expertise and experience in respect of new environmental engineering capabilities. We have not commenced the process of identifying such a target company and have not entered into any agreement with any target company.

- b. approximately HK\$41.4 million will be used for additional investment in development of advanced environmental process technologies. Currently we are investing in several projects relating to our environmental engineering business, such as black water treatment process for reducing the sedimentation foot print, dissolved air flotation process for waste water treatment, anammox process and nano aeration process for energy-saving through our internal project engineering efforts or our cooperation with universities and other institutions. These projects are expected to be ongoing until around mid-2020. We believe that these environmental process technologies will enhance the efficiency and reduce the power and land consumption of wastewater treatment plants and sludge digestion plants, and plan to further invest and develop these technologies to improve our engineering capabilities to support the expansion of our environmental engineering business, particularly in Mainland China and One-Belt-One-Road countries to capture new business opportunities under the Outline of the 13th Five Year Plan for Economic and Social Development of Mainland China and the One-Belt-One-Road initiative. We also plan to develop the quadrogen technology, a process to upgrade biogas to biomethane, in the next two years.
- (iii) approximately 20%, or HK\$67.1 million, will be used for enhancing the engineering capability of our ICBT segment, including:
- a. approximately HK\$19.3 million for additional investment in the development of building technologies, commencing in 2019, including the setting up of dedicated research and development teams to develop: (i) a cloud-based

FUTURE PLANS AND USE OF PROCEEDS

intelligent building platform to support the development and ongoing operation of our chiller plant control energy optimisation, automatic fault detection and diagnostics (FDD), and energy analytics and visualisation; and (ii) Internet of Things (IoT) solutions, such as IoT network and infrastructure, big data artificial intelligence analytic and visualisation tools, and IoT sensors to improve our information communication technology (ICT) product and service offerings to capture future growth opportunities. This will include the recruitment of 40-45 experienced staff members, and expenses on the research and development processes. The recruitment of staff is expected to commence in 2019, and will include relevant experts, qualified personnel in the relevant areas and other operational staff, ranging from assistant engineers to senior engineer and manager grade personnel, with expected average salaries of approximately HK\$50,000 per month per employee; and

- b. approximately HK\$47.8 million for acquisition of, or investment in, companies which possess innovative technology to undertake projects in IoT, Big Data, security and Smart City.

We target to acquire or invest in companies that (i) are engaged in the design, hardware and software development, engineering, installation and maintenance of information and communication technologies solutions and intelligent and green building technologies solutions, in particular those that have developed new or specialised technologies or products with market potential, (ii) have proven track records, work references and established customer networks in the relevant information technology areas and/or the markets which we intend to expand into, including Mainland China and Southeast Asia, (iii) are equipped with personnel who have the relevant experience and expertise, and (iv) are expected to complement our ICBT business and allow us to create synergy with them.

- (iv) approximately 20%, or HK\$67.1 million, will be used for expansion and development of our lifts and escalators segment, including:
 - a. approximately HK\$54.1 million for expanding our existing manufacturing facilities and constructing a new production plant in Nanjing, which is expected to complete in the second half of 2019 (expansion of existing facilities) and 2020 (new production plant with additional capacity) respectively, (i) mainly to support our expected growth in sales of lifts and escalators overseas, in Mainland China and in Hong Kong, as we expect that our existing production facilities will be unable to cater for the expected growth in demand for our products from these markets; and (ii) accommodate the development and future manufacturing of PEDARCO, an automated pedestrian overpass system for crossing of canals, railway lines and highways designed and developed by our Group, which is intended to be used mainly for acquisition of land and construction of production facility thereon, setting up and upgrading of production lines for lifts and for escalators, and operating expenses in the next two to three years; and

FUTURE PLANS AND USE OF PROCEEDS

- b. approximately HK\$13.0 million for setting up of export sales office(s) and sales and service centres in Mainland China and conducting marketing campaign to promote our brand and products in the relevant regions; and

- (v) approximately 10%, or HK\$33.7 million, will be used for our general working capital.

In relation to our strategy to acquire or invest in companies as set out above, as at the Latest Practicable Date, we had not identified any target, commenced any due diligence process, entered into any definitive agreement or engaged in any active discussion with any potential target in relation to the same. The implementation of the relevant strategies is subject to the assumption we will be able to identify available targets in the areas in which we are interested, the price and acquisition/investment terms are commercially favourable, and the agreement for acquisition/investment can be reached by us and the relevant third parties.

If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions for so long as it is in our best interests.

UNDERWRITING

HONG KONG UNDERWRITERS

Elstone Securities Limited

BOCOM International Securities Limited

China Tonghai Securities Limited

GLAM Capital Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 35,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and certain other conditions set out in the Hong Kong Underwriting Agreement, each of the Hong Kong Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall have the sole and absolute right to terminate the Hong Kong Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(A) there develops, occurs, exists or comes into force:

- (a) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions,

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strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Bermuda, BVI, Hong Kong, Mainland China, Macau or any other jurisdiction relevant to the Company or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or

- (b) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Mainland China, the European Union or any member thereof, Japan or any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (d) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent governmental authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (e) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions which have not been announced as at the date of the Hong Kong Underwriting Agreement; or
- (f) a change or development likely to result in a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

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- (g) any materialization of, or development likely to result in a materialization of, any of the risks set out in the section headed “Risk Factors” to this prospectus; or
- (h) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office; or
- (k) a governmental authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (l) a contravention by any member of our Group of the Listing Rules or applicable Laws; or
- (m) a prohibition on our Company for whatever reason from allotting or selling the Shares (including the Shares to be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or
- (n) non-compliance of this prospectus or Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (o) except with the consent of the Sole Global Coordinator (which consent shall not be unreasonably withheld or delayed) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (p) that a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any other member of the Group or in respect of which our Company or any other member of our Group is liable prior to its stated maturity, which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (q) save as disclosed in this prospectus, an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of the Group; or

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which, individually or in the aggregate, in the reasonable opinion of the Sole Global Coordinator and the Sole Sponsor (1) has or will or could reasonably be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or could reasonably be expected to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing or dealings in the Shares in the secondary market; or (3) makes or will make or could reasonably be expected to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will or could reasonably be expected to have the effect of making any part of the Hong Kong Underwriting Agreement and the International Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof in a material respect; or

- (B) any of the following shall have come to the notice of any of the Sole Sponsor, the Sole Global Coordinator or the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (a) that any statement contained in any of this prospectus, the Application Forms, the formal notice and/or in, any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendment thereto) is in any material respect not fair and honest and not based on reasonable assumptions;
 - (b) any matter has arisen or has been discovered which would, or might, had it arisen or been discovered immediately before the date of this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendment thereto), constitute a material omission therefrom;
 - (c) any of the warranties given by our Company and/or our Controlling Shareholders in the Hong Kong Underwriting Agreement being untrue or incorrect in any material respect;

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- (d) any event, act or omission which gives rise or is likely to give rise to any material liability of our Company pursuant to the indemnities in the Hong Kong Underwriting Agreement;
- (e) any material breach of any of the obligations of any party (other than the Sole Sponsor, the Sole Global Coordinator, the International Underwriters or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (f) save as disclosed in this prospectus, that a petition is presented for the winding-up or liquidation of our Company or any other member of our Group or our Company or any other member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any other member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any other member of our Group or anything analogous thereto occurs in respect of our Company or any other member of our Group, which in the reasonable opinion of the Sole Global Coordinator and the Sole Sponsor, may or is likely to be material in the context of the Global Offering;
- (g) any material adverse change or development which is likely to result in a material adverse change, in the condition (financial or otherwise) or in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations or performance of our Group as a whole;
- (h) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted (not including granting of such approval subject to customary conditions), other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (i) the Company withdraws this prospectus (and/or any other documents used in connection with the Global Offering) or the Global Offering;
- (j) any person (other than any of the Hong Kong Underwriters) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be) and references of its name included in the form and context in which it respectively appears; or

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- (k) that a material portion of the orders placed or confirmed in the book-building process have been withdrawn, terminated or cancelled, and such withdrawn, terminated or cancelled orders not having been covered by replacement orders.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any further Shares or securities convertible into equity securities of our Company (whether not of a class already listed) or enter into any agreement to such issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) within six months from the Listing Date, except:

- (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules;
- (b) pursuant to the Global Offering (including the Over-allotment Option); or
- (c) with the prior consent of the Stock Exchange.

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and to the Company that, except pursuant to the Global Offering (including the Over-allotment Option) or the Stock Borrowing Agreement, it/he/she will not and shall procure that the relevant registered holder(s) controlled by it/him/her will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholdings in our Company is made in the prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owners; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/ he/she would then cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

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In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further irrevocably and unconditionally undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its/his shareholdings is made in the prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will, when it/he/she pledges or charges any securities of the Company or interests therein beneficially owned by it/him/her in favor of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged and when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Our Company will also, as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement as required under the Listing Rules.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Share Option Scheme at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), the Company will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any equity securities of the Company), or deposit any equity securities of our Company with a depositary in connection with the issue of depositary receipts; or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any equity securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of such equity securities, in cash or otherwise (whether or not the issue of such equity securities will be completed within the First-Six Month Period).

Our Company further agrees that, in the event that, at any time during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that except pursuant to the Stock Borrowing Agreement without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period, it/he/she will not:
 - (i) offer, pledge, charge, sell, contract to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of the Company), or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such Shares or equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of the Company), or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above, or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company, in cash or otherwise (whether or not the issue of Shares or other securities will be completed within the First Six-Month Period), save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules; and

- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following such transaction or action, it will cease to be a Controlling Shareholder of our Company; and
- (c) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify, among others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement as the case may be.

International Placing

In connection with the International Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders) will enter into the International Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Sole Global Coordinator and the International Underwriters.

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Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally, but not jointly and not jointly and severally, agree to act as agents of our Company to subscribe or procure subscribers for the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in “— Underwriting arrangements, commissions and expenses — Hong Kong Public Offer — Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement”.

Commission and expenses

The Hong Kong Underwriters will receive an underwriting commission from our Company of 9% of the aggregate Offer Price of all Offer Shares underwritten by them, and will be reimbursed for their reasonable expenses. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters.

The total commission and expenses relating to the Global Offering and Listing (including the Main Board Listing fees, legal and other professional fees, and printing), are estimated to be approximately HK\$84.3 million, based on the Offer Price of HK\$1.20, which will be payable by our Company.

Activities by syndicate members

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offer and the International Placing, together referred to as “Syndicate Members,” may individually undertake and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilising Manager or its designated affiliate as the stabilising manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

UNDERWRITING

- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing, and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as an agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets.

Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the section headed “Structure of the Global Offering — Stabilisation” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares’ share price, and the extent to which this occurs from day to day cannot be estimated.

HONG KONG UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in the Company or any other member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

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SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set forth in Rule 3A.07 of the Listing Rules.

CORNERSTONE INVESTMENT

THE CORNERSTONE PLACING

Our Company, the Sole Sponsor and the Sole Global Coordinator have entered into cornerstone investment agreements (“**Cornerstone Investment Agreements**”) on 25 June 2019 with each of Mr. Yu Kam Kee Lawrence (“**Mr. Yu**”) and Dato Sin Just Wong (“**Dato Wong**”) (together the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”), pursuant to which Mr. Yu and Dato Wong agreed to subscribe, or cause their respective designated entities to subscribe, at the Offer Price, for such number of our Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of approximately HK\$40 million and HK\$10 million, respectively (the “**Cornerstone Placing**”). The aggregate amount of the investment contributed by the Cornerstone Investors does not include brokerage, SFC transaction levy, and Hong Kong Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Placing Shares to be subscribed) by them.

Based on the Offer Price of HK\$1.20, (A) the total number of Shares to be subscribed by Mr. Yu and Dato Wong, respectively, will be 33,332,000 Shares and 8,332,000 Shares, representing approximately (i) 9.52% and 2.38% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 8.28% and 2.07% of the Offer Shares, assuming that the Over-allotment Option is exercised in full, (iii) 2.38% and 0.60% of the Shares in issue upon completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised and (iv) 2.29% and 0.57% of the Shares in issue upon completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option is exercised in full.

The actual number of our International Placing Shares to be allocated to the Cornerstone Investors are subject to clawback, further information on which is set forth in the section headed “Structure of Global Offering — The Hong Kong Public Offer — Reallocation and Clawback” in this prospectus, and will be disclosed in our announcement of results of allocations of our Offer Shares under the Global Offering on or around Thursday, 11 July 2019.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is not our connected person (as defined under the Listing Rules) or existing Shareholder, is not a close associate of any of our existing Shareholders, and is independent of our connected persons and their respective close associates. Each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

The investment contributed by the Cornerstone Investors will form part of the International Placing. The International Placing Shares to be subscribed for by the Cornerstone Investors (i) will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and the Capitalisation issue and (ii) will be counted towards the public float of our Company.

CORNERSTONE INVESTMENT

None of Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. Immediately following completion of the Global Offering and the Capitalisation Issue, none of the Cornerstone Investors will have any representation on the Board, nor will any of the Cornerstone Investors become a substantial shareholder (as defined under the Listing Rules) of our Company. No special rights have been granted to the Cornerstone Investors pursuant to the investment made by the Cornerstone Investors.

CORNERSTONE INVESTORS

We set out below a brief description of our Cornerstone Investors.

Mr Yu Kam Kee Lawrence, *SBS, MBE, JP*, is an individual investor. Mr Yu serves on several charitable and social organisations, and is currently the co-chairman of the Campaign Committee of the Community Chest of Hong Kong, the honorary vice president of the Hong Kong Football Association Limited and a governor of Hong Kong Automobile Association.

Mr Yu was the chairman of Softbank Investment International (Strategic) Limited (Hong Kong stock code: 648, now known as China Wah Yan Healthcare Limited) and Wing On Travel (Holdings) Limited (Hong Kong stock code: 1189, now known as Rosedale Hotel Holdings Limited). He has also served as chairman or directors of a number of companies listed on the Stock Exchange.

Dato Wong Sin Just (DIMP) is an individual investor. Dato Wong has served as director of a number of companies listed on the stock exchange of Hong Kong, Singapore and United States, including Softbank Investment International (Strategic) Limited (Hong Kong stock code: 648, now known as China Wah Yan Healthcare Limited), E2-Capital (Holdings) Limited (Hong Kong stock code: 378, now known as FDG Kinetic Limited), CSI Properties Limited (Hong Kong Stock Code: 497), Westminster Travel Limited (Singapore Stock Code: ASTA, now known as Astaka Holdings Limited) and CDC Software Inc (former NASDAQ Stock Code :CDCS, since privatised). He was awarded a Datukship (DIMP) by Sultan of Pahang, Malaysia.

CONDITIONS PRECEDENT

The subscription of Offer Shares by each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

CORNERSTONE INVESTMENT

- (ii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iii) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (iv) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant Cornerstone Investment Agreements are accurate and true in all material respects and not misleading and that there is no breach of the relevant Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Pursuant to the Cornerstone Investment Agreements, each of the Cornerstone Investors has agreed and undertaken that, without the prior written consent of our Company, the Sole Global Coordinator and Sole Sponsor, he will not at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), directly or indirectly, (i) dispose of, in any way, any Shares or other securities of our Company which are derived from our Shares (pursuant to any rights issue, Capitalisation Issue or other form of capital reorganization) (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares or (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Notwithstanding the above, the Cornerstone Investors may transfer all or part of the Relevant Shares to companies wholly owned by them respectively, provided that the transferee will undertake that it will abide by the obligations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. BOCOM International Asia is the Sole Sponsor, and Elstone Securities is the Sole Global Coordinator.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offer of 35,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described under the subsection headed “The Hong Kong Public Offer” in this section below; and
- the International Placing of 315,000,000 Shares (subject to adjustment as mentioned below) to professional and institutional investors as described under the subsection headed “The International Placing” in this section below.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the Securities Act.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to adjustment as described in the subsection headed “Reallocation and Clawback” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be HK\$1.20 per Offer Share.

Price Payable on Application

Applicants under the Hong Kong Public Offer must pay, on application, the Offer Price of HK\$1.20 per Hong Kong Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,424.18 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares.

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Reduction in Offer Price and/or number of Offer Shares

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire. This process, known as “book-building”, is expected to continue up to, and to cease on or around the International Underwriting Agreement Date.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) considers it appropriate and together with the consent of our Company, the Offer Price and/or number of Hong Kong Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. As soon as practicable of such reduction of the number of Offer Shares under and/or the Offer Price, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Hong Kong Public Offer was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.atal.com notice of the reduction in the Offer Price and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Allocation

The Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional,

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institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of basis of allocations

The level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, 11 July 2019 on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.atal.com.

Results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the subsection headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available or issued pursuant to the exercise of the Over-allotment Option);
- the execution and delivery of the International Underwriting Agreement on or around the International Underwriting Agreement Date; and
- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by us on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.atal.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the subsection headed "How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 11, July 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 12, July 2019, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements, Commissions and Expenses — Hong Kong Public Offer — Grounds for termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 35,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of 350,000,000 Shares initially available under the Global Offering. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of the total number of Shares in issue of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and not taking into account any Share that may be issued pursuant to the Share Option Scheme. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offer is subject to the conditions as set out in the subsection headed "Conditions of the Global Offering" in this section.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 17,500,000 Hong Kong Offer Shares (subject to adjustment) and Pool B will comprise 17,500,000 Hong Kong Offer Shares (subject to adjustment), both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 17,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation on the following basis:

- (a) Where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deem appropriate;
 - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public, then up to 35,000,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 70,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

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- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then 70,000,000 Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 105,000,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then 105,000,000 Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offer will be increased to 140,000,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then 140,000,000 Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offer will be increased to 175,000,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).
- (b) Where the International Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 35,000,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 70,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

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In the event of a reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

Applications

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The number of the Offer Shares to be initially offered for subscription by our Company under the International Placing will be 315,000,000 Shares, representing 90% of the Offer Shares under the Global Offering (not taking into account the Over-allotment Option). The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the Securities Act. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the subsection headed "Pricing and Allocation" in this section and based on a number of factors, including the level

STRUCTURE OF THE GLOBAL OFFERING

and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its International Placing Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offer. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to sell up to 52,500,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 52,500,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from Arling Investment pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Arling Investment is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Arling Investment or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Arling Investment. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Arling Investment by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible,

STRUCTURE OF THE GLOBAL OFFERING

prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Elstone Securities, as Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Offer Shares that may be over-allocated will not exceed the number of Offer Shares that may be sold under the Over-allotment Option, namely, 52,500,000 Offer Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Offer Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Stabilising action by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by Stabilising Manager may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, Stabilising Manager may over-allocate up to and not more than an aggregate of 52,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 12 July 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 12 July 2019. The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Company is 1977.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any offer shares under the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 June 2019 until 12:00 noon on Thursday, 4 July 2019 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Elstone Securities Limited

Suite 1601-04, 16/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

BOCOM International Securities Limited

9th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong

China Tonghai Securities Limited

18/F, China Building, 29 Queen's Road Central, Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

GLAM Capital Limited

Rooms 908-911, 9/F Nan Fung Tower, 88 Connaught Road Central, Hong Kong

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
	King's Road Branch	131-133 King's Road, North Point, Hong Kong
	Taikoo Shing Branch	Shop P1025-1026, Chi Sing Mansion, Taikoo Shing, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
	Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 June 2019 until 12:00 noon on Thursday, 4 July 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED - ANALOGUE HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Friday, 28 June 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 29 June 2019 — 9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 3 July 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 4 July 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 July 2019, the last application day or such later time as described in the subsection headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you (and if you are joint applicants, each of you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Bye-laws;
- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Hong Kong Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person;

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent; and
- (xx) understand that, where (i) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times or (ii) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are oversubscribed irrespective of the number of times, up to 35,000,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 70,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). Further details of the reallocation are stated in “Structure of the Global Offering” to the Prospectus.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the subsection headed “2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 June 2019 until 11:30 a.m. on Thursday, 4 July 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 July 2019 or such later time under the “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

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No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

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and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application** instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

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- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

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Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:⁽¹⁾

Friday, 28 June 2019	— 9:00 a.m. to 8:30 p.m.
Saturday, 29 June 2019	— 8:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019	— 8:00 a.m. to 8:30 p.m.
Wednesday, 3 July 2019	— 8:00 a.m. to 8:30 p.m.
Thursday, 4 July 2019	— 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 June 2019 until 12:00 noon on Thursday, 4 July 2019 (24 hours daily, except on Thursday, 4 July 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 4 July 2019, the last application day or such later time as described in the subsection headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving banker, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 July 2019.

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8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the registered share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

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You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 July 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 4 July 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 11 July 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company’s website at **www.atal.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.atal.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 11 July 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 11 July 2019 to 12:00 midnight on Wednesday, 17 July 2019;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 11 July 2019 to Tuesday, 16 July 2019 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 July 2019 to Monday, 15 July 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure of the Global Offering — The Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 11 July 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 11 July 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 July 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Branch Share Registrar at Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 11 July 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 11 July 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 11 July 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 11 July 2019 by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 11 July 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Thursday, 11 July 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 July 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 July 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-119, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ANALOGUE HOLDINGS LIMITED AND BOCOM INTERNATIONAL (ASIA) LIMITED****Introduction**

We report on the historical financial information of Analogue Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-119, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018, the statements of financial position of the Company as at 31 December 2016, 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-119 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at 31 December 2016, 2017 and 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I - 3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Revenue.....	6	4,411,712	4,965,277	5,966,046
Cost of sales and services.....		(3,862,159)	(4,041,917)	(5,077,652)
Gross profit		549,553	923,360	888,394
Other income.....	7	16,772	9,739	10,213
Other gains and losses.....	8	(3,314)	56,311	8,199
Impairment loss reversed (recognised) in respect of trade receivables, net	23	3,500	40	(27,485)
Selling and distribution expenses.....		(2,874)	(2,756)	(3,525)
Administrative expenses		(361,834)	(488,775)	(499,883)
Listing expenses.....		—	(1,619)	(28,303)
Share of results of associates.....		(40,271)	13,522	27,286
Share of results of joint ventures		(1,186)	(523)	607
Finance costs	9	(1,606)	(691)	(689)
Profit before tax.....		158,740	508,608	374,814
Income tax expense.....	10	(37,908)	(75,031)	(59,532)
Profit for the year	11	<u>120,832</u>	<u>433,577</u>	<u>315,282</u>
Other comprehensive income (expense)				
<i>Items that will not be reclassified to profit or loss:</i>				
Gain on revaluation of leasehold properties		15,585	39,782	72,865
Income tax relating to gain on revaluation of leasehold properties.....	10	(2,572)	(6,564)	(12,023)
		<u>13,013</u>	<u>33,218</u>	<u>60,842</u>
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising from translation of foreign operations		(29,245)	34,486	(27,089)

	NOTE	Year ended 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Reclassification of exchange differences upon disposal of a subsidiary.....		620	—	(1,622)
Reclassification of exchange differences upon dissolution of a joint venture		—	—	1,564
Reclassification of exchange differences upon dilution of interest in an associate		310	(7,267)	(119)
		<u>(28,315)</u>	<u>27,219</u>	<u>(27,266)</u>
Other comprehensive (expense) income for the year, net of tax.....		<u>(15,302)</u>	<u>60,437</u>	<u>33,576</u>
Total comprehensive income for the year		<u>105,530</u>	<u>494,014</u>	<u>348,858</u>
Earnings per share				
Basic (HK\$)	14	<u>0.12</u>	<u>0.41</u>	<u>0.30</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Investment properties.....	15	58,410	60,110	74,300
Property, plant and equipment.....	16	496,512	516,671	44,326
Intangible assets.....	17	7,755	7,174	6,592
Deposits paid for acquisition of software		11,731	15,198	22,415
Interests in associates	18	152,692	234,684	241,279
Interests in joint ventures.....	19	13,573	14,040	—
Prepaid land use rights	20	3,043	3,177	2,930
Deferred tax assets.....	36	712	765	775
		<u>744,428</u>	<u>851,819</u>	<u>392,617</u>
Current assets				
Prepaid land use rights	20	86	93	88
Inventories.....	21	48,903	74,747	62,390
Contract assets.....	22	1,077,233	949,384	978,397
Trade receivables	23	605,538	786,338	721,712
Other receivables, deposits and prepayments.....	24	64,736	95,592	80,337
Amount due from an associate	25	—	—	—
Amounts due from partners of joint operations	27	120	13,368	4,312
Available-for-sale investment.....	28	—	—	—
Financial assets at fair value through profit or loss	29	35,901	14,997	17,230
Derivative financial instruments.....	33	—	759	—
Tax recoverable		13,016	1,356	17,384
Pledged bank deposits.....	30	117,016	124,711	208,553
Bank balances and cash	30	391,075	544,235	569,951
		<u>2,353,624</u>	<u>2,605,580</u>	<u>2,660,354</u>
Current liabilities				
Trade and retention payables.....	31	547,459	479,416	462,922
Other payables and accrued expenses.....	32	770,866	904,122	1,173,774
Dividend payable		—	—	100,000
Obligations in excess of interest in an associate	18	8,298	11,851	—
Amounts due to associates	25	13,738	14,442	12,533
Amounts due to joint ventures.....	26	20,142	21,591	—
Amounts due to partners of joint operations ...	27	26,364	4,939	26,526

