



FSE Engineering Holdings Limited 豐盛機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 331

GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司

IMPORTANT

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



FSE ENGINEERING HOLDINGS LIMITED

豐盛機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 112,500,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 11,250,000 Shares (subject to adjustment)
Number of International Placing Shares : 101,250,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price : not more than HK\$2.98 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$2.68 per Offer Share
Nominal Value : HK\$0.10 per Share
Stock Code : 331

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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 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.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around 2 December 2015 and, in any event, not later than 8 December 2015. The Offer Price will be not more than HK\$2.98 and is currently expected to be not less than HK\$2.68 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.98 for each Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$2.98.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$2.68 to HK\$2.98 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published in South China Morning Post (in English) and 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 Offering. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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 the section headed "Risk Factors" in this prospectus.

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 Joint Global Coordinators (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 Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an effective registration statement or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state securities laws in the United States. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

26 November 2015

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and that of our Company at www.fseng.com.hk. If there is any change in the following expected timetable of the Hong Kong Public Offering.

2015
(Note 1)

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk (Note 2)	11:30 a.m. on Tuesday, 1 December
Application lists open (Note 3)	11:45 a.m. on Tuesday, 1 December
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 Tuesday, 1 December
Latest time to give Electronic Application Instructions to HKSCC (Note 4)	12:00 noon on Tuesday, 1 December
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Tuesday, 1 December
Application lists close	12:00 noon on Tuesday, 1 December
Expected Price Determination Date (Note 5)	Wednesday, 2 December
Announcement of the final Offer Price, an indication of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our website at www.fseng.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before	Wednesday, 9 December
Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at www.fseng.com.hk and the website of the Stock Exchange at www.hkexnews.hk (for further details, please refer to the section headed "How to apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from	Wednesday, 9 December
Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function	Wednesday, 9 December
Despatch/Collection of e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (Notes 6 to 8)	Wednesday, 9 December
Despatch/Collection of Share certificates on or before	Wednesday, 9 December
Dealings in the Shares on the Stock Exchange expected to commence on	9:00 a.m. on Thursday, 10 December

EXPECTED TIMETABLE

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 the section "Structure of the Global Offering" in this prospectus.
2. 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 an application 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.
3. 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 Tuesday, 1 December 2015, the application lists will not open on that day. For further details, please see "How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving **Electronic Application Instructions** to HKSCC should see "How to apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 2 December 2015. If, for any reason, the Offer Price is not agreed by Tuesday, 8 December 2015 between our Company and the Joint Global Coordinators (for themselves 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 Wednesday, 9 December 2015 but will only become valid certificates of title at 8:00 a.m. on Thursday, 10 December 2015 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.
7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015 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 opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt 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 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) despatched 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) despatched 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.

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$2.98 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should see the section "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering 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 in this prospectus pursuant to the Hong Kong Public Offering. 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 Joint Global Coordinators, 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 prospectus 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 the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading E&M engineering companies in Hong Kong, providing a comprehensive range of E&M engineering and environmental engineering services, and we also have well-established E&M engineering operations in the PRC and Macau. We were the second largest E&M engineering service provider for two consecutive years in Hong Kong and in Macau, with market share of approximately 4.3% and 8.0% respectively in 2013, and approximately 4.9% and 3.8% respectively in 2014, in terms of sales revenue, according to the Frost & Sullivan Report. With over 40 years of operating history, we have developed substantial expertise as an E&M engineering service provider, and we have built up a strong network with well-established clients and main contractors who are often engaged in large-scale projects of major property developers and other blue-chip companies in Hong Kong. Through our consistent efforts, we have gained strong market recognition, which is illustrated by the numerous awards we have received over the years, as set out in the section "Business — Certifications, Awards and Recognitions".