	NOTES	As at 31 December		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial instruments.....	33	2,191	14	602
Bank borrowings.....	34	44,350	40,440	—
Tax payable.....		37,091	59,149	54,667
		<u>1,470,499</u>	<u>1,535,964</u>	<u>1,831,024</u>
Net current assets		<u>883,125</u>	<u>1,069,616</u>	<u>829,330</u>
Total assets less current liabilities		<u>1,627,553</u>	<u>1,921,435</u>	<u>1,221,947</u>
Capital and reserves				
Share capital.....	35	94	94	94
Reserves.....		<u>1,558,016</u>	<u>1,852,030</u>	<u>1,206,513</u>
Total equity.....		<u>1,558,110</u>	<u>1,852,124</u>	<u>1,206,607</u>
Non-current liabilities				
Bank borrowings.....	34	19,234	10,776	—
Deferred tax liabilities.....	36	46,700	55,296	12,371
Deferred income.....	37	3,509	3,239	2,969
		<u>69,443</u>	<u>69,311</u>	<u>15,340</u>
		<u>1,627,553</u>	<u>1,921,435</u>	<u>1,221,947</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Interests in subsidiaries	51	191,067	355,814	349,776
Interest in an associate	18	139,656	222,386	229,530
Amounts due from subsidiaries	38	<u>72,572</u>	<u>58,124</u>	<u>58,124</u>
		<u>403,295</u>	<u>636,324</u>	<u>637,430</u>
Current assets				
Other receivables, deposits and prepayments	24	30	3,034	19,490
Amounts due from subsidiaries	38	295,621	176,798	121,463
Financial assets at fair value through profit or loss	29	35,901	14,997	17,230
Pledged bank deposits	30	—	23,125	123,125
Bank balances and cash	30	<u>975</u>	<u>4,492</u>	<u>972</u>
		<u>332,527</u>	<u>222,446</u>	<u>282,280</u>
Current liabilities				
Other payables and accrued expenses	32	328	451	7,904
Dividend payable		—	—	100,000
Amounts due to subsidiaries	38	261,691	446,894	795,748
Amount due to an associate	25	—	47	—
Financial guarantee liabilities	48	<u>343</u>	<u>97</u>	<u>43</u>
		<u>262,362</u>	<u>447,489</u>	<u>903,695</u>
Net current assets (liabilities)		<u>70,165</u>	<u>(225,043)</u>	<u>(621,415)</u>
Total assets less current liabilities		<u>473,460</u>	<u>411,281</u>	<u>16,015</u>
Capital and reserves				
Share capital	35	94	94	94
Reserves	46	<u>466,839</u>	<u>402,140</u>	<u>10,278</u>
Total equity		<u>466,933</u>	<u>402,234</u>	<u>10,372</u>
Non-current liability				
Deferred tax liability	36	<u>6,527</u>	<u>9,047</u>	<u>5,643</u>
		<u>473,460</u>	<u>411,281</u>	<u>16,015</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital redemption reserve	Leasehold property revaluation reserve	Translation reserve	Other reserves	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016.....	94	5	201,180	7,963	(note) 12,006	1,231,332	1,452,580
Profit for the year.....	—	—	—	—	—	120,832	120,832
Other comprehensive income (expense) for the year.....	—	—	13,013	(28,315)	—	—	(15,302)
Total comprehensive income for the year.....	—	—	13,013	(28,315)	—	120,832	105,530
Realisation upon depreciation of revalued leasehold properties	—	—	(5,051)	—	—	5,051	—
Transfer to other reserves	—	—	—	—	880	(880)	—
At 31 December 2016 and 1 January 2017	94	5	209,142	(20,352)	12,886	1,356,335	1,558,110
Profit for the year.....	—	—	—	—	—	433,577	433,577
Other comprehensive income for the year.....	—	—	33,218	27,219	—	—	60,437
Total comprehensive income for the year.....	—	—	33,218	27,219	—	433,577	494,014
Realisation upon depreciation of revalued leasehold properties	—	—	(5,798)	—	—	5,798	—
Transfer to other reserves	—	—	—	—	3,340	(3,340)	—
Dividends recognised as distribution (note 13).....	—	—	—	—	—	(200,000)	(200,000)
At 31 December 2017 and 1 January 2018	94	5	236,562	6,867	16,226	1,592,370	1,852,124
Profit for the year.....	—	—	—	—	—	315,282	315,282
Other comprehensive income (expense) for the year.....	—	—	60,842	(27,266)	—	—	33,576
Total comprehensive income for the year.....	—	—	60,842	(27,266)	—	315,282	348,858
Realisation upon depreciation of revalued leasehold properties	—	—	(2,058)	—	—	2,058	—
Reclassification adjustment and released of relevant deferred tax upon Distribution in Specie (as defined and detailed in note 52)	—	—	(263,074)	—	—	305,743	42,669
Transfer to other reserves	—	—	—	—	363	(363)	—
Dividends recognised as distribution (note 13).....	—	—	—	—	—	(1,037,044)	(1,037,044)
At 31 December 2018	94	5	32,272	(20,399)	16,589	1,178,046	1,206,607

Note: Other reserves represent legal reserves of subsidiaries in Macau Special Administrative Region (“Macau”) and statutory reserves of subsidiaries in the People’s Republic of China (“PRC”).

As stipulated by the relevant laws and regulations for enterprises in the PRC, the Company’s PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of at least 10% of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries’ registered capital. The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau are required to transfer a minimum of 25% of the profit after taxation as reflected in the statutory financial statements of the subsidiaries each year to the legal reserve until the balance has reached 50% of the respective subsidiaries’ registered capital. The reserve is not distributable to shareholders of the subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before tax	158,740	508,608	374,814
Adjustments for:			
Bank interest income	(2,167)	(2,645)	(3,880)
Interest income from an associate.....	(3,244)	(1,105)	—
Interest income from a joint venture	(810)	(219)	—
Investment income/dividend from financial assets at fair value through profit or loss.....	(1,930)	(1,038)	(406)
Depreciation of property, plant and equipment.....	28,949	27,679	15,079
Amortisation of prepaid land use rights	90	89	92
Amortisation of intangible assets.....	582	581	582
Trade and other payables written off	(2,597)	(177)	(30)
Inventories written off	—	—	9
Write-down of inventories, net.....	823	825	728
Impairment loss (reversed) recognised in respect of trade receivables, net.....	(3,500)	(40)	27,485
Gain from change in fair value of investment properties	(170)	(1,700)	(14,190)
Loss (gain) from change in fair value of financial assets at fair value through profit or loss.....	2,469	(6,335)	(2,233)
Loss (gain) from change in fair value of derivative financial instruments	1,785	(2,936)	1,347
Loss on disposals/written off of property, plant and equipment.....	96	630	736
Gain on disposal of available-for-sale investment	—	(847)	—
Net unrealised exchange (gains) losses	(41)	(239)	3,783
Share of results of associates.....	40,271	(13,522)	(27,286)
Share of results of joint ventures	1,186	523	(607)
Finance costs	1,606	691	689
(Gain) loss on dilution of interest in an associate	(6,170)	(55,076)	3,812
Impairment loss recognised in respect of amount due from an associate	6,822	7,030	—
Loss (gain) on liquidation of subsidiaries.....	620	—	(1,622)
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of a joint venture	—	—	1,564
Operating cash flows before movements in working capital	223,410	460,777	380,466
(Increase) decrease in inventories	(6,641)	(23,488)	9,208

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
(Increase) decrease in contract assets	(239,241)	135,637	(34,375)
Decrease (increase) in trade receivables	61,044	(177,640)	34,167
(Increase) decrease in other receivables, deposits and prepayments.....	(10,642)	(25,457)	29,990
Increase in amount due from an associate.....	(2,308)	(7,030)	—
Decrease in trade and retention payables	(35,672)	(73,545)	(12,189)
Increase in other payables and accrued expenses	32,078	131,223	270,938
Increase (decrease) in deferred income	3,366	(270)	(270)
Cash generated from operations.....	25,394	420,207	677,935
Hong Kong Profits Tax paid	(14,537)	(25,576)	(63,519)
PRC Enterprise Income Tax paid	(1,390)	(3,916)	(10,519)
Macau Complementary Tax paid	(15,756)	(9,633)	(7,982)
PRC dividend withholding tax paid.....	(4,169)	(643)	(274)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(10,458)	380,439	595,641
INVESTING ACTIVITIES			
Bank interest income received	2,167	2,645	3,880
Interest income/dividend received from an associate.....	3,244	1,105	—
Interest income received from a joint venture.....	810	219	—
Investment income received from financial assets at fair value through profit or loss	1,930	1,038	406
Purchase of financial assets at fair value through profit or loss	(40,116)	—	—
Redemption of financial assets at fair value through profit or loss	33,127	27,239	—
Proceeds on disposals of property, plant and equipment	206	565	230
Additions of property, plant and equipment	(6,017)	(7,249)	(15,257)
Deposits paid for acquisition of software	(11,731)	(3,467)	(7,217)
Placement of pledged bank deposits.....	(7,858)	(26,772)	(100,982)
Release of pledged bank deposits	9,000	20,828	16,010
Advances to associates.....	—	(12,000)	(18,695)
Proceed on dissolution of a joint venture	—	—	14,258
Repayments from joint ventures.....	14,718	—	—
Advances to partners of joint operations	(120)	(13,248)	—
Repayments from partners of joint operations	—	—	9,056
Dividend received from a joint venture	27,124	—	—
Dividend received from an associate.....	5,691	6,436	—
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	32,175	(2,661)	(98,311)

	NOTE	Year ended 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES				
Finance costs paid		(1,606)	(691)	(689)
Repayment of bank borrowings.....		(10,281)	(44,368)	(51,216)
New bank borrowings raised.....		36,000	32,000	—
Dividend paid to owners of the Company	13	—	(200,000)	(400,000)
Issue costs paid		—	(333)	(6,530)
Advances from associates		13,738	—	—
Repayment to an associate		—	—	(1,199)
Advances from joint ventures.....		20,095	—	—
Repayment to a joint venture.....		—	—	(21,387)
Advances from partners of joint operations		26,065	—	21,587
Repayments to partners of joint operations		—	(21,425)	—
NET CASH GENERATED FROM (USED IN)				
FINANCING ACTIVITIES.....		84,011	(234,817)	(459,434)
NET INCREASE IN CASH AND CASH EQUIVALENTS ...		105,728	142,961	37,896
CASH AND CASH EQUIVALENTS AT 1 JANUARY		294,864	391,075	544,235
Effect of foreign exchange rate changes		(9,517)	10,199	(12,180)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash.....		<u>391,075</u>	<u>544,235</u>	<u>569,951</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated as an exempted company with limited liability in Bermuda on 18 July 1995. Its immediate holding company is Arling Investment Limited (“Arling Investment”), a company incorporated in the the British Virgin Islands (the “BVI”) on 8 December 2017 and its ultimate holding company is Ardik Investment Limited, a company incorporated in the BVI on 8 December 2017. The controlling shareholder of the Company is Dr. Poon Lok To, Otto (“Dr. Poon”). The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries are disclosed in the section headed Corporate Information of the Prospectus.

The Company acts as an investment holding company. The principal businesses of the Group are encompassing (1) provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system; (2) provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas; (3) provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems; and (4) provision of total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of “Anlev Elex” and repair and maintenance services for lifts and escalators.

The Historical Financial Information are presented in HK\$, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments and related Interpretations (“HK(IFRIC) — Int”) (hereinafter collectively referred to as the “HKFRSs”), which are effective for the annual periods beginning on 1 January 2018, including HKFRS 15 *Revenue from Contracts with Customers* and the related Amendments, throughout the Track Record Period except that the Group adopted HKFRS 9 *Financial Instruments* on 1 January 2018 and applied HKAS 39 *Financial Instruments: Recognition and Measurement* for the two years ended 31 December 2017. The accounting policies for financial instruments under HKFRS 9 are set out in note 4 below.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

The Group

	<u>Original measurement category under HKAS 39</u>	<u>New measurement category under HKFRS 9</u>	<u>Original carrying amount under HKAS 39</u>	<u>New carrying amount under HKFRS 9</u>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong (note 29).....	Financial assets at fair value through profit or loss ("FVTPL")	Financial assets at FVTPL	14,997	14,997
Foreign-currency forward contracts (note 33).....	Derivative financial instruments	Financial assets at FVTPL	759	759
Trade receivables (note 23).....	Loans and receivables	Financial assets at amortised cost	786,338	786,338
Other receivables (note 24).....	Loans and receivables	Financial assets at amortised cost	12,233	12,233
Amounts due from partners of joint operations (note 27).....	Loans and receivables	Financial assets at amortised cost	13,368	13,368
Pledged bank deposits (note 30).....	Loans and receivables	Financial assets at amortised cost	124,711	124,711
Bank balances and cash (note 30)	Loans and receivables	Financial assets at amortised cost	544,235	544,235
Foreign-currency forward contracts (note 33).....	Derivative financial instruments	Financial liabilities at FVTPL	14	14
Trade and retention payables (note 31) ...	Financial liabilities at amortised cost	Financial liabilities at amortised cost	479,416	479,416
Other payables (note 32)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	8,677	8,677

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39	New carrying amount under HKFRS 9
			<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to associates (note 25).	Financial liabilities at amortised cost	Financial liabilities at amortised cost	14,442	14,442
Amounts due to joint ventures (note 26)....	Financial liabilities at amortised cost	Financial liabilities at amortised cost	21,591	21,591
Amounts due to partners of joint operations (note 27).	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,939	4,939
Bank borrowings (note 34)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	51,216	51,216

The Company

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39	New carrying amount under HKFRS 9
			<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong (note 29).....	Financial assets at FVTPL	Financial assets at FVTPL	14,997	14,997
Amounts due from subsidiaries (note 38)	Loans and receivables	Financial assets at FVTPL	234,922	234,922
Pledged bank deposits (note 30).....	Loans and receivables	Financial assets at amortised cost	23,125	23,125
Bank balances and cash (note 30)	Loans and receivables	Financial assets at amortised cost	4,492	4,492
Amounts due to subsidiaries (note 38)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	446,894	446,894
Amount due to an associate (note 25) ..	Financial liabilities at amortised cost	Financial liabilities at amortised cost	47	47

The Group and the Company have not recognised additional impairment loss allowance upon the initial recognition of HKFRS 9 on 1 January 2018 as the amounts involved are not material.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that are not yet effective. The Group has not early applied these new and amendments to HKFRSs.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Except as described below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's financial performance and consolidated financial position and/or on the disclosures in future consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payment will continue to be presented as investing cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK\$31,552,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The Group will elect to apply HKFRS 16 retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application without restating comparative and will recognise the right-of-use asset at the date of initial application at an amount equal to the lease liability, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

The directors of the Company expect that the adoption of HKFRS 16 compared with the current accounting policy would not result in significant impact on the Group's right-to-use assets and related lease liability. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on the facts and circumstances as at 31 December 2018, the directors of the Company do not expect the application of HKFRS 16 will have a material impact on the financial performance of the Group.

In addition, the Group currently considers refundable rental deposits paid of HK\$5,162,000 and refundable rental deposits received of HK\$509,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payment relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustment are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs and on the historical cost basis, except for certain properties and financial instruments which are measured at revalued amount or fair value at the end of each reporting period, as explained in the accounting policies set out below. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of the investee but is not control or joint control over the policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. Under the equity method, an investments in an associate or a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes

in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 (before 1 January 2018) or HKAS 28 *Investments in Associates and Joint Ventures* (upon adoption of HKFRS 9 on 1 January 2018) are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal / partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's Historical Financial Information only to the extent of other parties' interests in the joint operation.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) provision of contracting services, 2) provision of maintenance services and 3) sales of goods.

Provision of contracting services

Recognition

The Group provides contracting services under long-term contracts with customers. Such contracts are entered into before the contracting services begin. Under the terms of the contracts, the Group's customers control the properties during the course of construction by the Group. Revenue from provision of contracting services is therefore recognised over time using output method, i.e. based on surveys of contracting work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by the Group to the customer in relation to the work completed by the Group relative to the remaining goods or services promised under the contract. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of the performance obligation under HKFRS 15.

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the change in circumstances during the reporting period.

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Contract assets/liabilities

The Group has enforceable rights to considerations from customers for the provision of contracting services. Contract assets arise when the Group completed the contracting work under such construction contracts but not yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress payment exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Provision of maintenance services*Recognition*

The Group provides maintenance services, including operation and maintenance services to customers. Income is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Sales of goods*Recognition*

The Group sells lifts and escalators to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

Other income

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position at cost or revalued amount less subsequent accumulated depreciation and accumulated impairment loss, if any.

Any revaluation increase arising on revaluation of land and buildings located in Hong Kong is recognised in other comprehensive income and accumulated in the leasehold property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the leasehold property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Research and development expenditure

Research and development expenditure incurred on technology innovation, continuous process improvement for process innovation and digital technology for process innovation are recognised on the following basis:

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Inventories

Inventories comprise direct materials to be applied to contracts and are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as expenses on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, state-managed retirement benefit schemes and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments (before the adoption of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets or financial liabilities at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into financial assets at FVTPL, available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 40c.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity investments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted entity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivables, dividend receivables, other receivables, amount due from an associate, amounts due from partners of joint operations, amounts due from subsidiaries, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets and contract assets

Financial assets, other than those at FVTPL, and contract assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset and contract assets, the estimated future cash flows of the financial assets and contract assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio over the credit period ranging from 14 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost and contract assets, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset and contract assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost and contract assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, bills payables, other payables, retention payables, dividend payable, amounts due to associates, amounts due to joint ventures, amounts due to partners of joint operations, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets or financial liabilities at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset that the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combination* applies.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, bills receivables, dividend receivables, other receivables, amounts due from partners of joint operations, pledged bank deposits and bank balances and cash), contract assets, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, twelve-months ECL represent the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or an loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status; and
- nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised costs of the financial asset.

Except for loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, bills payables, other payables, retention payables, dividend payable, amounts due to associates, amounts due to joint ventures, amounts due to partners of joint operations, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of the loss allowance determined in accordance with HKFRS 9; and
- (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKFRS 15.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing in relation to the debt instruments for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss in relation to the debt instruments that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue and profit recognition of construction contracts

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. The estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of the Group.

As at 31 December 2016, 2017 and 2018, the carrying amount of property, plant and equipment of the Group, excluding leasehold properties in Hong Kong which carried at revalued amount, amounted to approximately HK\$48,712,000, HK\$43,771,000 and HK\$44,326,000, respectively.

Estimated impairment of trade receivables and contract assets

Before the adoption of HKFRS 9, the Group makes allowances for trade receivables and contract assets based on the assessment of the recoverability of trade receivables and contract assets.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where appropriate). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise.

Since the adoption of HKFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on trade receivables and contract assets that are measured at amortised cost based on the credit risk of trade receivables and contract assets. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the trade receivables. The assessment of the credit risk of trade receivables involve high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2016, 2017 and 2018, the total carrying amount of trade receivables and contract assets of the Group amounted to approximately HK\$1,682,771,000, HK\$1,735,722,000 and HK\$1,700,109,000 net of allowance for impairment of approximately HK\$26,513,000, HK\$24,875,000 and HK\$49,839,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from three major sources, namely, contracting works, maintenance work and sales of goods during the Track Record Period.

The following is an analysis of the Group's revenue from its major products and services:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Timing of revenue recognition and category of revenue</i>			
Recognised over time and long-term contracts			
Contracting works	3,865,787	4,254,972	5,220,719
Maintenance work	430,590	476,538	551,381
	<u>4,296,377</u>	<u>4,731,510</u>	<u>5,772,100</u>
Recognised at a point in time and short-term contracts			
Sales of goods	115,335	233,767	193,946
	<u>4,411,712</u>	<u>4,965,277</u>	<u>5,966,046</u>

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of contracting work.....	5,564,422	5,762,954	5,262,026
Provision of maintenance work	<u>1,681,554</u>	<u>1,671,902</u>	<u>1,950,011</u>
	<u><u>7,245,976</u></u>	<u><u>7,434,856</u></u>	<u><u>7,212,037</u></u>

Based on the information available to the Group at the end of each reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 31 December 2016, 2017 and 2018 will be recognised as revenue during the years ended/ending 31 December 2017 to 31 December 2023 in respect of provision of contracting work and during the years ended/ending 31 December 2017 to 31 December 2035 in respect of provision of maintenance work.

Information reported to the management of the Group, being the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

Building services:	Provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system
Environmental engineering:	Provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas
Information, communication and building technology ("ICBT"):	Provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems

Lift and escalators: Provision of i) total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex"; and ii) repair and maintenance services for lifts and escalators

Disaggregation of revenue

For the year ended 31 December 2016

	Building services	Environmental engineering	ICBT	Lifts & escalators	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
- Contracting work.....	2,948,249	628,921	218,315	70,302	3,865,787
- Maintenance work.....	111,094	140,586	89,254	89,656	430,590
- Sales of goods.....	19,697	65,488	4,870	25,280	115,335
Total revenue	<u>3,079,040</u>	<u>834,995</u>	<u>312,439</u>	<u>185,238</u>	<u>4,411,712</u>

For the year ended 31 December 2017

	Building services	Environmental engineering	ICBT	Lifts & escalators	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
- Contracting work.....	2,932,595	938,840	301,443	82,094	4,254,972
- Maintenance work.....	131,870	161,621	74,535	108,512	476,538
- Sales of goods.....	32,126	156,102	5,709	39,830	233,767
Total revenue	<u>3,096,591</u>	<u>1,256,563</u>	<u>381,687</u>	<u>230,436</u>	<u>4,965,277</u>

For the year ended 31 December 2018

	Building services	Environmental engineering	ICBT	Lifts & escalators	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
- Contracting work.....	4,257,711	550,505	330,892	81,611	5,220,719
- Maintenance work.....	152,234	181,583	86,278	131,286	551,381
- Sales of goods.....	16,575	133,708	7,303	36,360	193,946
Total revenue	<u>4,426,520</u>	<u>865,796</u>	<u>424,473</u>	<u>249,257</u>	<u>5,966,046</u>

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2016

	Building services	Environmental engineering	ICBT	Lift and escalators	Inter segment elimination/unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
- external	3,079,040	834,995	312,439	185,238	—	4,411,712
- inter-segment	2,449	—	41,635	4,923	(49,007)	—
Total revenue	3,081,489	834,995	354,074	190,161	(49,007)	4,411,712
Segment profit (loss)...	90,396	(4,491)	36,429	4,587	—	126,921
Share of results of certain associates ...						20,907
Share of results of a joint venture.....						(1,186)
Bank interest income...						2,167
Finance costs						(1,606)
Unallocated income						11,537
Profit before tax						158,740
Income tax expense						(37,908)
Profit for the year.....						120,832
Other segment information						
Depreciation of property, plant and equipment.....	4,068	436	310	3,730	20,405	28,949
Impairment loss (reversed) recognised in respect of trade receivables, net	(4,516)	226	550	240	—	(3,500)
Loss on disposals of property, plant and equipment.....	73	11	5	7	—	96
Amortisation of intangible assets	—	—	27	555	—	582
Amortisation of prepaid land use rights	—	—	—	—	90	90

For the year ended 31 December 2017

	Building services	Environmental engineering	ICBT	Lift and escalators	Inter segment elimination/ unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
- external	3,096,591	1,256,563	381,687	230,436	—	4,965,277
- inter-segment	2,343	—	47,472	4,520	(54,335)	—
Total revenue	<u>3,098,934</u>	<u>1,256,563</u>	<u>429,159</u>	<u>234,956</u>	<u>(54,335)</u>	<u>4,965,277</u>
Segment profit	332,778	7,075	59,581	24,930	—	424,364
Share of results of certain associates ...						29,075
Share of results of a joint venture.....						(523)
Bank interest income...						2,645
Finance costs						(691)
Unallocated income						56,190
Unallocated expenses						(2,452)
Profit before tax						508,608
Income tax expense ...						(75,031)
Profit for the year						<u>433,577</u>
Other segment information						
Depreciation of property, plant and equipment	3,099	575	316	3,449	20,240	27,679
Impairment loss recognised (reversed) in respect of trade receivables, net.....	6,056	(864)	(1,005)	(4,227)	—	(40)
Loss on disposals/ written off of property, plant and equipment.....	38	8	1	583	—	630
Amortisation of intangible assets	—	—	26	555	—	581
Amortisation of prepaid land use rights	—	—	—	—	89	89

For the year ended 31 December 2018

	Building services	Environmental engineering	ICBT	Lift and escalators	Inter segment elimination/ unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
- external	4,426,520	865,796	424,473	249,257	—	5,966,046
- inter-segment	4,813	655	106,378	439	(112,285)	—
Total revenue	4,431,333	866,451	530,851	249,696	(112,285)	5,966,046
Segment profit	252,169	4,176	72,935	16,952	—	346,232
Share of results of certain associates ...						34,130
Share of results of a joint venture.....						607
Bank interest income...						3,880
Finance costs						(689)
Unallocated income						21,073
Unallocated expenses .						(30,419)
Profit before tax						374,814
Income tax expense ...						(59,532)
Profit for the year						<u>315,282</u>
Other segment information						
Depreciation of property, plant and equipment	2,791	1,213	517	3,804	6,754	15,079
Impairment loss recognised (reversed) in respect of trade receivables, net.....	26,269	775	1,335	(894)	—	27,485
(Gain) loss on disposals of property, plant and equipment.....	(57)	46	8	160	579	736
Amortisation of intangible assets	—	—	26	556	—	582
Amortisation of prepaid land use rights	—	—	—	—	92	92

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of central administration costs, certain other income, certain other gains and losses, and share of results of certain associates and shares of results of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue are charged at prevailing market rates.

Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the CODM for review.

Information about major customers

Revenue from customers that individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	762,359	1,004,621	876,790
Customer B	N/A [#]	512,835	687,229
Customer C.....	N/A [#]	N/A [#]	801,610

[#] The corresponding revenue did not contribute over 10% of the Group's revenue for the relevant year.

Geographical information

The Group's operations are located on Hong Kong, Mainland China, Macau and others.

Information about the Group's revenue from external customers is presented based on the location of the customers.

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue			
Hong Kong.....	3,595,123	3,905,268	5,122,820
Mainland China	442,424	740,533	349,367
Macau.....	332,177	255,373	444,402
Others.....	41,988	64,103	49,457
Total	<u>4,411,712</u>	<u>4,965,277</u>	<u>5,966,046</u>

Information about the Group's non-current assets other than deferred tax assets is presented based on the geographical location of the assets.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Hong Kong	545,274	571,377	115,805
Mainland China	197,903	279,456	275,380
Macau	539	221	657
Total	<u>743,716</u>	<u>851,054</u>	<u>391,842</u>

7. OTHER INCOME

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Rental income.....	2,107	2,123	2,174
Bank interest income.....	2,167	2,645	3,880
Interest income from an associate	3,244	1,105	—
Interest income from a joint venture	810	219	—
Investment income/dividend from financial assets at			
FVTPL	1,930	1,038	406
Government subsidies	2,207	933	2,475
Amounts received in respect of a litigation (note 45).....	155	—	—
Sundry income	4,152	1,676	1,278
	<u>16,772</u>	<u>9,739</u>	<u>10,213</u>

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Gain from change in fair value of investment properties...	170	1,700	14,190
(Loss) gain from change in fair value of financial assets at FVTPL	(2,469)	6,335	2,233
Gain on disposal of available-for-sale investment	—	847	—
Loss on disposals/written off of property, plant and equipment	(96)	(630)	(736)
Net exchange gains (losses)	353	13	(3,734)
Impairment loss recognised in respect of amount due from an associate	(6,822)	(7,030)	—
Gain (loss) on dilution of interest in an associate (note 18).....	6,170	55,076	(3,812)
(Loss) gain on liquidation of subsidiaries (note 51(vi) & (i))	(620)	—	1,622
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of a joint venture (note 19).....	—	—	(1,564)
	<u>(3,314)</u>	<u>56,311</u>	<u>8,199</u>

9. FINANCE COSTS

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank borrowings	1,248	370	99
Ancillary costs in respect of banking facilities	358	321	590
	<u>1,606</u>	<u>691</u>	<u>689</u>

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Current tax			
Hong Kong.....	26,701	50,175	54,528
Macau.....	7,268	7,981	6,347
PRC Enterprise Income Tax.....	5,676	13,911	3,135
	<u>39,645</u>	<u>72,067</u>	<u>64,010</u>
(Over) under provision in prior years			
Hong Kong.....	(228)	1,386	(196)
Macau.....	1,044	27	—
PRC Enterprise Income Tax.....	—	—	—
	<u>816</u>	<u>1,413</u>	<u>(196)</u>
	40,461	73,480	63,814
Deferred tax (note 36).....	<u>(2,553)</u>	<u>1,551</u>	<u>(4,282)</u>
	<u><u>37,908</u></u>	<u><u>75,031</u></u>	<u><u>59,532</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime will be applicable to the qualifying corporation of the Group for its annual reporting periods ending on or after 1 April 2018. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under Macau Complementary Tax Law, companies are divided into Group A and Group B tax payers. Group A tax payers are assessed based on their actual taxable profits. Group B tax payers are assessed based on deemed profits ascertained by the Macau Finance Bureau. The Group has Group A and Group B tax payers and Macau Complementary Tax is calculated at a rate of 12% on the assessable profit above Macau Pataca (“MOP”) 600,000 during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% during the Track Record Period.

The Company's subsidiaries, associates and joint ventures of the Group that are a tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. 10% withholding tax rate was used for the years ended 31 December 2016 and 2017. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. 5% withholding tax rate was used for the year ended 31 December 2018 when the 5% withholding tax is first applicable to the Group. A provision for dividend withholding tax of approximately HK\$3,591,000 was reversed for the year ended 31 December 2018, and a provision for dividend withholding tax of approximately HK\$92,000 and HK\$3,461,000 was recognised for the years ended 31 December 2016 and 2017, respectively, by the Group. During the years ended 31 December 2016, 2017 and 2018, withholding tax of approximately HK\$4,169,000, HK\$643,000 and HK\$274,000, respectively, was paid by the Group. The above resulted in a net provision for dividend withholding tax of approximately HK\$4,261,000 and HK\$4,104,000 charged to profit or loss for the years ended 31 December 2016 and 2017, respectively, and a net reversal of provision of HK\$3,317,000 credited to profit or loss for the year ended 31 December 2018.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	<u>158,740</u>	<u>508,608</u>	<u>374,814</u>
Tax at Hong Kong Profits Tax rate of 16.5%.....	26,192	83,920	61,844
Tax effect of share of results of associates	6,645	(2,231)	(4,502)
Tax effect of share of results of joint ventures	196	86	(100)
Tax effect of expenses not deductible for tax purpose	5,651	4,033	7,450
Tax effect of income not taxable for tax purpose	(5,263)	(12,374)	(4,976)
Tax effect of tax losses not recognised	4,408	322	5,216
Utilisation of tax losses not recognised in prior years.....	(2,429)	(5,622)	(5)
Effect of different tax rate of subsidiaries operating in other jurisdictions.....	(2,472)	1,302	(1,735)
Withholding tax on distributable profits of subsidiaries, an associate and a joint venture	4,261	4,104	(3,317)
Income tax at concessionary rate	—	—	(165)
Under (over) provision in prior years	816	1,413	(196)
Others.....	(97)	78	18
Income tax expense for the year	<u>37,908</u>	<u>75,031</u>	<u>59,532</u>

Tax effect relating to a component of other comprehensive income is as follows:

	Year ended 31 December								
	2016			2017			2018		
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on revaluation of leasehold properties	15,585	(2,572)	13,013	39,782	(6,564)	33,218	72,865	(12,023)	60,842

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging (crediting):			
Staff costs (including directors' remuneration):			
— Directors' remuneration (note 12)	23,353	16,851	27,879
— Salaries and other benefits	758,422	869,618	935,917
— Retirement benefit scheme contributions (excluding directors)	35,150	39,133	41,534
	<u>816,925</u>	<u>925,602</u>	<u>1,005,330</u>
Cost of inventories recognised as expenses (included in cost of sales and services)	161,062	278,774	291,461
Depreciation of property, plant and equipment	28,949	27,679	15,079
Amortisation of prepaid land use rights	90	89	92
Amortisation of intangible assets	582	581	582
Write-down of inventories, net	823	825	728
Inventories written off	—	—	9
Loss (gain) from change in fair value of derivative financial instruments	1,785	(2,936)	1,347
Rental income from investment properties	(1,997)	(2,059)	(2,092)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u>209</u>	<u>238</u>	<u>276</u>
	(1,788)	(1,821)	(1,816)
Auditor's remuneration	<u>3,416</u>	<u>3,742</u>	<u>4,399</u>

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

(a) Directors and chief executive

Details of the emoluments paid or payable to the directors and chief executive of the Company during the Track Record Period are as follows:

For the year ended 31 December 2016

	Directors' fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note vii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:					
Dr. Poon (note i)	—	2,285	3,327	93	5,705
Mr. Cheng Siu Ngai, Kevin (note ii)	—	2,271	3,899	103	6,273
Mr. Law Wei Tak (note ii)	—	2,108	2,249	95	4,452
Mr. Chan Hoi Ming (note ii)	—	1,702	1,347	74	3,123
Ms. Poon Wing Yun, Karen (note iii)	—	1,866	1,521	78	3,465
Independent non-executive director:					
Mr. Chan Fu Keung, William (note iv)	335	—	—	—	335
	<u>335</u>	<u>10,232</u>	<u>12,343</u>	<u>443</u>	<u>23,353</u>

For the year ended 31 December 2017

	Directors' fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note vii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:					
Dr. Poon (note i)	—	2,394	1,749	93	4,236
Mr. Cheng Siu Ngai, Kevin (note ii)	—	2,695	2,447	124	5,266
Mr. Law Wei Tak (note ii)	—	2,203	1,198	99	3,500
Mr. Chan Hoi Ming (note ii)	—	1,885	1,175	83	3,143
Non-executive director:					
Mr. Mak Kin Wah (note vi)	—	400	—	6	406
Independent non-executive director:					
Mr. Chan Fu Keung, William (note iv)	300	—	—	—	300
	<u>300</u>	<u>9,577</u>	<u>6,569</u>	<u>405</u>	<u>16,851</u>

For the year ended 31 December 2018

	Directors' fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note vii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:					
Dr. Poon (note i).....	—	2,507	4,096	93	6,696
Mr. Cheng Siu Ngai, Kevin (note ii)	—	2,962	4,868	137	7,967
Mr. Law Wei Tak (note ii)	—	2,304	2,691	104	5,099
Mr. Chan Hoi Ming (note ii).....	—	2,026	3,274	90	5,390
Non-executive director:					
Mr. Mak Kin Wah (note vi)	—	1,200	600	18	1,818
Independent non-executive directors:					
Mr. Chan Fu Keung, William (note iv)	375	—	—	—	375
Mr. Lam Kin Fung, Jeffrey (note v)	267	—	—	—	267
Mr. Wong King On, Samuel (note v)	267	—	—	—	267
	<u>909</u>	<u>10,999</u>	<u>15,529</u>	<u>442</u>	<u>27,879</u>

Notes:

- (i) Dr. Poon served as the Group's Chairman and the Company's Executive Director throughout the Track Record Period.
- (ii) Mr. Cheng Siu Ngai, Kevin, Mr. Law Wei Tak and Mr. Chan Hoi Ming served as the Executive Directors of the Company throughout the Track Record Period.
- (iii) Ms. Poon Wing Yun, Karen resigned as the Executive Director of the Company on 31 December 2016.
- (iv) Mr. Chan Fu Keung, William served as the Independent Non-executive Director of the Company throughout the Track Record Period.
- (v) Mr. Lam Kin Fung, Jeffrey and Mr. Wong King On, Samuel were appointed as the Independent Non-executive Directors of the Company on 1 May 2018.
- (vi) Mr. Mak Kin Wah was appointed as the Non-executive Director of the Company on 1 September 2017.
- (vii) The performance related bonus is determined by reference to the Group's performance for respective years.

The emoluments of the executive directors shown above were for their services in connection with the management affairs of the Group and the Company. The emoluments of the non-executive director and the independent non-executive directors shown above were for their services as directors of the Company.

None of the directors of the Company has waived or agreed to waive any remuneration during the Track Record Period.

(b) Employees

The five highest paid individuals of the Group included five, four and four directors, whose emoluments are included in the disclosures above for each of the years ended 31 December 2016, 2017 and 2018. The emoluments of the remaining nil, one and one individual for each of the years ended 31 December 2016, 2017 and 2018, respectively, are as follows:

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits.....	—	1,773	1,306
Performance related bonus.....	—	629	2,972
Retirement benefit scheme contributions.....	—	78	59
	<u>—</u>	<u>2,480</u>	<u>4,337</u>

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Number of employees		
	Year ended 31 December		
	2016	2017	2018
HK\$1,500,001 to HK\$2,000,000.....	—	—	—
HK\$2,000,001 to HK\$2,500,000.....	—	1	—
HK\$4,000,001 to HK\$4,500,000	—	—	1
	<u>—</u>	<u>—</u>	<u>1</u>

No amount was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for the Track Record Period.

In June 2017, Dr. Poon transferred 44 shares of the Company to an employee at nil consideration as a recognition of the employee's past contribution to the development of the Group. The directors of the Company are of the opinion that the fair value of the shares transferred is insignificant.

13. DIVIDENDS

During the year ended 31 December 2016 and 2017, the Company declared dividends of an aggregate amount of nil and HK\$200,000,000 (HK\$16,667 per share), respectively, to its shareholders. During the year ended 31 December 2018, the Company declared a total dividend of HK\$1,037,044,000 (HK\$86,420 per share), which included Distribution in Specie (as defined and detailed in note 52) of HK\$255,297,000 and a cash dividend of HK\$281,747,000 which was settled through the current accounts due from Wise Eagle Group (defined in note 52) to the Group and a cash dividend of HK\$500,000,000, to its shareholders.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	<u>Year ended 31 December</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings			
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<u>120,832</u>	<u>433,577</u>	<u>315,282</u>
Number of shares			
Number of shares for the purpose of calculating basic earnings per share ('000)	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,050,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue as described in Appendix IV to the Prospectus had been effective on 1 January 2016.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

15. INVESTMENT PROPERTIES

	<u>As at 31 December</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
FAIR VALUE			
At beginning of the year	58,240	58,410	60,110
Change in fair value recognised in profit or loss	<u>170</u>	<u>1,700</u>	<u>14,190</u>
At end of the year	<u>58,410</u>	<u>60,110</u>	<u>74,300</u>

The fair value of the Group's investment properties as at 31 December 2016, 2017 and 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuer's business address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use. There has been no changes from the valuation technique used during the Track Record Period.

Details of the Group's investment properties and information about the fair value hierarchy at the end of each reporting period are as follows:

	Fair value hierarchy	Fair value		
		As at 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Commercial property units located in Hong Kong	Level 2	<u>58,410</u>	<u>60,110</u>	<u>74,300</u>

The Group's investment properties held under operating leases with long lease term in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for identical properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of investment properties, and thus the fair value hierarchy is classified as Level 2. The rental income earned by the Group from the investment properties for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK\$1,997,000, HK\$2,059,000 and HK\$2,092,000, respectively. The investment properties have been pledged to secure general banking facilities granted to certain subsidiaries of the Group.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties in Hong Kong	Building in the PRC	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Moulds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group								
COST OR VALUATION								
At 1 January 2016	446,000	36,502	19,893	7,738	63,373	16,303	395	590,204
Exchange realignment	—	(2,441)	—	43	(1,341)	(181)	—	(3,920)
Additions	—	—	59	376	3,913	1,669	—	6,017
Disposals	—	—	(19)	—	(103)	(1,976)	—	(2,098)
Surplus on revaluation	1,800	—	—	—	—	—	—	1,800
At 31 December 2016	<u>447,800</u>	<u>34,061</u>	<u>19,933</u>	<u>8,157</u>	<u>65,842</u>	<u>15,815</u>	<u>395</u>	<u>592,003</u>
Comprising:								
At cost	—	34,061	19,933	8,157	65,842	15,815	395	144,203
At valuation	<u>447,800</u>	—	—	—	—	—	—	<u>447,800</u>
	<u>447,800</u>	<u>34,061</u>	<u>19,933</u>	<u>8,157</u>	<u>65,842</u>	<u>15,815</u>	<u>395</u>	<u>592,003</u>
At 1 January 2017	447,800	34,061	19,933	8,157	65,842	15,815	395	592,003
Exchange realignment	—	2,542	—	106	1,418	201	—	4,267
Additions	—	—	2,355	113	4,141	640	—	7,249
Disposals	—	—	—	(108)	(3,441)	(124)	—	(3,673)
Surplus on revaluation	25,100	—	—	—	—	—	—	25,100
At 31 December 2017	<u>472,900</u>	<u>36,603</u>	<u>22,288</u>	<u>8,268</u>	<u>67,960</u>	<u>16,532</u>	<u>395</u>	<u>624,946</u>
Comprising:								
At cost	—	36,603	22,288	8,268	67,960	16,532	395	152,046
At valuation	<u>472,900</u>	—	—	—	—	—	—	<u>472,900</u>
	<u>472,900</u>	<u>36,603</u>	<u>22,288</u>	<u>8,268</u>	<u>67,960</u>	<u>16,532</u>	<u>395</u>	<u>624,946</u>
At 1 January 2018	472,900	36,603	22,288	8,268	67,960	16,532	395	624,946
Exchange realignment	—	(1,834)	—	(73)	(1,024)	(157)	—	(3,088)
Additions	—	—	4,295	923	8,182	1,857	—	15,257
Disposals	—	—	(793)	(551)	(11,912)	(2,473)	—	(15,729)
Surplus on revaluation	68,100	—	—	—	—	—	—	68,100
Distribution in specie (note 52)	(541,000)	—	(15,195)	(4,235)	(2,380)	—	—	(562,810)
At 31 December 2018	<u>—</u>	<u>34,769</u>	<u>10,595</u>	<u>4,332</u>	<u>60,826</u>	<u>15,759</u>	<u>395</u>	<u>126,676</u>
Comprising:								
At cost	—	34,769	10,595	4,332	60,826	15,759	395	126,676
At valuation	—	—	—	—	—	—	—	—
	<u>—</u>	<u>34,769</u>	<u>10,595</u>	<u>4,332</u>	<u>60,826</u>	<u>15,759</u>	<u>395</u>	<u>126,676</u>

	Leasehold properties in Hong Kong	Building in the PRC	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Moulds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
DEPRECIATION								
At 1 January 2016	—	15,051	11,649	4,637	41,850	10,497	395	84,079
Exchange realignment	—	(1,078)	—	(62)	(684)	(132)	—	(1,956)
Charged for the year	13,785	1,649	4,250	1,065	6,505	1,695	—	28,949
Eliminated on disposals	—	—	(7)	—	(47)	(1,742)	—	(1,796)
Eliminated on revaluation	(13,785)	—	—	—	—	—	—	(13,785)
At 31 December 2016 and								
1 January 2017	—	15,622	15,892	5,640	47,624	10,318	395	95,491
Exchange realignment	—	1,236	—	69	811	149	—	2,265
Charged for the year	14,682	1,624	2,945	931	6,080	1,417	—	27,679
Eliminated on disposals/written off	—	—	—	(99)	(2,318)	(61)	—	(2,478)
Eliminated on revaluation	(14,682)	—	—	—	—	—	—	(14,682)
At 31 December 2017 and								
1 January 2018	—	18,482	18,837	6,541	52,197	11,823	395	108,275
Exchange realignment	—	(995)	—	(46)	(599)	(111)	—	(1,751)
Charged for the year	4,765	1,678	1,328	489	5,579	1,240	—	15,079
Eliminated on disposals/written off	—	—	(361)	(470)	(11,486)	(2,446)	—	(14,763)
Eliminated on revaluation	(4,765)	—	—	—	—	—	—	(4,765)
Distribution in specie (note 52)	—	—	(13,809)	(3,789)	(2,127)	—	—	(19,725)
At 31 December 2018	—	19,165	5,995	2,725	43,564	10,506	395	82,350
CARRYING VALUES								
At 31 December 2016	<u>447,800</u>	<u>18,439</u>	<u>4,041</u>	<u>2,517</u>	<u>18,218</u>	<u>5,497</u>	<u>—</u>	<u>496,512</u>
At 31 December 2017	<u>472,900</u>	<u>18,121</u>	<u>3,451</u>	<u>1,727</u>	<u>15,763</u>	<u>4,709</u>	<u>—</u>	<u>516,671</u>
At 31 December 2018	<u>—</u>	<u>15,604</u>	<u>4,600</u>	<u>1,607</u>	<u>17,262</u>	<u>5,253</u>	<u>—</u>	<u>44,326</u>

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold properties in Hong Kong	Over the lease term
Building in the PRC	2.6% – 5%
Leasehold improvements	Over the shorter of lease term, or 15% – 16.7%
Furniture and fixtures	15% – 18%
Machinery and equipment	9% – 33 $\frac{1}{3}$ %
Motor vehicles	18% – 25%
Moulds	15%

Fair value measurement of the Group's leasehold properties in Hong Kong

The fair value of the Group's leasehold properties in Hong Kong as at 31 December 2016 and 2017 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuer's business address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transactions prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its leasehold properties is at its highest and best use. There has been no changes from the valuation technique used during the Track Record Period.

Details of the Group's leasehold properties located in Hong Kong and information about the fair value hierarchy at the end of each reporting period are as follows:

	Fair value hierarchy	Fair value		
		As at 31 December		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Leasehold properties located in Hong Kong....	Level 2	<u>447,800</u>	<u>472,900</u>	<u>—</u>

In the opinion of the directors of the Company, the allocation between land and building elements cannot be made reliably, the leasehold interest in land of the leasehold properties continues to be accounted for as property, plant and equipment.

In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for identical properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of leasehold properties, and thus the fair value hierarchy is classified as Level 2.

As at 31 December 2016 and 2017, if leasehold properties in Hong Kong had not been revalued, they would have been included in the Historical Financial Information at historical cost less accumulated depreciation with a carrying value of approximately HK\$235,978,000 and HK\$228,241,000, respectively.

Building situated in the PRC are held under medium-term leases by a PRC subsidiary, which had not been revalued and were carried at historical cost less accumulated depreciation.

As at 31 December 2016 and 2017, leasehold properties amounting to HK\$447,800,000 and HK\$472,900,000, respectively, have been pledged to secure general banking facilities granted to certain subsidiaries of the Company.

17. INTANGIBLE ASSETS

	Patents
	<i>HK\$'000</i>
The Group	
COST	
At 1 January 2016, 31 December 2016, 2017 and 2018	<u>9,622</u>
AMORTISATION	
At 1 January 2016	1,285
Charged for the year	<u>582</u>
At 31 December 2016 and 1 January 2017	1,867
Charged for the year	<u>581</u>
At 31 December 2017 and 1 January 2018	2,448
Charged for the year	<u>582</u>
At 31 December 2018	<u>3,030</u>
CARRYING VALUES	
At 31 December 2016	<u>7,755</u>
At 31 December 2017	<u>7,174</u>
At 31 December 2018	<u>6,592</u>

The above patents are amortised on a straight-line basis over 7 and 17 years based on the licensing periods.

18. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTEREST IN AN ASSOCIATE

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Investment cost (note i)			
Listed outside Hong Kong	—	118,453	118,453
Unlisted	142,945	24,492	24,492
Share of post-acquisition (losses) profits and other comprehensive (expense) income, net of dividends received	<u>9,747</u>	<u>91,739</u>	<u>98,334</u>
Interests in associates	<u>152,692</u>	<u>234,684</u>	<u>241,279</u>
Fair value of listed investment (note ii)	<u>—</u>	<u>1,354,475</u>	<u>852,454</u>
Amount due from an associate (note iii)	52,880	64,880	83,575
Less: Share of post-acquisition losses in excess of the cost of investment	<u>(61,178)</u>	<u>(76,731)</u>	<u>(83,575)</u>
Obligations in excess of interest in an associate	<u>(8,298)</u>	<u>(11,851)</u>	<u>—</u>

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Company			
Investment cost (note i)			
Listed outside Hong Kong	—	118,453	118,453
Unlisted	118,453	—	—
Share of post-acquisition profits and other comprehensive income, net of dividends received.....	21,203	103,933	111,077
	<u>139,656</u>	<u>222,386</u>	<u>229,530</u>
Fair value of listed investment (note ii)	<u>—</u>	<u>1,354,475</u>	<u>852,454</u>

Notes:

- (i) As at 1 January 2016, the Group was able to exercise joint control over Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA") because decisions on relevant activities require unanimous consent under the shareholders agreement of NCA.

As at 31 December 2016, the Group has no joint control over NCA under the revised Articles of Associations of NCA which was effective on 22 January 2016. Under the revised articles of associations of NCA, the Group has power to appoint two directors out of nine directors of NCA and significant influence over NCA. Accordingly, investment in NCA with carrying amount of approximately HK\$118,453,000 has been reclassified from interests in joint ventures to interests in associates during the year ended 31 December 2016.

During the year ended 31 December 2016, NCA issued an aggregate of 11,100,000 new ordinary shares to two new investors, and resulted in the decrease of the Group's interest in NAV from 40% to 36.04%. A gain on dilution of approximately HK\$6,170,000 was recognised for the year ended 31 December 2016.

As at 31 December 2016, 2017 and 2018, included in the investment cost, there is a goodwill of approximately HK\$27,246,000, HK\$20,435,000 and HK\$20,092,000 arising from the investment in NCA, respectively.

- (ii) As at 31 December 2017 and 2018, the fair value of the Group's and the Company's interest in NCA, of which shares are listed on the Shanghai Stock Exchange since 1 November 2017, was approximately HK\$1,354,475,000 and HK\$852,454,000, respectively, based on the quoted market price available on the Shanghai Stock Exchange, which is a level 1 input under of HKFRS 13 *Fair Value Measurement*.
- (iii) As at 31 December 2016, 2017 and 2018, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK\$52,880,000, HK\$64,880,000 and HK\$83,575,000, with interest bearing at HIBOR plus 3% per annum is non-trade nature, unsecured and repayable on demand. The directors of the Company consider the amount due from OBJV are unlikely to be repaid in the foreseeable future and forms part of the net investment in OBJV as at 31 December 2016, 2017 and 2018. OBJV is in the form of unincorporated and the Group has obligation to share its losses and therefore, the Group has shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK\$61,178,000, HK\$76,731,000 and HK\$83,575,000 as at 31 December 2016, 2017 and 2018, respectively. The excess of approximately of HK\$8,298,000 and HK\$11,851,000 has been recognised as obligations in excess of interest in an associate as at 31 December 2016 and 2017, respectively.

In the opinion of the directors of the Company, there is no impairment on the interests in associates, as the recoverable amount, which is the higher of value in use and fair value less costs of disposal, is higher than its carrying amount as at the end of each reporting period.

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration/ operation	Percentage of interest held by the Group			Percentage of voting rights held by the Group			Nature of business
			As at 31 December			As at 31 December			
			2016	2017	2018	2016	2017	2018	
Hunan Prisma Electrical Co. Ltd ("HPEC") (note i)	Incorporated	The PRC	39%	39%	39%	33%	33%	33%	Manufacturing and selling of elevators related products
OBJV	Unincorporated	Hong Kong	40%	40%	40%	40%	40%	40%	Engineering contractor for construction and operation projects
南京佳力圖機房環境技術股份有限公司 ("NCA") (note ii)	Incorporated	The PRC	36.04%	27.03%	26.58%	36.04%	27.03%	26.58%	Manufacturing and sale of precision air-conditioners

Notes:

- (i) The Group is able to exercise significant influence over HPEC because it has the power to appoint two out of the six directors of HPEC under the Articles of Association of HPEC.
- (ii) On 1 November 2017, NCA's shares were listed on the Shanghai Stock Exchange, and resulted in the decrease of the Group's interest in NAV from 36.04% to 27.03%. A gain on dilution of approximately HK\$55,076,000 was recognised for the year ended 31 December 2017.

On 28 February 2018 and 28 November 2018, NCA issued restricted shares to its eligible employees at RMB14.35 (approximately HK\$17.73) and RMB6.06 (approximately HK\$6.90) per share, which was below the market price. As a result, the Group's interest in NCA decreased from 27.03% to 26.58%, and a loss on dilution of approximately HK\$3,812,000 was recognised for the year ended 31 December 2018.

The Group is able to exercise significant influence over NCA because the Company owns 36.04%, 27.03% and 26.58% of NCA as at 31 December 2016, 2017 and 2018, and appointed two directors out of nine directors.

The summarised financial information in respect of the Group's interest in associates which are accounted for using equity method is set out as below:

	HPEC			OBJV			NCA		
	Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	11,628	1,299	—	303,701	404,671	183,328	492,015	529,238	635,360
(Loss) profit for the year	(13,834)	(4,206)	180	(161,257)	(47,626)	(17,110)	71,206	94,613	121,542
Other comprehensive (expense) income for the year .	(2,742)	2,314	(1,589)	—	—	—	(21,303)	40,229	(39,547)
Total comprehensive (expense) income for the year...	(16,576)	(1,892)	(1,409)	(161,257)	(47,626)	(17,110)	49,903	134,842	81,995
Dividends received/ receivable from the associate during the year	—	—	—	—	—	—	5,691	6,436	11,394

	HPEC			OBJV			NCA		
	As at 31 December			As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets.....	—	—	—	—	—	—	152,662	158,457	179,297
Current assets.....	40,893	35,056	30,486	100,397	59,013	50,785	487,239	919,470	1,070,110
Total assets.....	40,893	35,056	30,486	100,397	59,013	50,785	639,901	1,077,927	1,249,407
Current liabilities.....	(7,467)	(3,522)	(361)	(261,654)	(267,896)	(276,778)	(295,248)	(285,184)	(410,004)
Non-current liabilities.....	—	—	—	—	—	—	(32,750)	(45,606)	(39,938)
Net assets (liabilities).....	<u>33,426</u>	<u>31,534</u>	<u>30,125</u>	<u>(161,257)</u>	<u>(208,883)</u>	<u>(225,993)</u>	<u>311,903</u>	<u>747,137</u>	<u>799,465</u>

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the Historical Financial Information:

	HPEC			OBJV			NCA		
	As at 31 December			As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net assets (liabilities).....	<u>33,426</u>	<u>31,534</u>	<u>30,125</u>	<u>(161,257)</u>	<u>(208,883)</u>	<u>(225,993)</u>	<u>311,903</u>	<u>747,137</u>	<u>799,465</u>
Proportion of the Group's interest.....	39%	39%	39%	40%	40%	40%	36.04%	27.03%	26.58%
Goodwill.....	—	—	—	—	—	—	27,246	20,435	20,092
Others.....	—	—	—	—	—	—	—	—	(3,060)
Carrying amount of the Group's interests in associates.....	<u>13,036</u>	<u>12,298</u>	<u>11,749</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>139,656</u>	<u>222,386</u>	<u>229,530</u>

19. JOINT ARRANGEMENTS

Joint ventures

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group			
Interests in joint ventures:			
Investment cost, unlisted (note).....	23,855	23,855	—
Share of post-acquisition losses and other comprehensive expense, net of dividends received.....	<u>(10,282)</u>	<u>(9,815)</u>	<u>—</u>
	<u>13,573</u>	<u>14,040</u>	<u>—</u>

In the opinion of the directors of the Company, there is no impairment on the interests in joint ventures, as the recoverable amount, which is the higher of value in use and fair value less costs of disposal, is higher than its carrying amount as at the end of each reporting period.

Details of the Group's principal joint venture at the end of the reporting period are as follows:

Name of joint venture	Place of incorporation/ registration/ operation	Percentage of interest held by the Group			Percentage of voting rights held by the Group			Nature of business
		As at 31 December			As at 31 December			
		2016	2017	2018	2016	2017	2018	
Hunan Anlev Hiro Elevator Company Limited ("HN Anlev Hiro") (note i)	The PRC	38%	38%	—	50%	50%	—	Manufacturing, selling and installation of elevator and escalator

Note:

- (i) The Group is able to exercise joint control over HN Anlev Hiro because decisions on relevant activities require unanimous consent with the other joint venturer under the Articles of Associations of HN Anlev Hiro. During the year ended 31 December 2018, HN Anlev Hiro was dissolved. HN Anlev Hiro returned capital of approximately HK\$14,258,000 to the Group, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK\$1,564,000 in the translation reserve was reclassified to profit or loss upon the dissolution.

Aggregate information of the joint venture that is not material:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group's share of (loss) profit	<u>(1,186)</u>	<u>(523)</u>	<u>607</u>
The Group's share of other comprehensive (expenses) income	<u>(1,003)</u>	<u>990</u>	<u>(728)</u>
The Group's share of total comprehensive (expenses) income	<u>(2,189)</u>	<u>467</u>	<u>(121)</u>

Joint operations

In addition to the projects undertaken by joint ventures, the Group also has joint arrangements carrying out construction projects in the form of joint operations. Details of the Group's principal joint operations at the end of each reporting periods are as follows:

Name of project	Form of business structure	Place of operation	Percentage of interest held by the Group			Nature of business
			As at 31 December			
			2016	2017	2018	
ATAL — Waterleau — China Construction Joint Venture (note a)	Unincorporated	Macau	25%	25%	25%	Engineering contractor for construction projects
ATAL — Waterleau — China State Joint Venture (note a)	Unincorporated	Macau	28%	28%	28%	Engineering contractor for construction projects
ATAL — Waterleau — China State Joint Venture (note a)	Unincorporated	Macau	15%	15%	15%	Engineering contractor for construction projects
Kaden — ATAL Joint Venture (note b)	Unincorporated	Hong Kong	33%	33%	33%	Engineering contractor for construction projects
ATAL — Degremont Joint Venture (note c)	Unincorporated	Hong Kong	50%	50%	50%	Engineering contractor for construction projects
SITA — ATAL Joint Venture (note c)	Unincorporated	Hong Kong	50%	50%	50%	Engineering contractor for construction projects
China State — ATAL Joint Venture (note c)	Unincorporated	Hong Kong	48.7%	48.7%	48.7%	Engineering contractor for construction projects
ATAL — Degremont — China State Joint Venture (note c)	Unincorporated	Hong Kong	27.2%	27.2%	27.2%	Engineering contractor for construction projects
ATAL — Suez Infrastructure Joint Venture (note c)	Unincorporated	Hong Kong	—	50%	50%	Engineering contractor for construction projects
China State — ATAL Joint Venture (note c)	Unincorporated	Hong Kong	49.8%	49.8%	49.8%	Engineering contractor for construction projects
ATAL — Degremont — China Harbour Joint Venture (note c)	Unincorporated	Hong Kong	31.3%	31.3%	31.3%	Engineering contractor for construction projects

Notes:

- (a) The project was awarded from the Government of the Macau Special Administrative Region.
- (b) The project was awarded from Ocean Park Corporation.
- (c) The project was awarded from the Government of the Hong Kong Special Administrative Region.

20. PREPAID LAND USE RIGHTS**The Group**

As at 31 December 2016, 2017 and 2018, the Group's prepaid land use rights comprise land use rights in the PRC under medium-term leases amounting to approximately HK\$3,129,000, HK\$3,270,000 and HK\$3,018,000, respectively. For reporting purposes, prepaid land use rights of approximately HK\$86,000, HK\$93,000 and HK\$88,000 are classified as current as at 31 December 2016, 2017 and 2018, respectively, representing the prepaid land use rights to be amortised within one year. The remaining approximately HK\$3,043,000, HK\$3,177,000 and HK\$2,930,000 are classified as non-current as at 31 December 2016, 2017 and 2018, respectively.

21. INVENTORIES

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Raw materials, consumable stores and spare parts.....	26,047	52,681	52,352
Work in progress.....	7,859	6,878	7,102
Finished goods.....	14,997	15,188	2,936
	<u>48,903</u>	<u>74,747</u>	<u>62,390</u>

22. CONTRACT ASSETS

	As at	As at 31 December		
	1 January	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group				
Contract assets.....	<u>842,313</u>	<u>1,077,233</u>	<u>949,384</u>	<u>978,397</u>

Note: As at 1 January 2016, 31 December 2016, 2017 and 2018, contract assets include retention receivables of HK\$318,701,000, HK\$325,882,000, HK\$317,646,000 and HK\$375,456,000, respectively. The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

Retention receivables are interest-free and repayable at the end of the retention period of the respective construction contract. The Group's guaranty cycle with respect to the construction contract is usually one year. The Group did not have any retention receivables that were past due but not impaired at the end of each reporting period.

The changes in contract assets are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 40b(ii).

23. TRADE RECEIVABLES

	As at 1 January	As at 31 December		
	2016	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group				
Trade receivables	668,808	584,212	772,015	708,362
Less: Allowance for impairment	<u>(30,933)</u>	<u>(26,513)</u>	<u>(24,875)</u>	<u>(49,839)</u>
	637,875	557,699	747,140	658,523
Unbilled revenue (note a)	26,688	47,839	39,198	63,189
Bills receivables	<u>861</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>665,424</u>	<u>605,538</u>	<u>786,338</u>	<u>721,712</u>

Note:

- (a) Unbilled revenue represents accrued revenue for works performed by the Group but yet to bill. The Group has unconditional right to the payment of the unbilled revenue which is expected to be billed within 90 days and received within 12 months from the end of respective reporting period.

As at 1 January 2016, the bill receivables of the Group are of the age within six months at the end of the reporting period.

The Group generally allows credit period ranging from 14 to 90 days. The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality and low default rate under the internal credit assessment adopted by the Group. The Group does not hold any collateral over these balances.

Ageing of trade receivables net of allowance for impairment presented based on the invoice dates are as follows:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
0 – 30 days	352,508	569,459	350,885
31 – 90 days	167,955	111,751	232,827
91 – 360 days.....	32,681	64,433	72,674
Over 1 year.....	<u>4,555</u>	<u>1,497</u>	<u>2,137</u>
Total	<u>557,699</u>	<u>747,140</u>	<u>658,523</u>

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$239,845,000, HK\$283,880,000 and HK\$323,139,000, respectively, which are past due at the end of each reporting date for which the Group has not provided for impairment loss. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable due to the long-term/ on-going relationship and good repayment record from these customers.

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 40b(ii). For trade receivables with significant amounts, they are assessed individually for impairment allowance and collectively for remaining trade receivables based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Ageing of trade receivables which are past due but not impaired are as follows:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
1 – 30 days	164,007	164,356	134,137
31 – 90 days	47,884	67,865	138,067
91 – 360 days.....	27,625	50,420	50,405
Over 1 year.....	<u>329</u>	<u>1,239</u>	<u>530</u>
Total	<u>239,845</u>	<u>283,880</u>	<u>323,139</u>

Movement in the allowance for impairment

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	30,933	26,513	24,875
Amounts written off as uncollectible.....	(656)	(1,934)	(2,243)
Impairment loss (reversed)/recognised.....	(3,500)	(40)	27,485
Exchange realignment	(264)	336	(278)
At end of the year	<u>26,513</u>	<u>24,875</u>	<u>49,839</u>

Included in the allowance for impairment are individually impaired trade receivables with an aggregate balance of approximately HK\$26,513,000 and HK\$24,875,000 as at 31 December 2016 and 2017, respectively, which the Group has chased for settlements from these customers for months but the amounts remain unsettled and due over the normal credit period and are considered as irrecoverable. Details allowance for impairment of approximately HK\$49,839,000 are set out in note 40.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group			
Dividend receivables	—	—	10,824
Other receivables	6,792	12,233	8,096
Deferred issue costs	—	2,921	7,912
Deposits and prepayments (note)	<u>57,944</u>	<u>80,438</u>	<u>53,505</u>
	<u>64,736</u>	<u>95,592</u>	<u>80,337</u>

Note: Balance mainly includes prepayments to suppliers, tendering deposits, rental deposits and miscellaneous deposits and prepayments.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Company			
Dividend receivables	—	—	10,824
Other receivables	—	—	307
Deferred issue costs	—	2,921	7,912
Deposits and prepayments	<u>30</u>	<u>113</u>	<u>447</u>
	<u>30</u>	<u>3,034</u>	<u>19,490</u>

25. AMOUNTS DUE FROM (TO) ASSOCIATES**The Group**

The amount of approximately HK\$6,822,000, HK\$13,852,000 and HK\$13,852,000 as at 31 December 2016, 2017 and 2018, respectively, is trading in nature, unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2016, 2017 and 2018, impairment loss of approximately HK\$6,822,000, HK\$7,030,000 and nil has been recognised for the amount due from an associate.

The Group and the Company

The amounts due to associates are non-trade nature, unsecured, non-interest bearing and repayable on demand.

26. AMOUNTS DUE TO JOINT VENTURES**The Group**

The amounts due to joint ventures are non-trade nature, unsecured, non-interest bearing and repayable on demand.

27. AMOUNTS DUE FROM (TO) PARTNERS OF JOINT OPERATIONS**The Group**

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

28. AVAILABLE-FOR-SALE INVESTMENT

	<u>As at 31 December</u>	
	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group		
Unlisted securities		
— equity investment in the PRC (note)	1,547	—
Less: Impairment loss recognised	<u>(1,547)</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Note: As at 31 December 2016, the investment represents the equity interest in a private entity registered in the PRC. It is measured at cost less impairment loss at the end of each reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that its fair value could not be measured reliably. The investment was disposed of during the year ended 31 December 2017.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group and the Company			
Equity securities listed in Hong Kong (note i).....	<u>35,901</u>	<u>14,997</u>	<u>17,230</u>

Note:

- (i) The equity securities were issued by listed companies in Hong Kong. The fair value of the equity securities are determined by reference to the quoted market price available on the Hong Kong Stock Exchange.

30. PLEDGED BANK DEPOSITS / BANK BALANCES AND CASH

Pledged bank deposits

The Group

Pledged bank deposits carry interest rates per annum, ranging from 0.04% to 3.5%, 0.05% to 2.75% and 0% to 2.75% as at 31 December 2016, 2017 and 2018, respectively, representing deposits pledged to banks to secure general short-term banking facilities granted to certain of the Company's subsidiaries. They are classified as current assets and will be released upon the release of relevant banking facilities.

The Company

Pledged bank deposits carry interest rates, per annum, ranging from 0.001% to 0.25% and 0% to 0.35% as at 31 December 2017 and 2018, respectively, representing deposits pledged to a bank to secure general short-term banking facilities granted to certain of the Company's subsidiaries. They are classified as current assets and will be released upon the release of relevant banking facilities.

Bank balances and cash**The Group**

Bank balances carry interest at market rates, per annum, ranging from 0% to 1.4%, 0% to 4% and 0% to 3.35% as at 31 December 2016, 2017 and 2018, respectively.

The Company

Bank balances carry interest at market rates, per annum, ranging from 0% to 0.25%, 0% to 0.25% and 0% to 0.25% as at 31 December 2016, 2017 and 2018, respectively.

31. TRADE AND RETENTION PAYABLES

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Trade payables	407,443	320,589	298,400
Trade accruals	20,016	36,012	37,588
Retention payables	114,770	122,815	126,934
Bills payables	5,230	—	—
	<u>547,459</u>	<u>479,416</u>	<u>462,922</u>

The credit period on trade payables is ranging from 0 to 90 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
0 – 30 days	216,351	178,862	160,395
31 – 90 days	131,849	78,524	59,460
91 – 360 days.....	49,114	47,047	37,819
Over 1 year.....	10,129	16,156	40,726
	<u>407,443</u>	<u>320,589</u>	<u>298,400</u>

As at 31 December 2016, the Group's bills payables are due within six months.

32. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group			
Receipt in advance.....	62,207	25,365	24,693
Accrued staff costs.....	100,277	166,365	155,657
Accrued contract costs.....	583,829	681,888	965,593
Accrued issue costs and listing expenses	—	—	7,382
Others.....	24,553	30,504	20,449
	<u>770,866</u>	<u>904,122</u>	<u>1,173,774</u>

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Company			
Accrued issue costs and listing expenses	—	—	7,382
Others.....	328	451	522
	<u>328</u>	<u>451</u>	<u>7,904</u>

33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group			
Foreign-currency forward contracts classified as current assets	<u>—</u>	<u>759</u>	<u>—</u>
Foreign-currency forward contracts classified as current liabilities.....	<u>(2,191)</u>	<u>(14)</u>	<u>(602)</u>

Major terms of the foreign-currency forward contracts which were entered into between the Group and banks (banks to sell) are as follows:

As at 31 December 2016:

Notional approximate amount	Maturity	Exchange rate
Sell European dollars ("EUR")1,529,000	10 August 2017	HK\$8.61/EUR
Sell EUR610,000	9 February 2017	HK\$8.954/EUR
Sell EUR1,991,000.....	10 May 2017	HK\$8.573/EUR
Sell Swiss franc ("CHF") 148,000	10 August 2017	HK\$8.047/CHF
Sell Renminbi ("RMB") 5,901,000	10 August 2017	HK\$1.142/RMB

As at 31 December 2017:

Notional approximate amount	Maturity	Exchange rate
Sell EUR884,000	15 May 2018	HK\$9.3339/EUR
Sell EUR700,000	9 March 2018	HK\$8.832/EUR
Sell Singapore dollars ("SGD") 185,000.....	15 May 2018	HK\$5.7473/SGD
Sell British pounds ("GBP") 425,000.....	17 May 2018	HK\$10.208/GBP
Sell CHF53,000	15 May 2018	HK\$8.2705/CHF
Sell RMB7,546,000	15 May 2018	HK\$1.1724/RMB

As at 31 December 2018:

Notional approximate amount	Maturity	Exchange rate
Sell EUR708,000	22 February 2019	HK\$9.399/EUR
Sell EUR129,000	22 February 2019	HK\$9.399/EUR
Sell EUR73,000	4 July 2019	HK\$9.219/EUR
Sell EUR46,000	26 July 2019	HK\$9.1535/EUR
Sell SGD185,000	22 February 2019	HK\$5.875/SGD
Sell GBP149,000	22 February 2019	HK\$10.634/GBP
Sell GBP77,000	29 March 2019	HK\$10.502/GBP
Sell CHF73,000	30 September 2019	HK\$8.0855/CHF
Sell RMB219,000	22 February 2019	HK\$1.2342/RMB

34. BANK BORROWINGS

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group			
Secured loans*	63,584	51,216	—
Less: amounts due within one year shown under current liabilities	(44,350)	(40,440)	—
Amounts shown under non-current liabilities	<u>19,234</u>	<u>10,776</u>	<u>—</u>
Secured loans are repayable as follows:			
— within one year	44,350	40,440	—
— within a period of more than one year but not exceeding two years	8,471	8,601	—
— within a period of more than two years but not exceeding five years	<u>10,763</u>	<u>2,175</u>	<u>—</u>
	<u>63,584</u>	<u>51,216</u>	<u>—</u>

* There is no repayable on demand clause noted in the banking facility letters or loan agreements in relation to the Group's borrowings at the end of each reporting period.

As at 31 December 2016 and 2017, bank borrowings of the Group of approximately HK\$63,584,000 and HK\$51,216,000 representing:

- (i) a mortgage loan of approximately HK\$27,584,000 and HK\$19,216,000 as at 31 December 2016 and 2017 drawn from a bank denominated in Hong Kong dollars and bear interest at the lower of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.7% and Hong Kong dollars prime rate minus 2.5% per annum, with the effective interest rate, per annum, ranging from 0.9123% to 1.4464% and 1.1432% to 1.2925% as at 31 December 2016 and 2017, respectively;
- (ii) a revolving loan of approximately HK\$36,000,000 and HK\$32,000,000 as at 31 December 2016 and 2017 drawn from a bank denominated in Hong Kong dollars and bear interest, per annum, ranging from 2.35% to 2.7248% and at 2.95% as at 31 December 2016 and 2017, respectively, with effective interest rate per annum, ranging from 2.3755% to 2.7589% and at 2.95% as at 31 December 2016 and 2017, respectively.

All the bank borrowings were repaid during the year ended 31 December 2018.

35. SHARE CAPITAL

	Number of shares	Nominal value per share	Share capital	Presented as
				<i>HK\$'000</i>
The Group and the Company				
Authorised:				
At 1 January 2016, 31 December 2016 and 2017 ..	12,600	US\$1	US\$12,600	
Increase in share capital (note)	100,000,000,000	HK\$0.01	HK\$1,000,000,000	
Cancellation of share capital (note)	(12,600)	US\$1	(US\$12,600)	
At 31 December 2018	<u>100,000,000,000</u>	<u>HK\$0.01</u>	<u>HK\$1,000,000,000</u>	
Issued and fully paid:				
At 1 January 2016, 31 December 2016 and 2017 ..	<u>12,000</u>	<u>US\$1</u>	<u>US\$12,000</u>	<u>94</u>
Issue of shares (note)	9,360,000	HK\$0.01	HK\$93,600	
Repurchase of shares (note)	(12,000)	US\$1	(US\$12,000)	
At 31 December 2018	<u>9,360,000</u>	<u>HK\$0.01</u>	<u>HK\$93,600</u>	<u>94</u>

Note: On 14 September 2018, the authorised share capital of the Company was increased to HK\$1,000,000,000 by the creation of 100,000,000,000 shares with par value of HK\$0.01 each. On the same day, the Company allotted and issued 9,360,000 shares with par value of HK\$0.01 to the existing shareholders and repurchased the 12,000 shares with par value of US\$1 each. On 14 September 2018, the authorised but unissued shares capital of the Company was diminished by cancellation of 12,600 shares with par value of US\$1 each.

36. DEFERRED TAX

For the purposes of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Deferred tax liabilities	46,700	55,296	12,371
Deferred tax assets	<u>(712)</u>	<u>(765)</u>	<u>(775)</u>
	<u>45,988</u>	<u>54,531</u>	<u>11,596</u>
	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Company			
Deferred tax liability	<u>6,527</u>	<u>9,047</u>	<u>5,643</u>

Deferred tax liabilities (assets) recognised by the Group and the movements thereon during the Track Record Period are as follows:

The Group

	PRC withholding tax on distributable profits	Temporary difference on tax depreciation	Revaluation of leasehold properties	Tax losses	Intangible assets	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016.....	9,343	287	35,338	(90)	1,369	—	46,247
Charged (credited) to profit or loss..	92	(1,939)	—	—	(90)	(616)	(2,553)
Income tax relating to gain on revaluation of leasehold properties	—	—	2,572	—	—	—	2,572
Exchange realignment.....	(305)	—	—	—	—	27	(278)
At 31 December 2016 and 1 January 2017.....	9,130	(1,652)	37,910	(90)	1,279	(589)	45,988
Charged (credited) to profit or loss..	3,461	(1,904)	—	90	(96)	—	1,551
Income tax relating to gain on revaluation of leasehold properties	—	—	6,564	—	—	—	6,564
Exchange realignment	472	—	—	—	—	(44)	428
At 31 December 2017 and 1 January 2018.....	13,063	(3,556)	44,474	—	1,183	(633)	54,531
Credited to profit or loss.....	(3,987)	(199)	—	—	(96)	—	(4,282)
Income tax relating to gain on revaluation of leasehold properties	—	—	12,023	—	—	—	12,023
Exchange realignment	454	—	—	—	—	(47)	407
Distribution in specie (note 52).....	—	5,414	(56,497)	—	—	—	(51,083)
At 31 December 2018.....	<u>9,530</u>	<u>1,659</u>	<u>—</u>	<u>—</u>	<u>1,087</u>	<u>(680)</u>	<u>11,596</u>

As at 31 December 2016, 2017 and 2018, the Group has unused tax losses of approximately HK\$55,305,000, HK\$21,076,000 and HK\$51,869,000 respectively, available for offset against future profits. Deferred tax assets have been recognised in respect of approximately HK\$546,000, nil and nil of such losses as at 31 December 2016, 2017 and 2018, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$54,759,000, HK\$21,076,000 and HK\$51,869,000 due to the unpredictability of future profit streams as at 31 December 2016, 2017 and 2018, respectively.

Unrecognised tax losses will be expired as follows:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
— 2017	1,546	—	—
— 2018	539	539	—
— 2019	1,739	276	137
— 2020	324	328	229
— 2021	—	—	147
— 2022	—	2,464	2,464
— 2023	—	—	26,955
	4,148	3,607	29,932
— Indefinite	50,611	17,469	21,937
	<u>54,759</u>	<u>21,076</u>	<u>51,869</u>

The Company

	PRC withholding tax on distributable profits
	<i>HK\$'000</i>
At 1 January 2016	9,029
Credited to profit or loss	(2,197)
Exchange realignment	<u>(305)</u>
At 31 December 2016 and 1 January 2017.....	6,527
Charged to profit or loss	2,047
Exchange realignment	<u>473</u>
At 31 December 2017 and 1 January 2018.....	9,047
Credited to profit or loss	(3,462)
Exchange realignment	<u>58</u>
At 31 December 2018.....	<u>5,643</u>

37. DEFERRED INCOME

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
At beginning of the year	413	3,779	3,509
Receipt from Drainage Services Department (note).....	3,595	—	—
Amortised	(229)	(270)	(270)
At end of the year	<u>3,779</u>	<u>3,509</u>	<u>3,239</u>

Analysed for reporting purposes as:

Current (included in other payables and accrued expenses)	270	270	270
Non-current.....	<u>3,509</u>	<u>3,239</u>	<u>2,969</u>
	<u>3,779</u>	<u>3,509</u>	<u>3,239</u>

Note: In 2015, a joint operation is required to provide a 15-year performance bond to Drainage Services Department for a construction project. The performance bond covers the period from January 2015 to December 2029. Under the arrangement, Drainage Services Department would reimburse bond charges incurred on the performance bond and a lump sum of approximately HK\$442,000 was received from Drainage Services Department in 2015. It is amortised on a straight-line basis over 15 years.

In 2016, a joint operation is required to operate a 15-year maintenance workshop for Drainage Services Department for a site. The operation of the workshop covers the period from March 2016 to February 2031. Under the arrangement, Drainage Services Department would reimburse the expenses incurred for the workshop and a lump sum of approximately HK\$3,595,000 was received from Drainage Services Department in 2016. It is amortised on a straight-line basis over 15 years.

38. AMOUNTS DUE FROM (TO) SUBSIDIARIES**The Company**

As at 31 December 2016, 2017 and 2018, the amounts due from subsidiaries of approximately HK\$72,572,000, HK\$58,124,000 and HK\$58,124,000, respectively, are non-trade nature, unsecured, non-interest bearing and repayable after one year from the end of the reporting period, and therefore are classified as non-current assets. The initial fair value adjustment with an effective interest rate of 5% thereon is recognised as deemed capital contribution included in interests in subsidiaries of the Company.

As at 31 December 2016, 2017 and 2018, the amounts due from subsidiaries of approximately HK\$295,621,000, HK\$176,798,000 and HK\$121,463,000, respectively, are non-trade nature, unsecured, non-interest bearing and repayable on demand, and therefore are classified as current assets.

The amounts due to subsidiaries are non-trade nature, unsecured, non-interest bearing and repayable on demand, and therefore are classified as current liabilities.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to be continued as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings disclosed in note 34, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, new share issues, raising of new debts and repayment of existing debts.

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Financial assets			
Financial assets at FVTPL.....	35,901	14,997	17,230
Derivative financial instruments	—	759	—
Loans and receivables (including bank balances and cash)	1,120,541	1,480,885	—
Financial assets at amortised cost (including bank balances and cash)	—	—	1,523,448
Financial liabilities			
Derivative financial instruments	2,191	14	—
Financial liabilities at FVTPL	—	—	602
Financial liabilities at amortised cost	675,140	580,281	615,545

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Company			
Financial assets			
Financial assets at FVTPL.....	35,901	14,997	17,230
Loans and receivables (including bank balances and cash)	369,168	262,539	—
Financial assets at amortised cost (including bank balances and cash)	<u>—</u>	<u>—</u>	<u>314,815</u>
Financial liabilities			
Financial guarantee liabilities	343	97	43
Financial liabilities at amortised cost	<u>261,694</u>	<u>446,941</u>	<u>903,130</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from (to) associates, amounts due to joint ventures, amounts due from (to) partners of joint operations, financial assets at FVTPL, pledged bank deposits and bank balances and cash, trade and retention payables, other payables, dividend payable, derivative financial instruments and bank borrowings. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group

The Group has foreign-currency bank balances, trade receivables, dividend receivables, other receivables, trade payables, bills payables and other payables, which expose the Group to foreign currency risk. The Group has entered into foreign-currency forward contracts to mitigate its foreign currency risk exposure.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group						
EUR	890	5,814	6,919	2,676	669	293
GBP	10	1	1	890	171	2,155
RMB	8,566	26,492	20,027	16,792	15,653	12,784
United States dollars ("USD").....	<u>3,084</u>	<u>8,147</u>	<u>9,328</u>	<u>29,702</u>	<u>11,061</u>	<u>7,600</u>

Sensitivity analysis

The Group is exposed to fluctuation in EUR, GBP, RMB and USD against HK\$. As HK\$ is pegged to USD under the Hong Kong's linked exchange rate system, the management of the Group is of the opinion that the Group's exposure to the foreign exchange rate risk of USD is minimal.

The following table details the Group's sensitivity to increase and decrease by 4.55%, 9.67% and 4.91%, 4.12%, 4.82% and 6.33% and 4.28%, 5.43% and 3.54% for each of the years ended 31 December 2016, 2017 and 2018, respectively, in HK\$ against RMB, GBP and EUR. 4.55% to 9.67%, 4.12% to 6.33%, 3.54% to 5.43% for each of the years ended 31 December 2016, 2017 and 2018, respectively, are the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates by reference to the fluctuation of HK\$ against the relevant foreign currencies during the relevant year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusting the translation for a change in foreign currency rates of 4.55% to 9.67%, 4.12% to 6.33% and 3.54% to 5.43% for each of the years ended 31 December 2016, 2017 and 2018, respectively.

A positive number indicates an increase, while a negative number indicates a decrease in post-tax profit for the year below when HK\$ is weakened by 4.55% to 9.67%, 4.12% to 6.33% and 3.54% to 5.43% for each of the years ended 31 December 2016, 2017 and 2018, respectively, against the relevant foreign currencies. For a 4.55% to 9.67%, 4.12% to 6.33% and 3.54% to 5.43% for each of the years ended 31 December 2016, 2017 and 2018, respectively, strengthening of HK\$ against the relevant foreign currencies, there would be an equal but opposite impact on the post-tax profit for the year.

	Profit		
	For the year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
The Group			
EUR.....	(67)	281	213
GBP.....	(71)	(7)	(98)
RMB.....	(251)	553	319

The Company

The Company has foreign-currency bank balances, amounts due from (to) subsidiaries and amount due to an associate, which expose the Company to foreign currency risk. The carrying amounts of the Company's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company						
RMB.....	1,780	1,658	12,684	—	48	—
USD.....	—	—	104	—	—	—
MOP.....	13,810	43	50	30,441	99,776	57,888

Sensitivity analysis

The Company is mainly exposed to fluctuation in RMB, MOP and USD against HK\$. As HK\$ is pegged to USD under the Hong Kong's linked exchange rate system, the management of the Group is of the opinion that the Company's exposure to the foreign exchange rate risk of USD is minimal. For the exposure to the fluctuation in HK\$ against MOP, the management of the Company are of opinion that such exposure is insignificant and no sensitivity analysis is presented.

The following table details the Company's sensitivity to increase and decrease by 4.55%, 4.12% and 4.28% for each of the years ended 31 December 2016, 2017 and 2018, respectively, in HK\$ against RMB. 4.55%, 4.12% and 4.28% for each of the years ended 31 December 2016, 2017 and 2018, respectively, are the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates by reference to the fluctuation of HK\$ against RMB for the year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusting the translation for a change in foreign currency rates of 4.55%, 4.12% and 4.28% for each of the years ended 31 December 2016, 2017 and 2018, respectively.

A positive number indicates an increase, while a negative number indicates a decrease in post-tax profit for the year below when HK\$ is weakened by 4.55%, 4.12% and 4.28% for each of the years ended 31 December 2016, 2017 and 2018, respectively, against the relevant foreign currencies. For a 4.55%, 4.12% and 4.28% for each of the years ended 31 December 2016, 2017 and 2018, respectively, strengthening of HK\$ against the relevant foreign currencies, there would be an equal but opposite impact on the post-tax profit for the year.

	Profit		
	For the year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Company			
RMB	<u>68</u>	<u>55</u>	<u>453</u>

Interest rate risk

The Group

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings, pledged bank deposits and bank balances at floating rate of interests so as to minimise the fair value interest rate risk. The cash flow interest rate risk is mainly concentrated on the fluctuation in HIBOR and Hong Kong dollars prime rate arising from the Group's bank borrowings.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arises.

Sensitivity analysis

The Group had no bank borrowings as at 31 December 2018. The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank borrowings as at 31 December 2016 and 2017. The analysis is prepared assuming the amount of bank borrowings outstanding at 31 December 2016 and 2017 was outstanding for the whole year. A 50 basis points increase or decrease representing management's assessment of the reasonably possible change in interest rate is used.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2016 and 2017 would be decreased/increased by approximately HK\$265,000 and HK\$214,000, respectively.

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

The Company

The Company is exposed to cash flow interest rate risk in relation to bank balances. It is the Company's policy to keep its bank balances at floating rate of interests so as to minimise the fair value interest rate risk.

The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arises.

The management is of the opinion that the Company's exposure to the interest rate risk is minimal and therefore, no sensitivity analysis is presented.

Other price risk

The Group and the Company are exposed to security price risk through its financial assets at FVTPL as disclosed in note 29 to the consolidated financial statements respectively. The management of the Group monitors the security price risk and will consider hedging the risk exposure should the need arises. The management is of the opinion that the exposure to security price risk is not significant and therefore, no sensitivity analysis is presented.

(ii) Credit risk**The Group**

At the end of each reporting period, the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position best represents the Group's maximum exposure to credit risk.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2016, 2017 and 2018 on the trade receivables from one of the Group's major customers amounting to approximately HK\$193,120,000, HK\$177,102,000 and HK\$49,967,000, respectively and accounted for 33%, 23% and 7%, respectively, of the Group's trade receivables. In the opinion of the management of the Group, this customer is reputable organisation in the market. The management of the Group considers that the credit risk is limited in this regard.

Upon the adoption of HKFRS 9 on 1 January 2018, the Group has applied ECL under HKFRS 9 to measure the loss allowance for its financial assets and contract assets.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables / contract assets	Other financial assets / other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL not credit-impaired	12-month ECL
Watch list	Debtor usually settle after due date	Lifetime ECL not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information development internally or external resources	Lifetime ECL not credit-impaired	Lifetime ECL not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amounts is written off

In determining the ECL for other receivables and amounts due from partners of joint operations, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding receivables is insignificant.

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets and contract asset as at 31 December 2018, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					HK\$'000	HK\$'000
Financial assets at amortised costs						
Trade receivables	23	N/A	(Note)	Lifetime ECL (not credit-impaired) (provision matrix)	389,596	
			Low risk	Lifetime ECL (not credit-impaired)	339,377	
			Loss	Credit-impaired	42,578	771,551
Other receivables.....	24	N/A	Low risk	12-month ECL	18,920	
Amounts due from partners of joint operations	27	N/A	Low risk	12-month ECL	4,312	
Pledged bank deposits..	30	A3 - AAA	N/A	12-month ECL	208,553	
Bank balances	30	A3 - AAA	N/A	12-month ECL	569,951	
Other item						
Contract assets.....	22	N/A	(Note)	Lifetime ECL (not credit-impaired) (provision matrix)	302,076	
			Low risk	Lifetime ECL (not credit-impaired)	676,321	978,397

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix - internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK\$381,955,000 and HK\$676,321,000 respectively as at 31 December 2018 were assessed individually. The average loss rates for debtors with significant outstanding balances are assessed to be less than 1%.

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables	Contract assets
		<i>HK\$'000</i>	<i>HK\$'000</i>
Low risk.....	0.50%	37,720	96,203
Watch list.....	1.80%	350,301	203,191
Doubtful.....	2.38%	1,575	2,682
		389,596	302,076

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may result in debtor ability to make payments) that is available without undue cost or effort. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and long-term/continuous business with the Group. Large number of small customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group recognised HK\$7,261,000 impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK\$20,224,000 was made on debtors with significant balances and credit impaired debtors. Impairment allowance for contract assets as at 31 December 2018 was not material.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	<u>Lifetime ECL</u> <i>(not credit-impaired)</i> <i>HK\$'000</i>	<u>Lifetime ECL</u> <i>(credit-impaired)</i> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Trade receivables			
As at 1 January 2018	—	24,875	24,875
Impairment losses recognised	7,261	20,224	27,485
Write-offs	—	(2,243)	(2,243)
Exchange adjustments	—	(278)	(278)
As at 31 December 2018.....	<u>7,261</u>	<u>42,578</u>	<u>49,839</u>

None of the trade receivables that have been written off is subject to enforcement activities.

The Company

At the end of each reporting period, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Company's maximum exposure to credit risk which cause a financial loss to the Company arising from the amount of contingent liabilities in relation to financial guarantees provided by the Company is disclosed in note 48.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Since the adoption of HKFRS 9 on 1 January 2018, the Company applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9.

Expected loss risk of amounts due from subsidiaries is assessed to be remote as there is no significant change in the credit risk on the amounts due from subsidiaries since initial recognition. As at 31 December 2018, the additional loss allowance for provision for amounts due from subsidiaries was not material.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(iii) Liquidity risk**The Group**

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on cash generated from operations and banking facilities to finance its operation. As at 31 December 2016, 2017 and 2018, the Group had available unutilised aggregate banking facilities in respect of bank overdrafts, bank guarantees and trade financing of approximately HK\$1,073,888,000, HK\$1,313,451,000 and HK\$1,348,929,000, respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that require net settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for understanding of the timing of cash flows of derivatives.

The Group

	Weighted average interest rate	Repayable on demand	Less than 30 days	31 – 60 days	61 – 90 days	91 days to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2016									
Non-derivative financial liabilities									
Trade and retention payables.....	—	377,369	164,356	5,734	—	—	—	547,459	547,459
Other payables.....	—	3,853	—	—	—	—	—	3,853	3,853
Bank borrowings.....	2.2028	—	36,724	724	724	6,520	19,560	64,252	63,584
Amount due to an associate.....	—	13,738	—	—	—	—	—	13,738	13,738
Amounts due to joint ventures.....	—	20,142	—	—	—	—	—	20,142	20,142
Amounts due to partners of joint operations.....	—	26,364	—	—	—	—	—	26,364	26,364
		<u>441,466</u>	<u>201,080</u>	<u>6,458</u>	<u>724</u>	<u>6,520</u>	<u>19,560</u>	<u>675,808</u>	<u>675,140</u>
Derivatives — net settlement									
Foreign-currency forward contracts — outflows net.	—	—	—	5,464	—	38,159	—	43,623	2,191

	Weighted average interest rate	Repayable on demand	Less than 30 days	31 - 60 days	61 - 90 days	91 days to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2017									
Non-derivative financial liabilities									
Trade and retention									
payables.....	—	341,680	129,647	8,089	—	—	—	479,416	479,416
Other payables.....	—	8,677	—	—	—	—	—	8,677	8,677
Bank borrowings.....	2.3281	—	32,728	728	728	6,548	10,912	51,644	51,216
Amounts due to associates..	—	14,442	—	—	—	—	—	14,442	14,442
Amounts due to joint ventures									
	—	21,591	—	—	—	—	—	21,591	21,591
Amounts due to partners of joint operations.....									
	—	4,939	—	—	—	—	—	4,939	4,939
		<u>391,329</u>	<u>162,375</u>	<u>8,817</u>	<u>728</u>	<u>6,548</u>	<u>10,912</u>	<u>580,709</u>	<u>580,281</u>
Derivatives - net settlement									
Foreign-currency forward contracts - outflows net...									
	—	—	—	—	—	438	—	438	14
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>438</u>	<u>—</u>	<u>438</u>	<u>14</u>
As at 31 December 2018									
Non-derivative financial liabilities									
Trade and retention									
payables	—	331,131	122,764	9,027	—	—	—	462,922	462,922
Other payables	—	13,564	—	—	—	—	—	13,564	13,564
Dividend payable.....	—	100,000	—	—	—	—	—	100,000	100,000
Amounts due to associate....	—	12,533	—	—	—	—	—	12,533	12,533
Amounts due to partners of joint operations									
	—	26,526	—	—	—	—	—	26,526	26,526
		<u>483,754</u>	<u>122,764</u>	<u>9,027</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>615,545</u>	<u>615,545</u>
Derivatives - net settlement									
Foreign-currency forward contracts - outflows net ..									
	—	—	—	10,804	807	1,684	—	13,295	602
		<u>—</u>	<u>—</u>	<u>10,804</u>	<u>807</u>	<u>1,684</u>	<u>—</u>	<u>13,295</u>	<u>602</u>

The Company

In managing the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations in cash flows.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Company

	Weighted average interest rate	Repayable on demand	Less than 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2016								
Non-derivative financial liabilities								
Other payables	—	3	—	—	—	—	3	3
Amounts due to subsidiaries	—	261,691	—	—	—	—	261,691	261,691
Financial guarantee contracts (note)	—	1,521,413	—	—	—	—	1,521,413	343
		<u>1,783,107</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,783,107</u>	<u>262,037</u>

	Weighted average interest rate	Repayable on demand	Less than 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2017								
Non-derivative financial liabilities								
Amounts due to subsidiaries	—	446,894	—	—	—	—	446,894	446,894
Amount due to an associate	—	47	—	—	—	—	47	47
Financial guarantee contracts (note)	—	1,737,665	—	—	—	—	1,737,665	97
		<u>2,184,606</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,184,606</u>	<u>447,038</u>

	Weighted		Less				Total	
	average interest rate	Repayable on demand	than 30 days	31 - 60 days	61 - 90 days	Over 90 days	undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2018								
Non-derivative financial liabilities								
Dividend payable	—	100,000	—	—	—	—	100,000	100,000
Other payables	—	7,382	—	—	—	—	7,382	7,382
Amounts due to subsidiaries	—	795,748	—	—	—	—	795,748	795,748
Financial guarantee contracts (note)	—	1,673,198	—	—	—	—	1,673,198	43
		<u>2,576,328</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,576,328</u>	<u>903,173</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. Information about how the fair value of these financial assets and financial liabilities are determined including valuation technique and key input as well as the level of fair value hierarchy of which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable is listed below.

The Group

Financial assets/liabilities	As at 31 December			Fair value hierarchy	Valuation technique and key input
	Fair value				
	2016	2017	2018		
	HK\$'000	HK\$'000	HK\$'000		
Financial assets at FVTPL (note 29)	35,901	14,997	17,230	Level 1	Quoted bid prices in an active market.
Derivative financial assets (note 33)	—	759	—	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities (note 33)	2,191	14	602	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 or 2 during the Track Record Period.

The Company**Fair value of the Company's financial assets that are measured at fair value on recurring basis**

Certain of the Company's financial assets are measured at fair value at the end of each reporting period. Information about how the fair value of these financial assets are determined including valuation technique and key input as well as the level of fair value hierarchy of which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable is listed below.

Financial assets/ liabilities	As at 31 December			Fair value hierarchy	Valuation technique and key input
	Fair value				
	2016	2017	2018		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
Financial assets at FVTPL (note 29).....	35,901	14,997	17,230	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 or 2 during the Track Record Period.

Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Historical Financial Information approximate to their fair value based on discounted cash flows analysis.

41. OPERATING LEASE ARRANGEMENTS**The Group as lessor**

At the end of each reporting period, the Group had contracted with tenants in respect of leased properties for the next one to two years for the following future minimum lease payments to be received from tenants:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Within one year.....	1,564	2,162	1,511
In the second to fifth year inclusive	1,578	1,992	506
	<u>3,142</u>	<u>4,154</u>	<u>2,017</u>

The Group as lessee

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating leases in respect of rented premises:			
Leasehold land and buildings and warehouse	17,139	18,012	34,784
Staff quarters	2,047	1,568	2,098
Car parks.....	50	62	87
	<u>19,236</u>	<u>19,642</u>	<u>36,969</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Within one year.....	14,099	12,950	21,078
In the second to fifth year inclusive	<u>7,778</u>	<u>4,253</u>	<u>10,474</u>
	<u>21,877</u>	<u>17,203</u>	<u>31,552</u>

Operating lease payments represent rents payable by the Group for certain of its office premises, warehouses and staff quarters and carparks. Leases are negotiated and rents are fixed for one to three years.

The Company

The Company did not have any lease commitment at the end of each reporting period.

42. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following commitments contracted but not provided for in the Historical Financial Information.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'0 00</i>	<i>HK\$'000</i>
The Group			
Information technology infrastructure	767	767	—
Enterprise resources planning system.....	16,962	13,752	10,028
Human resources management system	—	—	8,209
	<u>17,729</u>	<u>14,519</u>	<u>18,237</u>

The Company

The Company did not have any commitment at the end of each reporting period.

43. PERFORMANCE BONDS**The Group**

As at 31 December 2016, 2017 and 2018, the Group had outstanding performance bonds of approximately HK\$500,846,000, HK\$486,005,000 and HK\$368,811,000, respectively, given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

The Company

The Company did not have any performance bonds at the end of each reporting period.

44. PLEDGE OF ASSETS

At the end of each reporting period, the Group and the Company pledged the following assets to secure general banking facilities granted to the Group:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group			
Leasehold properties	447,800	472,900	—
Investment properties	58,410	60,110	74,300
Pledged bank deposits	117,016	124,711	208,553
Financial assets at FVTPL.....	35,901	14,997	17,230
	<u>659,127</u>	<u>672,718</u>	<u>300,083</u>
The Company			
Pledged bank deposits	—	23,125	123,125
Financial assets at FVTPL.....	35,901	14,997	17,230
	<u>35,901</u>	<u>38,122</u>	<u>140,355</u>

45. LITIGATION

A subsidiary of the Company filed a claim against its subcontractor in respect of breaches of contract for an amount of approximately HK\$35,500,000. On the other hand, the subcontractor filed a claim against the subsidiary in respect of the early termination of the subcontracting services and infringement of copyright for an amount of approximately HK\$34,000,000. On 30 June 2011, the Court held that the subsidiary was entitled to early terminate the subcontracting services and there was no infringement of copyright. The subcontractor appealed to the Court of Appeal and the hearing was held on 9 May 2012. By the Court of Appeal's judgment dated 24 May 2012, the litigation was finalised and the subsidiary was awarded damages with interest and costs, and was allowed to recover the legal costs on indemnity basis with interests from the subcontractor. During the year ended 31 December 2016, the subsidiary received a sum of approximately HK\$155,000 from the subcontractor and recognised in other income. All awarded damages had been received by the Group before 31 December 2017.

46. RESERVES

The Company

	Contributed surplus	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	67,053	5	(3,346)	145,638	209,350
Profit for the year	—	—	—	264,763	264,763
Exchange differences arising from translation of an associate	—	—	(7,274)	—	(7,274)
Total comprehensive (expense) income for the year	—	—	(7,274)	264,763	257,489
At 31 December 2016 and 1 January 2017	67,053	5	(10,620)	410,401	466,839
Profit for the year	—	—	—	123,606	123,606
Exchange differences arising from translation of an associate	—	—	11,695	—	11,695
Total comprehensive income for the year	—	—	11,695	123,606	135,301
Dividends recognised as distribution (note 13)	—	—	—	(200,000)	(200,000)
At 31 December 2017 and 1 January 2018	67,053	5	1,075	334,007	402,140
Profit for the year	—	—	—	655,797	655,797
Exchange differences arising from translation of an associate	—	—	(10,615)	—	(10,615)
Total comprehensive (expense) income for the year	—	—	(10,615)	655,797	645,182
Dividends recognised as distribution (note 13)	(67,053)	—	—	(969,991)	(1,037,044)
At 31 December 2018.....	—	5	(9,540)	19,813	10,278

Note: Contributed surplus represents the excess of the value of the subsidiaries acquired over the nominal value of the Company's shares issued which, under the Companies Act 1981 of Bermuda, is available for distribution to the shareholders of the Company.

47. RELATED PARTY TRANSACTIONS

- (a) Details of the balances with the related parties are disclosed in the consolidated statements of financial position on pages I - 6 to I - 7 and notes 25, 26 and 27. The Group entered into the following transactions with related parties during the Track Record Period:

Name of related company	Relationship	Nature of transactions	Year ended 31 December		
			2016	2017	2018
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OBJV	Associate	Sales	33,330	33,785	20,284
OBJV	Associate	Interest income	3,244	1,105	—
OBJV	Associate	Management fee income	1,772	—	—
HN Anlev Hiro	Joint venture	Sales	—	—	—
HN Anlev Hiro	Joint venture	Interest income	810	219	—
Perfect Motive Limited ("Perfect Motive") ...	Related party (note)	Rental expenses	—	—	13,156
Perfect Motive	Related party (note)	Services expenses	—	—	1,712
Perfect Motive	Related party (note)	Direct expenses recharge	—	—	1,646

Note: Upon the completion of Distribution in Specie as defined and detailed in note 52, Perfect Motive became a subsidiary of Arling Investment and a related party of the Group.

- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period is set out in note 12.

- (c) As at 31 December 2016, personal guarantee from Dr. Poon has been provided to secure banking facilities granted to certain subsidiaries of the Group at no charge. Such personal guarantee had been released during the year ended 31 December 2017.

48. CONTINGENT LIABILITIES**The Group**

The Group did not have any contingent liabilities at the end of each reporting period.

The Company

At the end of each reporting period, the Company had the following contingent liabilities:

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks, in respect of banking facilities granted to subsidiaries			
- amount guaranteed	<u>1,521,413</u>	<u>1,737,665</u>	<u>1,673,198</u>
- amount utilised	<u>589,025</u>	<u>581,714</u>	<u>412,825</u>

49. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") with certain bank. The following recognised financial asset and financial liabilities are not offset in the consolidated statements of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts:

As at 31 December 2016

	Gross amounts presented on consolidated statement of financial position	Related amount not set off in consolidated statement of financial position	
	<i>HK\$'000</i>	Financial instrument	Net amount
		<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised financial assets:			
— Bank balances	<u>71,752</u>	<u>(2,191)</u>	<u>69,561</u>
Recognised financial liabilities:			
— Derivative financial instruments	<u>(2,191)</u>	<u>2,191</u>	<u>—</u>

As at 31 December 2017

	Gross amounts presented on consolidated statement of financial position	Related amount not set off in consolidated statement of financial position	
		Financial instrument	Net amount
	HK\$'000	HK\$'000	HK\$'000
Recognised financial assets:			
— Bank balances	<u>100,240</u>	<u>(14)</u>	<u>100,226</u>
Recognised financial assets:			
— Derivative financial instruments.....	<u>759</u>	<u>—</u>	<u>759</u>
Recognised financial liabilities:			
— Derivative financial instruments	<u>(14)</u>	<u>14</u>	<u>—</u>

As at 31 December 2018

	Gross amounts presented on consolidated statement of financial position	Related amount not set off in consolidated statement of financial position	
		Financial instrument	Net amount
	HK\$'000	HK\$'000	HK\$'000
Recognised financial assets:			
— Bank balances	<u>133,764</u>	<u>(602)</u>	<u>133,162</u>
Recognised financial liabilities:			
— Derivative financial instruments	<u>(602)</u>	<u>602</u>	<u>—</u>

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to associates	Amounts due to joint ventures	Amounts due to partners of joint operations	Bank borrowings	Accrued issue costs	Dividend payable	Total
	(note 25)	(note 26)	(note 27)	(note 34)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016..	—	102	299	37,865	—	—	38,266
Financing cash flow.....	13,738	20,095	26,065	24,113	—	—	84,011
Interest accruals	—	—	—	1,606	—	—	1,606
Exchange realignment	—	(55)	—	—	—	—	(55)
At 31 December 2016 and 1 January 2017	13,738	20,142	26,364	63,584	—	—	123,828
Financing cash flow.....	—	—	(21,425)	(13,059)	(333)	—	(34,817)
Interest accruals	—	—	—	691	—	—	691
Issue costs accruals	—	—	—	—	519	—	519
Exchange realignment	704	1,449	—	—	—	—	2,153
At 31 December 2017 and 1 January 2018	14,442	21,591	4,939	51,216	186	—	92,374
Financing cash flow.....	(1,199)	(21,387)	21,587	(51,905)	(6,530)	(400,000)	(459,434)
Interest accruals	—	—	—	689	—	—	689
Issue costs accruals	—	—	—	—	7,394	—	7,394
Cash dividend declared (note 13).....	—	—	—	—	—	500,000	500,000
Exchange realignment	(710)	(204)	—	—	—	—	(914)
At 31 December 2018	<u>12,533</u>	<u>—</u>	<u>26,526</u>	<u>—</u>	<u>1,050</u>	<u>100,000</u>	<u>140,109</u>

51. INTERESTS IN SUBSIDIARIES

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Unlisted investment, at cost.....	<u>191,067</u>	<u>355,814</u>	<u>349,776</u>

During the Track Record Period and as at the date of this report, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activity
			As at 31 December		At the date of this report		As at 31 December		At the date of this report		
			2016	2017	2018	2018	2016	2017	2018	2018	
安樂工程貿易有限公司 Analogue Technical Agencies Limited (note ii) *	Hong Kong	HK\$1,014,973	100%	100%	100%	100%	100%	100%	100%	100%	Supplying electrical and mechanical materials and equipment and providing associated installation services
安諾電梯有限公司 Anlev (HK) Limited (note ii)	Hong Kong	HK\$4,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Designing and trading of escalators and moving walkways
安樂工程有限公司 ATAL Engineering Limited (note ii) *	Hong Kong	HK\$40,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Electrical, mechanical and environmental engineering contractor on construction and infrastructure projects
安樂機電設備工程有限公司 ATAL Building Services Engineering Limited (note ii) *	Hong Kong	HK\$40,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Electrical, mechanical and building services contractor in design, installation and maintenance of building and infrastructure projects
安樂數據中心基建有限公司 ATAL Data Centre Infrastructure Limited (note ii) *	Hong Kong	HK\$20,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Providing data centre and critical facilities infrastructure supports

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activity
			As at 31 December		At the date of this report		As at 31 December		At the date of this report		
			2016	2017	2018	At the date of this report	2016	2017	2018	At the date of this report	
安樂工程(澳門)有限公司 ATAL Engineering (Macao) Limited (note iv)*	Macao	MOP25,000	100%	100%	100%	100%	100%	100%	100%	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
安樂環境工程有限公司 ATAL Environmental Engineering Limited (note xi)	Hong Kong	HK\$2	100%	100%	100%	100%	100%	100%	100%	100%	Inactive
安樂設備安裝工程(上海)有限公司 (note v)	The PRC	RMB52,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
安樂科技工程有限公司 ATAL Technologies Limited (note ii)*	Hong Kong	HK\$19,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Provision of solution to the integration of information technology, communications and security systems, and in the development of related technologies and applications
安力電梯有限公司 Anlev Elevator Limited (note ii)	Hong Kong	HK\$55,000,000	100%	100%	100%	100%	100%	100%	100%	100%	Providing installation and maintenance services for lifts, escalators and travellers

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activity	
			As at 31 December		As at 31 December		As at 31 December		As at 31 December			
			2016	2017	2018	2018	2016	2017	2018	2018		
安樂建築工程服務(上海)有限公司 (note iii)*	The PRC	USD4,000,000	100%	100%	100%	100%	100%	100%	100%	100%	100%	Supplying electrical, mechanical and environmental materials and equipment and providing associated installation and maintenance services
南京安諾電梯有限公司 (note iii)*	The PRC	USD15,300,000	100%	100%	100%	100%	100%	100%	100%	100%	100%	Manufacturing and sale of escalators and moving walkways
南京安諾機電有限公司 (notes i)*	The PRC	USD900,000	100%	100%	—%	—%	100%	100%	100%	—%	—%	Inactive
南京安樂軟件科技有限公司 ("NAT") (note ii)*	The PRC	USD210,000	100%	100%	100%	100%	100%	100%	100%	100%	100%	Manufacturing and sale of hardware, software and electronic systems
Perfect Motive (notes ii & xii)	Hong Kong	HK\$1	100%	100%	—%	—%	100%	100%	100%	—%	—%	Property investment
安諾工業有限公司 Anlev Industrial Limited (note ii)*	Hong Kong	HK\$1	100%	100%	100%	100%	100%	100%	100%	100%	100%	Investment holding
安樂屋宇服務(澳門)有限公司 ATAL Building Services (Macao) Limited (note iv)*	Macao	MOP25,000	100%	100%	100%	100%	100%	100%	100%	100%	100%	Designing, installing and maintenance services on building systems and fire systems engineering

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activity
			As at 31 December		At the date of this report		As at 31 December		At the date of this report		
			2016	2017	2018	At the date of this report	2016	2017	2018	At the date of this report	
安諾屋宇服務(澳門)有限公司 Analogue Building Services (Macao) Limited (note iv)*	Macao	MOP25,000	100%	100%	100%	100%	100%	100%	100%	100%	Designing, installing and maintenance services on building systems and fire systems engineering
Pedarco International Limited (note ii)	Hong Kong	HK\$203,000	100%	100%	100%	100%	100%	100%	100%	100%	Development, production and marketing of automated movement system
ATAL Belgoprocess Joint Venture Limited (note vii)	Hong Kong	HK\$10,000	87%	87%	—	—	87%	87%	—	—	Inactive
Wise Eagle Holdings Limited ("Wise Eagle") (notes viii & xii)*	BVI	USD1	100%	100%	—	—	100%	100%	—	—	Investment holding
安樂創新科技(澳門)有限公司 ATAL Technologies (Macao) Limited (note iv)	Macao	MOP25,000	100%	100%	100%	100%	100%	100%	100%	100%	Inactive
安樂管理服務有限公司 ATAL Management Services Limited (note ix)	Hong Kong	HK\$10,000	—	—	100%	100%	—	—	100%	100%	Provision of property management services
LATA Limited (note x)	Hong Kong	HK\$10,000	—	—	100%	100%	—	—	100%	100%	Investment holding
Anlev Brasil S.A. ("Anlev Brasil") (note vi)	Brazil	BRL951,115	—	—	—	—	—	—	—	—	Sale of elevators and moving walkways and providing maintenance services

Notes:

- * Directly held by the Company.
- (i) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for the years ended 31 December 2016 and 2017. This subsidiary was deregistered on 25 July 2018.
- (ii) The statutory financial statements of these subsidiaries were prepared in accordance with HKFRSs and were audited by us for the years ended 31 December 2016, 2017 and 2018.
- (iii) The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for the years ended 31 December 2016, 2017 and 2018.
- (iv) Historically, 4% of equity interests in these subsidiaries were held by Dr. Poon on behalf of the Group. On 16 May 2018, Dr. Poon transferred the legal ownership of the 4% equity interests to LATA Limited.
- (v) The statutory financial statements of this subsidiary were prepared in accordance with the relevant accounting principles and regulation in Macau and were audited by Deloitte Touche Tohmatsu - Sociedade de Auditores for the years ended 31 December 2016, 2017 and 2018.
- (v) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 江蘇永泰會計師事務所有限公司 for the years ended 31 December 2016, 2017 and 2018.
- (vi) This subsidiary had been liquidated during the year ended 31 December 2016.
- (vii) This subsidiary was deregistered on 15 June 2018.
- (viii) No audited financial statements have been prepared for this subsidiary for the years ended 31 December 2016, 2017 and 2018 as it was incorporated in the jurisdiction where there is no statutory audit requirements.
- (ix) This subsidiary was incorporated on 5 February 2018. The statutory financial statements were prepared in accordance with HKFRSs and were audited by us for the year ended 31 December 2018.
- (x) This subsidiary was incorporated on 26 March 2018. The statutory financial statements were prepared in accordance with HKFRSs and were audited by us for the year ended 31 December 2018.
- (xi) No audited financial statements have been prepared for this subsidiary for the years ended 31 December 2016, 2017 and 2018 as it was exempted for audit as a dormant company under section 447 of the Hong Kong Companies Ordinance.
- (xii) On 18 April 2018, the Company declared and approved payments of an interim dividend by way of distribution in specie of its entire interests in these subsidiaries.

52. DISTRIBUTION IN SPECIE

On 18 April 2018, the Company subscribed for, and was allotted and issued with, an additional 9,999 new shares in Wise Eagle at par in contemplation of the declaration of dividend by way of Distribution in Specie of its shareholding interest in the Wise Eagle Group as defined and detailed below.

On 18 April 2018, the Company declared and approved payments of an interim dividend by way of distribution in specie of its entire equity interests in Wise Eagle, a wholly owned subsidiary of the Company and holding company of Perfect Motive (collectively the "Wise Eagle Group") ("Distribution in Specie"). The net assets of Wise Eagle Group as at 18 April 2018 was approximately HK\$255,297,000, which excluded the deferred tax liabilities of approximately HK\$42,669,000 related to revaluation of its leasehold properties recognised on consolidation. The difference of HK\$42,669,000 was transferred to retained profits at the date of completion of the Distribution in Specie. The assets and liabilities of Wise Eagle Group derecognised as at 18 April 2018 are as follows:

	<u>HK\$'000</u>
Property, plant and equipment	543,085
Other receivables, deposits and prepayments	2,215
Bank balances and cash.....	739
Other payables and accrued expenses	(304)
Tax payable	(277)
Amounts due to the Group.....	(281,747) [#]
Deferred tax liabilities	<u>(51,083)</u>
Net assets attributable to owners of the Company and distributed by the Company through Distribution in Specie	<u><u>212,628</u></u>

[#] On 24 April 2018, the Company further declared and approved an interim dividend of HK\$281,747,000, which was settled through the current accounts due from Wise Eagle Group to the Group.

At the date of completion of Distribution in Specie, leasehold property revaluation reserve of approximately HK\$263,074,000 had been transferred to retained profits.

53. SUBSEQUENT EVENTS

On 14 September 2018, conditional upon the share premium account of the Company being credited as a result of the issue of the new shares pursuant to the initial listing of shares of the Company, the directors were authorised to allot and issue a total of 1,040,640,000 shares (or such other number of shares as any one director may determine), credited as fully paid, at par to the shareholders whose names appear on the share register at the close of business on 11 October 2018 (or such other date as the directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted) to their then respective shareholdings by way of capitalisation of the sum of HK\$10,406,400 (or any other amount as any one director may determine) standing to the credit of the share premium account of the Company, and such shares to be allotted and issued pursuant to the capitalization issue shall rank *pari passu* in all respects with the existing shares.

54. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of subsidiaries have been prepared in respect of any period subsequent to 31 December 2018.

The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, as set out in Appendix I to this prospectus, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 or any future dates.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 per Share
	<i>HK\$'000</i> <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>Note 3</i>
Based on the Offer Price of HK\$1.20 per Offer Share	<u>1,200,015</u>	<u>365,618</u>	<u>1,565,633</u>	<u>1.12</u>

Notes:

- (1) The amount of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 amounting to approximately HK\$1,200,015,000 is based on the consolidated net assets of the Group attributable to the owners of the Company of HK\$1,206,607,000 as at 31 December 2018 less intangible assets of the Group attributable to the owners of the Company of HK\$6,592,000 as at 31 December 2018 as extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 350,000,000 new shares to be issued at the Offer Price of HK\$1.20, after deduction of the estimated underwriting fees and other related expenses (excluding expenses charged to profit or loss up to 31 December 2018). It does not take into account any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 1,400,000,000 Shares in total, assuming that the Global Offering of 350,000,000 new shares and the shares to be issued pursuant to the Capitalisation Issue had been completed on 31 December 2018. It does not take into account any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Analogue Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Analogue Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 28 June 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 December 2018 as if the Global Offering had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2019

Set out below is a summary of certain provisions of the Memorandum of Association and Bye-laws of the Company and of certain aspects of Bermuda company law.

The Company was incorporated in Bermuda as an exempted company with limited liability on 18 July 1995 under Bermuda company law. The Company's constitutional documents consist of its Memorandum of Association (**Memorandum**) and its Bye-laws (**Bye-laws**).

1. MEMORANDUM OF ASSOCIATION

The Memorandum states, *inter alia*, that the liability of the shareholders of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the shareholders and that the Company is an exempted company as defined in the Companies Act 1981 of Bermuda, as amended from time to time (the "**Companies Act**"). The Memorandum also sets out the powers of the Company and the objects for which the Company was formed, including acting as a holding and investment company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to the Companies Act, the Memorandum of the Company empowers it to purchase its own shares; this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws of the Company were adopted on 14 September 2018 with effect from the date of Listing. A summary of certain provisions of the Bye-laws is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share Certificates

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. No signature of any Director, officer or other person and no mechanical reproduction of any such signature shall be required on any certificates for shares or other securities of the Company or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature. The Board may by resolution determine that the affixation of the securities seal on certificates for shares or other securities issued by the Company be dispensed with or be affixed by printing the image of the securities seal on such certificates.

The Company shall not be bound to register more than four persons as joint holders of any share.

(iii) ***Variation of rights of existing shares or classes of shares***

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Bye-laws relating to general meetings will apply mutatis mutandis to every such separate general meeting, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

(iv) ***Alterations of capital***

The Company may from time to time by ordinary resolution: (i) increase its share capital by the creation of new shares; (ii) consolidate all or any of its share capital into shares of larger amount than its existing shares; (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; (v) cancel any shares which at the date of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; (vi) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights; and (vii) change the currency denomination of its share capital.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

(v) ***Transfer of shares***

Subject to the Companies Act, all transfers of shares must be effected in any manner prescribed by and in accordance with the rules of the applicable stock exchange in Hong Kong or such other territory as the Board of Directors may from time to time decide if the issued ordinary share capital of the Company is listed on a stock exchange in such territory or by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be

executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members in respect of that share. Without prejudice to the foregoing, the Board of Directors may resolve, either generally or in a particular case, upon request by either the transferor or transferee, to accept machine imprinted signatures on the instrument of transfer.

The Board may, in its absolute discretion, at any time and from time to time transfer any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason, refuse to register a transfer of any shares (not being fully paid shares) to a person of whom it does not approve or on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless the specified fee of up to such other sum as the applicable stock exchange may determine to be payable is paid to the Company, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect to the transfer shall be obtained.

The registration of transfers may be suspended and the register may be closed at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than 30 days in any year.

(vi) ***Power for the Company to purchase its own shares***

The Company's power to repurchase its own shares is exercisable by the Board, upon such terms and subject to such conditions as it thinks fit.

(vii) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(viii) *Calls on shares and forfeiture of shares*

The Board may from time to time make such calls as it thinks fit upon the shareholders in respect of any monies unpaid on the shares held by them (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any shareholder willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a shareholder fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve a notice on the shareholder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting one-third of the Directors for the time being, or if their number is not three or a multiple of three then the number nearest to but not less than one third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been in office longest since their last election but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company at least seven days before the date of the general meeting.

The number of Directors shall not be less than two. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it thinks fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the

same may not make specific provision, as the Board may determine). Any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum, at the option of the holder.

The Board may, subject to the approval by the shareholders in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

All unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(iv) ***Borrowing powers***

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally or, in the case of any Director holding office for less than the whole of the

relevant period in respect of which the remuneration is paid, pro rata. These provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in the performance of their duties as Directors or otherwise incurred whilst engaged on the business of the Company. The Board may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director. The remuneration of managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may comprise remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company or is allied or associated with the Company or with any such subsidiary, or who are or were at any time Directors or officers of the Company or of any such other company and who hold or have held any salaried employment or office in the Company or such other company, and the dependents of any such persons, and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(vi) ***Compensation or payments for loss of office***

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans to Directors***

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarised in section 3(n) of this Appendix.

(viii) ***Financial assistance to acquire shares in the Company***

(aa) Subject, where applicable, to the rules of any relevant stock exchange: (x) the Company may in accordance with an employees' share scheme (as defined in the Companies Act) approved by the shareholders in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in

the Company or its holding company; and (y) the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons, including Directors and former Directors, employed in good faith by the Company with a view to enabling those persons, to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership.

(bb) The conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

(ix) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, as the Board may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested and shall not be liable to account to the Company or the shareholders for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms, or the termination, of such appointment).

Subject to the provisions of the Companies Act, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the shareholders for any benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship established by it. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his close associates has a material interest, and if he does so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition will not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including, the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Alterations to the constitutional documents and the Company's name

The Memorandum may, with the consent of the Minister of Finance of Bermuda (if required), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum, to approve any amendment of the Bye-laws or to change the name of the Company.

(d) Meetings of shareholders**(i) *Special resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such shareholders as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting: (a) on a poll, every shareholder present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share); and (b) on a show of hands every shareholder who is present in person or by a duly authorised corporate representative or by proxy shall have one vote. On a poll, a shareholder entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by shareholders present in person or by proxy or by a duly authorised corporate representative): (i) at least three shareholders for the time being entitled to vote at the meeting; or (ii) any shareholder or shareholders representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or (iii) a shareholder or shareholders holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Where a shareholder is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any shareholders' general meeting or any meeting of any class of shareholders, provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

(iii) *Annual general meetings*

An annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing and any other general meeting shall be called by at least 14 days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given to or by any person pursuant to these Bye-laws may be served on or delivered to any shareholder of the Company personally, by post to such shareholder's registered address or (other than share certificates) by advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in Hong Kong. Subject to the applicable laws of Bermuda and any rules prescribed by the Stock Exchange from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means.

(v) *Quorum for meetings and separate class meetings*

The quorum for a general meeting shall be two shareholders present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy or by a duly authorised corporate representative one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes, whether on a show of hands or on a poll, may be given either personally or by a duly authorised corporate representative or by proxy. A shareholder holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or an amendment to any resolution) put to the meeting for which it is given as the proxy thinks fit; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates. Any form issued to a shareholder for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

A proxy or proxies representing either an individual shareholder or a shareholder which is a corporation shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise, including the right to vote individually on a show of hands.

(e) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, the property, assets, credits and liabilities of the Company and all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No shareholder (not being a Director) or other person has any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting be sent to every shareholder of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as are for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by the Companies Act, the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting but, in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of their issue otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board thinks fit. The Company may also, upon the recommendation of the Board, by ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any shareholder willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the shareholder to receive any

dividend subsequently declared or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members.

(h) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 3(o) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company is wound up, the surplus assets remaining after payment to all creditors are to be divided among the shareholders in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the shareholders in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division is to be carried out as between the shareholders or

different classes of shareholders and the shareholders within each class. The liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator thinks fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

(j) Untraceable shareholders

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-Laws of the Company have remained uncashed;
- (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (iii) the Company has caused an advertisement to be inserted in the newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and
- (iv) the Company has notified the relevant stock exchange of its intention to effect such sale.

(k) Other provisions

Subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. BERMUDIAN PROVISIONS

Certain provisions of Bermuda company law are set out below but this summary does not purport to contain all applicable qualifications and exemptions or to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions with which interested parties may be more familiar.

(a) Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act on 18 July 1995. The Company was brought into existence by depositing its Memorandum with the Registrar of Companies in Bermuda (the “Registrar”).

(b) Constituent Documents

The business activities of a Bermudian company are governed by the provisions of its memorandum of association which sets out its specific business objects and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter being regarded as supplemental to the principal business objects.

The objects set out or included by reference in the different paragraphs of the objects clause in a company’s memorandum of association shall not, unless otherwise stated, be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the memorandum of association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

A company may, by resolution passed at a general meeting of members of which due notice has been given, alter its memorandum of association. After approval of the alteration by the members in general meeting, certain filings must be made with the Registrar. It is also necessary to obtain the Minister’s consent to the alteration if the company carries on any “restricted business activity” as defined in the Companies Act.

The bye-laws govern a company’s administration and the relationship between its members and its board of directors, and are required to make provision for certain limited matters.

The members of a company are entitled to receive copies of the company’s memorandum of association and bye-laws upon request. Each person who agrees to become a member of a company and whose name is entered in the register of members is deemed to be a member of the company.

(c) Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. Companies are required to pay an annual government fee (the “Government Fee”), which is determined on a sliding scale by reference to a company’s authorised share capital and share premium account, with the minimum fee being BD\$2,095

and the maximum fee being BD\$32,676 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at 31 August in the preceding year.

The Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax on profits, income or any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entity or any of its operations. In addition, there may be included an assurance that any such tax, or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entity. This assurance has been obtained by the Company for a period ending 31 March 2035.

(d) Stamp duty

Stamp duty is not chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on its transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

(e) Prospectus issues and public offers

Save as described below, before an offer of shares by a company to the public (as defined in the Companies Act), the company must publish, in writing, a prospectus signed by or on behalf of all its directors and prior to or as soon as reasonably practicable after publication of such a prospectus, the company shall file a copy of that prospectus with the Registrar. A certificate, signed by an attorney in Bermuda, must be filed with the prospectus, certifying that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the company in which the auditor confirms his consent to the inclusion of his name in the prospectus and the inclusion of his report in the prospectus to be issued by the company. It is not necessary for a company to publish and file a prospectus at any time or in any circumstances, where:

- (i) the shares are listed on an appointed stock exchange, or an application has been made for the shares to be so listed, and the rules of the appointed stock exchange do not require the company to publish and file a prospectus at such time or in such circumstances;
- (ii) the company is subject to the rules or regulations of a competent regulatory authority and such rules or regulations do not require the company to publish and file a prospectus at such time or in such circumstances, except where exemption from publication and filing of a prospectus is given by reason of the offer being made only to persons who are resident outside the jurisdiction of the authority; or

- (iii) an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus or other document in connection with the offer of shares to the public.

A number of stock exchanges and regulatory authorities have been approved by the Minister and designated as appointed stock exchanges and competent regulatory authorities, including The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Futures Commission, respectively.

(f) Exchange control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (“**BMA**”). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of a non-resident company such as the Company which are regarded as foreign currency securities by the BMA. Where any equity securities of a Bermudian company are listed on an appointed stock exchange (which includes The Stock Exchange of Hong Kong Limited), general permission is given for the issue and subsequent transfer of any securities of the company from and/or to a non-resident of Bermuda, for as long as any equity securities of the company remain so listed.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

(g) Share capital

Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called “the share premium account” and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except in limited circumstances, apply as if the share premium account were paid-up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants, which accounting principles are applied in Bermuda.

A company may issue preference shares and under certain circumstances convert those preference shares into redeemable preference shares.

(h) Alteration of share capital

A company may, if authorised by a general meeting of its members and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach to those shares any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any such alterations.

Furthermore a company may, if authorised by a general meeting of its members and subject to any order made by the Minister and to its memorandum of association and bye-laws, reduce its share capital. There are certain requirements, including a requirement before the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. A company is not permitted to reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

As soon as practicable after the allotment of any of its shares, a company must complete and have ready for delivery share certificates in relation to those shares unless the conditions of issue of the shares provide otherwise. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. A company is not permitted to allot and issue bearer shares.

(i) Purchase by a company of its own shares

If authorised to do so by its memorandum of association or bye-laws, a company limited by shares, or other company having a share capital, may purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see “Dividends” below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for

dividends, out of the company's share premium account, or out of contributed surplus. A purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the company or a combination of them.

No purchase by a company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased shall be treated as cancelled and the amount of the company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the company's authorised share capital.

A company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the memorandum of association or the bye-laws contain a specific enabling provision authorising any such purchase and the directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

(j) Transfer of securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister, namely through the mechanism required or permitted by an appointed stock exchange.

(k) Dividends and distributions

A company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, and donations of cash and other assets to the company.

(l) Charges on the assets of a company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. A series of debentures may also be registered.

(m) Management and administration

The management and administration of a Bermuda company shall be vested in the hands of not less than one director duly elected by the members.

The Companies Act requires that a Bermudian company maintains: (a) at least one director (other than an alternate director) who is ordinarily resident in Bermuda; or (b) a secretary or a resident representative which is either an individual or a company ordinarily resident in Bermuda.

The Companies Act contains no specific restrictions on the power of the directors of a company to resolve to dispose of assets of the company although it specifically requires that every officer of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore every officer is required to comply with the Companies Act, regulations passed pursuant to the Companies Act and the company's bye-laws.

(n) Loans to directors

A company is not permitted to make loans to any of its directors or to their families or companies in which they hold a 20% interest, without the consent of members of the company holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising.

(o) The investigation of the affairs of a company and the protection of minorities

The Minister may, at any time of his own volition or on the application of that proportion of the members of a company, as in his opinion, warrants the application, based in respect of a company limited by shares, or other company having a share capital, on their shareholding, appoint one or more inspectors to investigate the affairs of an exempted company and to report on that investigation in such manner as he may direct. Such an investigation shall be made in private unless the company requests that it be held in public. Furthermore, if any member of a company complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members or a report has been made to the Minister pursuant to an investigation, the Registrar on behalf of the Minister may make an application to the court. If the court is of the opinion that the company's affairs are being, or have been, conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up, then it may make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and, in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermudian courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement in that prospectus but this confers no right of action against the company itself. In addition, the company may take action against the officers for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company. Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the company by reason only of his holding or having held shares in the company or any right to apply or subscribe for shares or to be included in the company's register of members in respect of shares.

(p) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar, which include the company's certificate of incorporation, its memorandum of association and any alteration to the memorandum of association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the bye-laws, minutes of general meetings and audited financial statements of the company, which must be presented to the annual general meeting of members.

A company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. Where a member of the company or other person requests a copy of the register of members or branch register, this must be provided within 14 days of the request. Each company is required to keep at its registered office a register of its directors and officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

(q) Restrictions on the activities of exempted companies

Unless specifically authorised by its memorandum of association, an exempted company is not permitted to acquire, hold or take a mortgage of land in Bermuda (subject to certain exceptions), or acquire any bonds or debentures secured on any land in Bermuda except for bonds or debentures issued by the government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on outside Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities or investments issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licenced in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for, or consultant or advisor to the business of another exempted company, provided that other company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly, the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business

within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities in Bermuda. Furthermore, as an exempted company, the Company has been designated as “non resident” for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

(r) Accounting and auditing requirements

A company shall cause to be kept proper records of account with respect to: (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

The records of account shall be kept at the registered office of the company or at such other place as the directors of the company think fit and shall at all times be open to inspection by the directors or by a resident representative. These records of account shall also be maintained at the office of the resident representative if the company has appointed such a resident representative. If the records of account are kept at some place outside Bermuda, there shall be kept at an office of the company in Bermuda such records as will enable the directors or the resident representative to ascertain with reasonable accuracy the financial position of the company at the end of each three month period (or each six month period, where the company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the company to make available the records of account to any of the directors should the company for some reason refuse to do so.

The board of every company shall, at least once in every year, lay before the company in general meeting: (i) financial statements for the period (the details of which are prescribed in the Companies Act); (ii) the report of the auditor in respect of the financial statements; and (iii) the notes to the financial statements, which shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and, where the accounting principles used are those of a country or jurisdiction other than Bermuda, shall disclose this fact and name the country or jurisdiction.

The financial statements to be laid before the members in general meeting shall be signed on the balance sheet by a director of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the chairman of the meeting to adjourn the meeting for a period of up to 90 days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the requirements described above, at least five days before the general meeting of the company at which the financial statements would be tabled.

Companies listed on an appointed stock exchange may send summarised financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarised financial statements together with the auditors report and notice to elect to receive the unabridged financial statements must be sent to members 21 days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarised financial statements must be derived from the company's financial statements and shall include: (a) a summarised report of the unabridged financial statements; (b) such further information extracted from the financial statements as the board of directors considers appropriate; and (c) a statement that it is only a summarised version of the company's financial statements

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The members in general meeting have the power to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor if all the members and directors of the company agree, either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report need be laid before a general meeting.

The Companies Act contains specific requirements in relation to the appointment and disqualification of an auditor.

(s) Continuation and discontinuation of companies

- (i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the company's memorandum of continuance includes special objects enabling it to carry on any "restricted business activity" as defined in the Companies Act; and
- (ii) an exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the company for the purpose of the discontinuance of the company out of Bermuda.

(t) Winding-up and liquidation**(i) Introduction:**

The winding-up of Bermudian companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the “Rules”) and may be categorised as either into a voluntary winding up or a compulsory winding-up.

(ii) Voluntary Winding-Up:

- (aa) **Members’ Voluntary Winding-up** — A members’ voluntary winding-up is only possible if a company is solvent. A statutory declaration of solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company’s directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator be appointed.

Once the affairs of the company are fully wound-up, the liquidator prepares a full account of the liquidation which he then presents to the company’s members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

- (bb) **Creditors’ Voluntary Winding-up** — A creditors’ voluntary winding-up may occur where a company is insolvent and a statutory declaration of solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors’ voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company’s members and, subsequently, at a meeting of the company’s creditors.

Notice of the creditors’ meeting must appear in an appointed newspaper on at least two occasions and the directors must provide this meeting with a list of the company’s creditors and a full report of the position of the company’s affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s). In addition, the creditors are entitled to appoint a committee of inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) ***Compulsory Winding-Up:***

The courts of Bermuda may wind-up a Bermudian company on a petition presented by persons specified in the Companies Act, which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermudian court has been asked to wind-up the company and may include any of the following:

- (aa) that the company has by resolution resolved that it be wound-up by the Bermudian court;
- (bb) that the company is unable to pay its debts; and
- (cc) that the Bermudian court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the winding-up order being granted and the appointment of the provisional liquidator, an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator.

As soon as the winding-up order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a committee of inspection should be appointed and, if appointed, the members of that committee. The provisional liquidator notifies the court of the decisions made at these meetings and the court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up, namely to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

(u) General

Appleby, the Company's legal advisers on Bermudian law, have sent to the Company a letter of advice summarising aspects of Bermudian company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Bermudian company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 18 July 1995.

Our Company has established a principal place of business in Hong Kong at 13/F, Island Place Tower, 510 King's Road, North Point, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 June 2009. Dr. Poon and Ms. Li Kit Chi, Fiona (the company secretary of our Company) have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in Bermuda, we operate subject to the Companies Act and to the constitution comprising the Memorandum of Association and the Bye-laws. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company**(a) *Change in authorised and issued share capital***

Our Company was incorporated on 18 July 1995 with an authorised share capital of USD12,000 divided into 12,000 shares of US\$1 each.

As disclosed in "History, Reorganisation and Corporate Structure — Our History", HSBC International Trustee Limited subscribed for an additional 600 new shares in our Company at par value in June 1999. In this connection, the authorised share capital of our Company was increased pursuant to the written resolution of our Shareholders passed on 7 June 1999 by US\$600 divided into 600 shares, ranking *pari passu* in all respects with the then existing shares of our Company. Immediately following such increase, the authorised share capital of our Company was US\$12,600 divided into 12,600 shares.

In contemplation of the Global Offering, the authorised share capital of our Company was increased pursuant to the written resolutions of our Shareholders passed on 14 September 2018 by HK\$1,000,000,000 by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each, ranking *pari passu* in all respects with the then existing shares of our Company. Immediately following such increase, the authorised share capital of our Company was US\$12,600 divided into 12,600 shares with a par value of US\$1.00 each and HK\$1,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.01 each.

On the same day, our Company allotted and issued 7,921,680 Shares to Arling Investment at par value for HK\$79,216.80, 468,000 Shares to each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law at par value for HK\$4,680 respectively, and 34,320 Shares to Ms. Ng Yuk Ling Margaret at par value for HK\$343.20, which were set-off against and funded out of the repurchase price payable by our Company for the repurchase of 10,156 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$10,156 from Arling Investment, 600 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$600 from each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law, and 44 shares of our Company with par value of US\$1.00 each from Ms. Ng Yuk Ling Margaret for a total repurchase price of US\$44.

Following the said repurchase, the authorised but unissued share capital of our Company was diminished by cancellation of all the unissued share capital of our Company with par value of US\$1.00 each in the share capital of our Company pursuant to the written resolutions of our Shareholders passed on 14 September 2018. After such cancellation, our share capital was HK\$1,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.01 each.

Conditional upon the share premium account of our Company being credited with the proceeds of the Global Offering, an appropriate sum will be capitalised and applied in paying up in full such number of shares in our Company to be allotted and issued to the then existing shareholders of our Company so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75% of the issued share capital of our Company.

Assuming that the Global Offering and the Capitalisation Issue become unconditional and the issue of Shares is made pursuant thereto without taking into account any Shares which have been or may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue will be HK\$14,000,000 divided into 1,400,000,000 Shares, fully paid or credited as fully paid.

Saved as disclosed above and in “History, Reorganisation and Corporate Structure” and this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

Our subsidiaries are listed in “History, Reorganisation and Corporate Structure”. The following alterations in the share capital of our subsidiaries have taken place within two years preceding the date of this prospectus.

ATAL Engineering

On 11 October 2017, the share capital of ATAL Engineering increased from HK\$15,000,000 comprising of 150,000 shares to HK\$40,000,000 comprising of 400,000 shares.

ATAL Building Services Engineering

On 10 August 2017, the share capital of ATAL Building Services Engineering increased from HK\$22,500,000 comprising of 22,500,000 shares to HK\$40,000,000 comprising of 40,000,000 shares.

Anlev Elex Elevator

On 20 November 2017, the share capital of Anlev Elex Elevator increased from HK\$32,000,000 comprising of 32,000,000 shares to HK\$55,000,000 comprising of 55,000,000 shares.

ATAL Management Services

On 5 February 2018, ATAL Management Services was incorporated and 10,000 shares of HK\$1 each were allotted and issued to our Company.

LATA

On 26 March 2018, LATA was incorporated and 10,000 shares of HK\$1 each were allotted and issued to our Company.

Anlev Industrial

On 10 January 2019, the share capital of Anlev Industrial increased from HK\$1 comprising of 1 share to HK\$119,340,001 comprising of 119,340,001 shares.

4. Winding-up of Two Joint Venture Companies

We invested in two Hunan joint venture companies, Hunan Prisma Electrical Company Limited* (湖南普里斯瑪電氣有限公司) (“**Hunan Prisma**”) and Hunan Anlev Hiro Elevator Company Limited* (湖南海諾安諾電梯有限公司) (“**Anlev Hiro**”, together with Hunan Prisma the “**Relevant Joint Ventures**”) in 2013 with an aim of expanding our business reach in Mainland China’s local elevator industry. The principal business of Hunan Prisma is the supply of elevator parts, and the principal business of Anlev Hiro is the supply of elevators.

Hunan Prisma was set up on 31 January 2013 by (i) our wholly-owned subsidiary Anlev Industrial, (ii) Prisma S.P.A. (“**Prisma**”), an Italian company which is an Independent Third Party and (iii) Hunan Hiro Elevator Company Limited* (湖南海諾電梯有限公司) (“**Hiro**”), a PRC company which is an Independent Third Party, for the operation of businesses relating to the development, production and supply of elevator parts in Mainland China. The registered capital of Hunan Prisma is RMB50 million, which was contributed as to 39% by Anlev Industrial, 10% by Prisma and 51% by Hiro, pro rata to their shareholding in Hunan Prisma. Hunan Prisma is an associate of our Group.

Anlev Hiro was set up on 29 May 2013 by (i) our wholly-owned subsidiary Nanjing Anlev Elevator, (ii) Vision Alliance Industrial Limited (“**VAIL**”), a company wholly-owned by Mr. Cheong Hoi Sing Alex, a member of our senior management, and (iii) Hiro, for the operation of businesses relating to production, maintenance and supply of elevators in Mainland China. The registered capital of Anlev Hiro is RMB50 million, which was contributed as to 38% by Nanjing Anlev Elevator, 22% by VAIL and 40% by Hiro, pro rata to their shareholding in Anlev Hiro. Anlev Hiro is a joint venture company of our Group.

Our Directors considered that the Relevant Joint Ventures have not achieved the purposes for which they were set up since their respective establishment, and their respective joint venture partners have decided to commence the process of winding-up the Relevant Joint Ventures. The winding-up processes of Anlev Hiro and Hunan Prisma commenced in February 2018 and March 2018, respectively and Anlev Hiro was dissolved on 17 December 2018. The Directors consider that the winding-up will not have any material and adverse effect on the business operation, results of operation or financial position of the Group.

5. Written resolutions of our Shareholders passed on 14 September 2018

Our Shareholders passed written resolutions on 14 September 2018 to resolve that, amongst other things:

- (a) the Bye-laws were approved and adopted in substitution for and to the exclusion of the then existing bye-laws of our Company with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased by HK\$1,000,000,000 by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each, which will, upon issue and being fully paid, rank *pari passu* in all respects with the Shares of the Company in issue;
- (c) our Company allotted and issued an aggregate of 9,360,000 Shares for a total subscription price of HK\$93,600, which comprised of 7,921,680 Shares at par value for HK\$79,216.80 to Arling Investment, 468,000 Shares at par value for HK\$4,680 to each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law, and 34,320 Shares at par value for HK\$343.20 to Ms. Ng Yuk Ling Margaret, which were set-off against and funded out of the Total Repurchase Price (as defined in sub-paragraph (d) hereinbelow) payable by our Company to Arling Investment, Mr. Cheng, Mr. Fong Chun Yau, Mr. Law and Ms. Ng Yuk Ling Margaret as detailed in sub-paragraph (d) hereinbelow;

- (d) our Company repurchased 10,156 shares from Arling Investment, 600 shares from each of Mr. Cheng, Mr. Fong Chun Yau and Mr. Law, and 44 shares from Ms. Ng Yuk Ling Margaret in the existing share capital of our Company with par value of US\$1.00 each, at a repurchase price of US\$1.00 per share and at an aggregate price of US\$12,000 (equivalent to HK\$93,600) (the “**Total Repurchase Price**”), which was set-off against the total subscription price of HK\$93,600 referred to in sub-paragraph (c) hereinabove;
- (e) following the repurchase referred to in sub-paragraph (d) hereinabove, the authorised but unissued share capital of our Company was diminished by the cancellation of all the unissued shares of our Company with par value of US\$1.00 each in the authorised share capital of our Company;
- (f) conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 1,040,640,000 Shares (or such other number of Shares as any one Director may determine), credited as fully-paid, at par to our Shareholders whose names appear on the register of members of our Company at close of business on 11 October 2018 (or such other date as our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted) to their then respective shareholdings by way of capitalisation of the sum of HK\$10,406,400 (or any other amount as any one Director may determine) standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (g) conditional on (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the execution and delivery of the Underwriting Agreements on or around the respective dates as mentioned in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
- (1) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (2) the Listing was approved;

- (3) the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “— D. Share Option Scheme” in this Appendix, was approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (4) a general unconditional mandate (the “**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Bye-laws, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules or any specific authority granted by the Shareholders in general meetings, in the aggregate number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable Bermuda law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying the authority given to the Directors, whichever is the earliest;
- (5) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to repurchase Shares with total number not exceeding 10% of the total number of Shares in issue and to be issued immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares that may be issued upon exercise of the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within by which the next annual general meeting of our Company is required by the Bye-laws or any applicable Bermuda law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting of our Company revoking or varying the authority given to the Directors, whichever is the earliest; and

- (6) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (4) above by the addition to the aggregate number of Shares of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to sub-paragraph (5) above.

6. Reorganisation

In preparation for the listing of the Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group.

See “History, Reorganisation and Corporate Structure — Reorganisation” for details of the Reorganisation arrangements undergone by our Group in preparation for the Listing, and the chart showing our Group’s structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Global Offering.

7. Repurchases by our Company of its own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders’ approval*

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval to our Directors.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws of our Company and the Listing Rules and the applicable laws of the Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading

rules of the Stock Exchange. Subject to the foregoing, under the Companies Act any repurchases by our Company may be made out of our Company's profits, out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Bye-laws and the applicable laws in Bermuda, out of capital of our Company. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue and to be issued immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option). A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25%. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may request.

(iv) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled upon repurchase and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

(v) *Suspension of repurchase*

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing

Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted for publication on the website of the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of Shares repurchased each month, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to our Company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) ***Funding of repurchases and impact on working capital or gearing position***

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Bye-laws, the Listing Rules and the applicable laws of Bermuda.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) **General**

The exercise in full of the Repurchase Mandate, on the basis of 1,400,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to 140,000,000 Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Bye-laws to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda and the Bye-laws.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Indemnity;
- (b) the cornerstone investment agreement dated 25 June 2019 entered into between the Company, Mr. YU Kam Kee Lawrence, the Sole Sponsor and the Sole Global Coordinator, further information on which is set forth in the section headed “Cornerstone Investment” in this prospectus;
- (c) the cornerstone investment agreement dated 25 June 2019 entered into between the Company, Dato WONG Sin Just, the Sole Sponsor and the Sole Global Coordinator, further information on which is set forth in the section headed “Cornerstone Investment” in this prospectus; and
- (d) the Hong Kong Underwriting Agreement.








2. Material Intellectual property rights of our Group





Set out below is a summary of our material intellectual property rights. Our material intellectual property rights were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects.

(a) Trademarks

As at the Latest Practicable Date, members of our Group were the registered owner of the following trademarks which we believe are material to our business:




	Trademark	Place of		Registration			
		Registration	Class	Registrant	Number	Date	Expiry Date
1.		Hong Kong	16, 28, 35, 37, 42	Our Company	301688130	12 August 2010	11 August 2020

	Trademark	Place of		Registrant	Registration		
		Registration	Class		Number	Date	Expiry Date
2.	A.  B. 	Hong Kong	9, 11, 17, 19, 35, 38, 42, 45	Our Company	303255282	31 December 2014	30 December 2024
3.	A.  B. 	Hong Kong	9, 11, 17, 19, 35, 37, 38, 42, 45	Our Company	303706650	8 March 2016	7 March 2026
4.	A.  B. 	Hong Kong	9, 11, 17, 19, 35, 37, 38, 42, 45	Our Company	303706669	8 March 2016	7 March 2026
5.		Macao	9, 11, 17, 19, 35, 38, 42, 45	Our Company	N/102381 (897), N/102382 (889), N/102383 (201), N/102384 (650), N/102385 (607), N/102386 (132), N/102387 (104), N/102388 (813)	26 January 2016	26 January 2023

	Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Registration Expiry Date
6.		Macao	9, 11, 17, 19, 35, 37, 38, 42, 45	Our Company	N/110436 (112), N/110437 (951), N/110438 (808), N/110439 (734), N/110440 (861), N/110441 (670), N/110442 (575), N/110443 (277), N/110444 (522)	13 September 2016	13 September 2023
7.		Macao	9, 11, 17, 19, 35, 37, 38, 42, 45	Our Company	N/110445 (497), N/110446 (232), N/110447 (450), N/110448 (817), N/110449 (281), N/110450 (489), N/110451 (463), N/110452 (988), N/110453 (287)	13 September 2016	13 September 2023
8.		PRC	9, 11, 17, 19, 35, 38, 37, 42, 45	Our Company	19397252A	28 June 2017	27 June 2027
9.		PRC	17, 19, 11,9, 42, 35, 38, 45	Our Company	16335115	28 June 2016	27 June 2026

	Trademark	Place of			Registration		
		Registration	Class	Registrant	Number	Date	Expiry Date
10.		Hong Kong	16,28	AT&T Engineering	19820154	9 April 1981	9 April 2026
11.		Hong Kong	28, 35, 37, 42	AT&T Engineering	301995012	4 August 2011	3 August 2021
12.		PRC	7	Anlev Elex Elevator	3662572	7 July 2005	6 July 2025
13.		PRC	35	Anlev Elex Elevator	3662571	28 July 2005	27 July 2025
14.		PRC	37	Anlev Elex Elevator	3662570	21 November 2005	20 November 2025
15.		PRC	42	Anlev Elex Elevator	3662569	14 October 2005	13 October 2025
16.		PRC	42	Pedarco International	13444276	7 February 2015	6 February 2025
17.		PRC	37	Pedarco International	13444275	7 February 2015	6 February 2025
18.		PRC	35	Pedarco International	13444274	28 August 2015	27 August 2025
19.		PRC	7	Pedarco International	13444273	7 February 2015	6 February 2025
20.	ANLEV	Canada	7,37,41	Anlev Industrial	TMA556921	28 January 2002	28 January 2032
21.		Canada	7,37,41	Anlev Industrial	TMA557781	12 February 2002	12 February 2032
22.		PRC	9	Nanjing Analogue Technologies	8150658	7 June 2012	6 June 2022
23.		Hong Kong	9, 11, 37	Analogue Technical Agencies	302049642	6 October 2011	5 October 2021

As at the Latest Practicable Date, members of our Group had applied for the registration of the following trademarks which we believe are material to our business:

	Trademark	Place of Application	Class	Applicant	Application Number	Application Date
1.		PRC	11, 9	Our Company	27116225	26 October 2017
2.		PRC	9, 11, 17, 19, 35, 37, 38, 42, 45	Our Company	19397207	23 March 2016
3.		Hong Kong	9, 11, 17, 19, 35, 37, 38, 42, 45	Our Company	304649987	28 August 2018

(b) **Domain Names**

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

	Domain Name	Registrant	Registration Date	Expiration Date
1.	ANALOGUE.COM.CN	ATAL Engineering	6 January 2004	6 January 2021
2.	ANALOGUE.COM.HK	Analogue Technical Agencies	18 June 1997	1 September 2020
3.	ANALOGUE.HK	Analogue Technical Agencies	6 April 2004	15 May 2021
4.	ANALOGUEHOLDINGS.COM	Our Company	21 February 2012	21 February 2021
5.	ANALOGUEHOLDINGS.COM.CN	ATAL Engineering	6 January 2004	6 January 2021
6.	ANALOGUEHOLDINGS.COM.HK	Our Company	30 March 1998	1 September 2020
7.	ANALOGUEHOLDINGS.HK	Our Company	6 April 2004	15 May 2021
8.	ANLEV.COM	Anlev (HK)	24 March 2000	24 March 2020

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	Domain Name	Registrant	Registration Date	Expiration Date
9.	ANLEV.COM.CN	ATAL Engineering	6 January 2004	6 January 2021
10.	ANLEV.COM.HK	Anlev Elex Elevator	24 October 2008	30 October 2020
11.	ANLEV.HK	Anlev (HK)	17 May 2004	5 June 2021
12.	ATAL.COM.CN	ATAL Engineering	6 January 2004	6 January 2021
13.	ATAL.COM.HK	ATAL Engineering	18 June 1997	1 October 2020
14.	ATAL.COM.MO	ATAL Engineering (Macao)	1 August 2006	2 September 2020
15.	ATAL.HK	ATAL Engineering	6 April 2004	15 May 2021
16.	ATALBS.COM	ATAL Building Services Engineering	21 February 2012	21 February 2021
17.	ATALBS.COM.HK	ATAL Building Services Engineering	21 May 2009	21 May 2021
18.	ATALBS.COM.MO	ATAL Engineering (Macao)	12 March 2012	12 March 2020
19.	ATALBS.HK	ATAL Engineering	29 February 2012	28 February 2021
20.	ATALDCI.COM	ATAL Data Centre Infrastructure	21 February 2012	21 February 2021
21.	ATALDCI.COM.HK	ATAL Data Centre Infrastructure	18 March 2011	21 March 2021
22.	ATALDCI.HK	ATAL Engineering	29 February 2012	28 February 2021
23.	ATAL-ENGINEERING.COM	ATAL Engineering	10 April 2015	10 April 2021
24.	ATALENGINEERING.COM	ATAL Engineering	2 February 2015	2 February 2021
25.	ATALENGINEERING.COM.HK	ATAL Engineering	2 February 2015	3 February 2021

	<u>Domain Name</u>	<u>Registrant</u>	<u>Registration Date</u>	<u>Expiration Date</u>
26.	ATALENGINEERINGGROUP.COM	ATAL Engineering	20 February 2017	20 February 2021
27.	ATALENGINEERINGGROUP.COM.HK	ATAL Engineering	20 February 2017	20 February 2021
28.	ATAL-ENGINEERS.COM	ATAL Engineering	10 April 2015	10 April 2021
29.	ATALENGINEERS.COM	ATAL Engineering	10 April 2015	10 April 2021
30.	ATALGROUP.COM	ATAL Engineering	2 March 2017	2 March 2021
31.	ATALGROUP.COM.HK	ATAL Engineering	3 March 2017	3 March 2021
32.	ATALGROUP.COM.CN	ATAL Engineering	3 March 2017	3 March 2021
33.	ATALTECHNOLOGIES.COM	ATAL Technologies	6 May 2003	6 May 2020
34.	ATALTECHNOLOGIES.COM.HK	ATAL Engineering	29 February 2012	1 March 2021
35.	ATALTECHNOLOGIES.HK	ATAL Technologies	17 May 2004	5 June 2021
36.	CANATAL.COM.HK	Our Company	7 July 2006	18 July 2020
37.	ELEX.COM.HK	Anlev Elex Elevator	18 June 1997	1 September 2020
38.	ELEX.HK	Anlev Elex Elevator	6 April 2004	15 May 2021
39.	LEDAZ.COM.CN	Analogue Technical Agencies	5 March 2012	5 March 2021
40.	LEDAZ.COM.HK	ATAL Engineering	21 February 2012	28 February 2021
41.	LEDAZ.HK	ATAL Engineering	21 February 2012	27 February 2021
42.	LEDAZ.NET	ATAL Building Services Engineering	22 February 2012	22 February 2021
43.	NJATECH.COM	Anlev (HK)	2 September 2009	2 September 2021
44.	NJATECH.COM.CN	Anlev (HK)	2 September 2009	2 September 2020

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	<u>Domain Name</u>	<u>Registrant</u>	<u>Registration Date</u>	<u>Expiration Date</u>
45.	PEDARCO.COM.HK	ATAL Engineering	8 July 2013	10 July 2020
46.	PEDARCO.COM.CN	Anlev (HK)	19 April 2013	19 April 2020
47.	PEDARCO.BIZ	Pedarco International	14 November 2010	13 November 2020
48.	PEDARCO.EU	Pedarco International	14 November 2010	14 November 2020
49.	PEDARCO.INFO	Pedarco International	14 November 2010	14 November 2020
50.	PEDARCO.NET	Pedarco International	14 November 2010	14 November 2020
51.	PEDARCO.ORG	Pedarco International	14 November 2010	14 November 2020
52.	PEDARCO.COM	Pedarco International	14 November 2010	14 November 2020
53.	PEDARCO.US	Pedarco International	15 November 2010	14 November 2020
54.	ATAL.COM	ATAL Engineering	19 February 1996	20 February 2023

The contents of the above websites, registered or licensed, do not form part of this prospectus.

(c) Patents

As at the Latest Practicable Date, members of our Group had been granted the following patents which are material to our business:

Proprietor	Invention	Place of Registration	Patent Number	Date of Grant/ Date of Publication	Expiration Date
1. ATAL Technologies	Automated Clearance System and Method	Hong Kong	HK1167232	23 November, 2012	30 September, 2019
2. ATAL Technologies	Infrared Testing System (紅外線檢測系統)	PRC	ZL 2009 2 0218477.1	28 July, 2010	13 October, 2019
3. ATAL Engineering	Deposition device for liquid treatment (一種沉澱池及廢水沉澱方法)	PRC	ZL 2005 1 0002171.9	13 February 2008	13 January 2025
4. ATAL Engineering; 德國BHU環保技術公司	Aeration biological filter tank and arraying method of aeration filtering head (曝氣生物濾池及曝氣濾頭的排列方法)	PRC	ZL 2004 1 0033940.7	15 October 2008	18 April 2024
5. ATAL Engineering	Paste material incineration and kiln feed device (一種膏狀物料焚燒入窯裝置)	PRC	ZL 2015 1 0676908.9	2 October 2018	18 October 2035
6. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Australia	2012311213	8 June 2017	19 September 2032

Proprietor	Invention	Place of Registration	Patent Number	Date of Grant/ Date of Publication	Expiration Date
7. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Austria	EP2748095	29 July 2015	19 September 2032
8. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles (克服障礙的升降機平移機設備中傳送客廂的豎直和水平運動系統)	PRC	ZL 20128004107.5	3 May 2017	19 September 2032
9. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	European Union	EP2748095	29 July 2015	19 September 2032
10. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Finland	EP2748095	29 July 2015	19 September 2032

Proprietor	Invention	Place of Registration	Patent Number	Date of Grant/ Date of Publication	Expiration Date
11. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	France	EP2748095	29 July 2015	19 September 2032
12. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Germany	EP2748095	29 July 2015	19 September 2032
13. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Hong Kong	HK1196347	22 January 2016	19 September 2032
14. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Italy	EP2748095	29 July 2015	19 September 2032
15. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Japan	6139533	12 May 2017	19 September 2032

Proprietor	Invention	Place of Registration	Patent Number	Date of Grant/ Date of Publication	Expiration Date
16. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Malaysia	MY-167292-A	15 August 2018	19 September 2032
17. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Netherlands	EP2748095	29 July 2015	19 September 2032
18. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Russia	2603996	10 November 2016	19 September 2032
19. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	South Africa	2014/02047	25 March 2015	19 September 2032

Proprietor	Invention	Place of Registration	Patent Number	Date of Grant/ Date of Publication	Expiration Date
20. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Spain	EP2748095	29 July 2015	19 September 2032
21. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Switzerland	EP2748095	29 July 2015	19 September 2032
22. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Turkey	EP2748095	29 July 2015	19 September 2032
23. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	United Kingdom	EP2748095	29 July 2015	19 September 2032
24. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	United States	US9,469,506 B2	18 October 2016	19 September 2032

Proprietor	Invention	Place of Registration	Patent Number	Date of Grant/	
				Date of Publication	Expiration Date
25. Pedarco International	Vertical and horizontal movement system	Australia	2014259106	16 April 2014	16 April 2034
26. Pedarco International	Vertical and horizontal movement system	Brazil	BR112015026947-8	25 July 2017	15 April 2034
27. Pedarco International	Vertical and horizontal movement system	Russia	2657827	15 June 2018	16 April 2034

As at the Latest Practicable Date, members of our Group had applied for the registration of the following patents which we believe are material to our business:

Proprietor	Invention	Place of Application	Date of Application	
			Application Number	Date of Application
1. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Application under the International Patent System	PCT/IB2012/001824	19 September 2012
2. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Brazil	BR112014006796-1	21 March 2014
3. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Canada	2848632	13 March 2014

Proprietor	Invention	Place of Application	Application Number	Date of Application
4. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	India	2960/DELNP/2014	15 April 2014
5. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Indonesia	P00201402217	16 April 2014
6. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Nigeria	NG/PT/C/2014/83	19 September 2012
7. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	South Korea	10-2014-7010663	22 April 2014
8. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Thailand	1401001512	20 March 2014
9. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	United Arab Emirates	277/2014	19 September 2012

Proprietor	Invention	Place of Application	Application Number	Date of Application
10. Pedarco International	System of vertical and horizontal movement of the transport cabin in a elevator translator plant for the overcoming of obstacles	Vietnam	1-2014-01317	19 September 2012
11. Pedarco International	Vertical and horizontal movement system	Application under the International Patent System	PCT/IB2014/000558	16 April 2014
12. Pedarco International	Vertical and horizontal movement system	Canada	2,913,802	22 October 2015
13. Pedarco International	Vertical and horizontal movement system	European Union	14728274.3	16 April 2014
14. Pedarco International	Vertical and horizontal movement system	Hong Kong	16103395.7	23 March 2016
15. Pedarco International	Vertical and horizontal movement system	India	10686/DELNP/2015A	20 November 2015
16. Pedarco International	Vertical and horizontal movement system	Japan	2016-509559	14 December 2015
17. Pedarco International	Vertical and horizontal movement system	South Korea	10-2015-7033441	23 November 2015
18. Pedarco International	Vertical and horizontal movement system	United Arab Emirates	1442/2015	22 October 2015
19. Pedarco International	Vertical and horizontal movement system	United States	14/785,803	20 October 2015

(d) **Designs**

As at the Latest Practicable Date, members of our Group had registered the following designs which are material to our business:

	Registered Owner	Article	Place of Registration	Registration Number	Date of Registration	Expiration Date
1.	ATAL Technologies	Data Capture Device	Hong Kong	1101684.3	30 September 2011	29 September 2021
2.	ATAL Technologies	Barrier Structure	Hong Kong	1101685.6	30 September 2011	29 September 2021
3.	ATAL Technologies	Data Capture Device	Hong Kong	1101686.8	30 September 2011	29 September 2021
4.	ATAL Technologies	Barrier structure having Data Capture Device	E.U.	002018218-0001	30 March 2012	30 March 2022
5.	ATAL Technologies	Data Capture Device	E.U.	002018218-0002	30 March 2012	30 March 2022
6.	ATAL Technologies	Data Capture Device	E.U.	002018218-0003	30 March 2012	30 March 2022
7.	ATAL Technologies	Barrier structure	United States	USD696,792 S	31 December 2013	31 December 2027
8.	Anlev Industrial	Button of elevator	Hong Kong	1800372.7	27 February 2018	26 February 2023

The contents of the above websites, registered or licensed, do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' Letters of Appointment

Each of our executive Directors entered into a letter of appointment with our Company for an initial term of three years, commencing from 21 June 2019 (subject to termination in certain circumstances as stipulated in his letter of appointment). The annual director's fee payable to our executive Directors by our Group is as follows:

Executive Director	Director's fee (per annum)
Dr. Poon Lok To, Otto	nil
Mr. Cheng Siu Ngai Kevin.....	nil
Mr. Law Wei Tak.....	nil
Mr. Chan Hoi Ming.....	nil

Our non-executive Director, Dr. Mak Kin Wah, entered into a letter of appointment with our Company for an initial term of three years, commencing from 21 June 2019 (subject to termination in certain circumstances as stipulated in his letter of appointment).

Our independent non-executive Director, Mr. Chan Fu Keung entered into a letter of appointment with our Company for an initial term of three years, commencing from 1 April 2018 (subject to termination in certain circumstances as stipulated in his letter of appointment).

Our independent non-executive Directors, Mr. Lam Kin Fung Jeffrey and Mr. Wong King On Samuel, each signed a letter of appointment with our Company for an initial term of three years, commencing from 1 May 2018 (subject to termination in certain circumstances as stipulated in his letter of appointment).

The annual director's fee payable to each of our non-executive Director and independent non-executive Directors under the relevant letters of appointment is as follows:

Non-executive Director	Director's fee (per annum)
Dr. Mak Kin Wah	nil
Independent non-executive Director	Director's fee (per annum)
Mr. Chan Fu Keung	HK\$400,000
Mr. Lam Kin Fung Jeffrey.....	HK\$400,000
Mr. Wong King On Samuel.....	HK\$400,000

All of our Directors are covered by the directors' and officers' liability insurance purchased by our Company.

2. Directors' and senior management's remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of FY2016, FY2017 and FY2018 were approximately HK\$23.4 million, HK\$16.9 million and HK\$27.9 million, respectively. The aggregate emoluments paid by our Group to our senior management (excluding our Directors) in respect of FY2016, FY2017 and FY2018 were approximately HK\$7.5 million, HK\$8.0 million and HK\$13.8 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to our Directors for the year ending 31 December 2019 are expected to be approximately HK\$13.1 million.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for FY2016, FY2017 and FY2018 (a) as an inducement to join or upon joining our Company or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and FY2018.

3. Disclosure of Interests

- (a) *Interests and short position of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and the associated corporations*

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the interests or short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions

by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest/Capacity	Relevant company (including associated corporations)	Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding
Dr. Poon.....	Founder of a discretionary trust <i>(Notes 1 & 2)</i>	Arling Investment <i>(Note 1)</i>	2	100%
Dr. Poon.....	Founder of a discretionary trust and Interest of controlled corporation <i>(Note 2)</i>	Our Company	888,650,000	63.48%
Mr. Cheng.....	Beneficial interest	Our Company	52,500,000	3.75%
Mr. Law	Beneficial interest	Our Company	52,500,000	3.75%
Dr. Poon	Founder of a discretionary trust and Interest of controlled corporation <i>(Notes 1 & 2)</i>	Wise Eagle <i>(Note 1)</i>	8,463	84.63%
Mr. Cheng.....	Beneficial interest	Wise Eagle <i>(Note 1)</i>	500	5%
Mr. Law	Beneficial interest	Wise Eagle <i>(Note 1)</i>	500	5%
Dr. Poon.....	Founder of a discretionary trust and Interest of controlled corporation <i>(Notes 1 & 2)</i>	Perfect Motive <i>(Note 1)</i>	1	100%

Notes:

1. Immediately following the completion of the Capitalisation Issue and the Global Offering, Arling Investment will hold 63.48% of the issued share capital of our Company. Arling Investment directly holds 84.63% of the issued share capital of Wise Eagle, which in turn holds 100% of the issued share capital of Perfect Motive. Accordingly, Arling Investment, the holding company of our Company, and Wise Eagle and Perfect Motive, being subsidiaries of Arling Investment, are associated corporations of our Company within the meaning of Part XV of the SFO.
2. Arling Investment is wholly owned by Ardik Investment and Ardik Investment is in turn wholly owned by HSBC International Trustee Limited as the trustee of The Otto Poon Family Trust. Dr. Poon is the settlor and protector of The Otto Poon Family Trust. Accordingly, Dr. Poon is deemed to be interested in the same number of Shares held by Arling Investment under Part XV of the SFO.

In addition, Perfect Motive is beneficially wholly-owned by Wise Eagle, which in turn is beneficially owned as to 84.63% by Arling Investment. Arling Investment is therefore deemed to be interested in the entire issued share capital of Perfect Motive under Part XV of the SFO.

Dr. Poon is accordingly deemed to be interested in (i) the entire issued share capital of Arling Investment, (ii) the Shares in which Arling Investment is interested and (iii) the shares in Wise Eagle and Perfect Motive in which Arling Investment is interested, under Part XV of the SFO.

Save as disclosed in the sections headed “History, Reorganisation and Corporate Structure”, “Relationship with our Controlling Shareholders” and the paragraph headed “— C. Further information about our Directors and substantial Shareholders — 1. Particulars of Directors’ Letters of Appointment” in this Appendix, none of our Directors or their close associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Interests of Substantial Shareholders*

Save as disclosed in “Substantial Shareholders”, so far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, HSBC International Trustee Limited, Ardik Investment and person having a deemed interest under section 316(1)(a) of the SFO will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Disclaimers

- (a) save as disclosed in the sections headed “History, Reorganisation and Corporate Structure”, “Relationship with our Controlling Shareholders” and “— A. Further Information about Our Group — 6. Reorganisation” of this Appendix, none of our Directors nor any of the persons listed in “— E. Other Information — 8. Qualifications of experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) save as disclosed in sections headed “History, Reorganisation and Corporate Structure”, “Relationship with our Controlling Shareholders” and “— A. Further Information about our Group — 6. Reorganisation” of this Appendix, none of our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group; and
- (c) save as disclosed in “— 1. Particulars of Directors’ Letters of Appointment” above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

D. SHARE OPTION SCHEME**4.1 Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our then Shareholders on 14 September 2018 to take effect on the Listing Date:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) ***Maximum number of the Shares***

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other Share Option Scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding 140,000,000 Shares) on the Listing Date ("**General Scheme Limit**").
- (c) Subject to (a) above but without prejudice to (d) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option

scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under the Listing Rules.

- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

(iv) ***Maximum entitlement of each participant***

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders, which must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) ***Grant of options to the Directors, chief executive or Substantial Shareholders of our Company or their respective associates***

- (a) Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).

(b) Where any grant of options to a Substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1% of the Shares in issue; and

(bb) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favour at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent by our Company to the Shareholders). Our Company must send a circular to the Shareholders containing the information required under the Listing Rules, within such time as may be specified in the Listing Rules, and where the Listing Rules shall so require, the vote at the shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) ***Time of acceptance and exercise of option***

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) ***Performance targets***

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) ***Subscription price for the Shares and consideration for the option***

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) ***Ranking of the Shares***

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Bye-laws of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) ***Restrictions on the time of the offer for the grant of options***

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) ***Rights on ceasing employment***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

“Eligible Employee” means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) ***Rights on death, ill-health or retirement***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) ***Rights on dismissal***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has

been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his close associate has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme or arrangement is formally proposed to Shareholders of our Company, a grantee shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) *Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in

accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) ***Grantee being a company wholly owned by eligible participants***

If the grantee is a company wholly owned by one or more eligible participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) ***Adjustments to the subscription price***

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any such adjustments shall give a grantee the same proportion of the number of issued Shares as that to which he was entitled prior to such alteration; (bb) no such adjustment shall be made to the extent that a Share would be issued at less than its nominal value; (cc) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring such adjustment; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes and/or interpretation of the Listing Rules issued by the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) *Cancellation of options*

Subject to the terms of the Share Option Scheme, any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors, except where the grantee sells, transfers, charges, mortgages, encumbers or otherwise disposes of or creates any interest whatsoever in favour of any third party over or in relation to any option granted to him/her or enters into any agreement so to do in contrary to the terms of the Share Option Scheme, in which case our Company shall be entitled to cancel any option granted to such grantee to the extent not already exercised.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (c) and (d) above.

(xxi) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

(xxiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period in respect of such option;
- (b) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (c) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (a) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (b) The terms and conditions of the Share Option Scheme relating to the matters set out in the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (c) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of the Listing Rules.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

4.2 Present status of the Share Option Scheme**(i) Approval of the Listing Committee required**

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of options

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) ***Value of options***

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) ***Compliance with the Listing Rules***

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Taxation of holders of Shares

(i) ***Bermuda***

Under the present Bermuda law, there is no stamp duty payable in Bermuda on transfers of Shares.

(ii) ***Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(iii) ***Consultation with professional adviser***

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

3. Indemnities given by Dr. Poon

Under the Deed of Indemnity, Dr. Poon (the “Indemnifier”) undertakes to and covenanted with our Company that he will indemnify and at all times keep our Group fully indemnified against any actions, claims, losses, liabilities, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claims arising on or before the effective date of the Deed of Indemnity, being the Listing Date, which are covered by the indemnities in relation to taxation, estate duty and claims (as set out below) including, but not limited to, all reasonable costs (including legal costs), charges, expenses, penalties and other liabilities which our Group may reasonably and properly incur in connection with:

- (a) the investigation, assessment or the contesting of any of the above claims;
- (b) the settlement of any of the above claims;
- (c) any legal proceedings in which our Group claims under or in respect of the Deed of Indemnity and in which judgment is given in favour of our Group; or
- (d) the enforcement of any such settlement or judgment in respect of any claim.

4. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Sponsor and the application for listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and Global Offering and any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

7. Preliminary expenses and the Sole Sponsor's fees

The preliminary expenses of our Company of approximately US\$5,500 were fully settled by our Company. The Sole Sponsor will be paid by our Company an aggregate fee of HK\$4.8 million to act as the sole sponsor to the Global Offering.

8. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
BOCOM International (Asia) Limited	a licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers to the Company as to Bermuda law
Jingtian & Gongcheng	Qualified PRC lawyers
Rato, Ling, Lei & Cortés — Advogados	Qualified Macau lawyers
Hogan Lovells	Legal advisers as to International Sanctions law
Frost & Sullivan Limited	Industry consultant
GS Law Firm	Macau Counsel

9. Consents of experts

Each of the experts referred to above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. Each of the experts' statements have been made on the date of this prospectus and were made by such expert for incorporation in this prospectus.

As at the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable for not) to subscribe for or nominate persons to subscribe for securities in any member of our Group, and none of such experts is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Miscellaneous

Except as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;
- (b) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (d) since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;
- (e) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) no company within our Group is presently listed on any stock exchange or traded or any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived;
- (h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus; and
- (i) our Company has no outstanding convertible debt securities as at the Latest Practicable Date.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **GREEN** Application Forms, the written consents referred to in “E. Other Information — 9. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in “B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5/F, Alexandra House, 18 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Bye-laws;
- (b) the accountants’ report on historical financial information of our Group for the three years ended 31 December 2018 issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the Company and where applicable, companies now comprising our Group, for the three years ended 31 December 2018;
- (d) the independent reporting accountants’ assurance report issued by Deloitte Touche Tohmatsu on the compilation of unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Appleby summarising certain aspects of Bermuda company law referred to in Appendix III to this prospectus;
- (f) the Companies Act;
- (g) the legal opinion issued by Jingtian & Gongcheng in respect of the general matters and property interests of our Group in Mainland China;
- (h) the legal opinion issued by Rato, Ling, Lei & Cortés — Advogados, in respect of certain aspects of our Group in Macau;
- (i) the legal opinions issued by GS Law Firm in relation to the Macau incident of our Group as described in the section headed “History, Reorganisation and Corporate Structure” of this prospectus;
- (j) the memorandum of advice issued by Hogan Lovells;

- (k) the industry report prepared by Frost & Sullivan Limited;
- (l) the material contracts referred to “B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (m) the letters of appointment referred to in “C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors’ Letters of Appointment” in Appendix IV to this prospectus;
- (n) the written consents referred to in “E. Other Information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (o) the rules of the Share Option Scheme.



ANALOGUE HOLDINGS LIMITED
安樂工程集團有限公司