During the Track Record Period and up to Latest Practicable Date, we have undertaken over 10,000 E&M engineering projects in Hong Kong, Macau and the PRC, 38 of which were Major Projects with contract sum over HK\$100 million. The 38 Major Projects we undertook during the Track Record Period include 27, 4 and 7 Major Projects in Hong Kong, Macau and the PRC, respectively. As at the Latest Practicable Date, we had over 3,000 E&M engineering projects on hand, with an estimated total outstanding contract value of approximately HK\$5,500 million (of which approximately HK\$4,100 million was attributable to Major Projects and the rest was attributable to other projects on hand). Examples of the Major Projects that we have undertaken during the Track Record Period and up to the Latest Practicable Date include: (1) in Hong Kong: (i) the design, installation and operation of a district cooling system in Kai Tak supplying chilled water to premises, (ii) installation of electrical, fire service, air-conditioning and central chiller plant systems for a redevelopment project of a complex comprising hotel, serviced apartment, shopping arcade and offices in Tsim Sha Tsui, (iii) installation of E&M system for a new 500-bed private hospital in Wong Chuk Hang; (2) in Macau: (i) installation of a central chiller plant and building energy management, dry fire and air-conditioning systems for a luxury integrated resort with 1,700 rooms, (ii) installation of electrical system of an entertainment and hotel complex; and (3) in the PRC: (i) installation of E&M system for mixed used commercial blocks with a GFA of over 450,000m² in Shanghai Jing An district, and (ii) installation of E&M system for a 5-star hotel with 450 rooms in Nanjing. Our other projects encompass a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centres, banks, hotels, residential properties, universities, hospitals, and public transportation facility buildings. During the Track Record Period, we had generally focused on E&M projects in the private sector, and had undertaken relatively few public sector projects in Hong Kong, which mainly involve electrical system installation works.

Our E&M engineering services include installation works for construction projects as well as maintenance services for completed buildings and facilities. We provide a comprehensive range of E&M engineering services, under the trade names of "Far East Engineering", "Young's Engineering" and "Majestic Engineering" in Hong Kong and Macau and "新創機電" and "景福工程(上海)" in the PRC, which include design, contracting and installation, testing and commissioning as well as operation and maintenance of (i) air-conditioning and mechanical ventilation system, (ii) fire service system, (iii) plumbing and drainage system; and (iv) electrical and ELV system.

SUMMARY

As a comprehensive, multi-disciplinary E&M engineering service provider, we believe we possess all the professional skills and licences necessary to smoothly and efficiently execute large-scale projects on time and on budget, from inception to completion, to our customers' requirements and satisfaction. We possess value engineering capability, which involves examining the function of an intended project, identifying any opportunities to reduce unnecessary elements in the design, and choosing the most cost-effective means to deliver the desired result.

In addition to E&M engineering services, we are also engaged in the provision of environmental engineering services and products, as well as the trading and retail sales of building materials, which we consider as complementary to our E&M engineering services, providing us with further growth opportunities. We believe that all of our operations are underpinned and supported by an integrated management and control system, strong networks of well-established customers and suppliers, and an experienced and well-trained workforce.

BUSINESS MODEL

Our customers, who are mostly main contractors of construction projects, generally contract the E&M works to us on project basis. As an E&M engineering service subcontractor, we receive progress payments from our customers based on the site work done, pursuant to the tender documents and contracts for the relevant projects. We are generally responsible for procuring and purchasing the equipment, materials and parts we use, and we subcontract labour works to subcontractors.

Please see pages 144 to 145 for further information.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Vast industry experience and goodwill, and a strong customer network with leading companies;
- Leading position enabling us to capture growth opportunities;
- Comprehensive E&M and environmental engineering services, with value engineering and integrated services capability;
- Commitment to deliver quality works and services with stringent quality assurance;
- Efficient management and systematic tender review procedure supported by advanced information technology system;
- Well-established relationship with our subcontractors and suppliers; and
- Experienced management team with expertise and proven track record.

Please see pages 137 to 140 for details.

SUMMARY

BUSINESS STRATEGIES

Our key business strategies are to:

- expand our E&M Engineering business and services, by
 - (i) expanding our capability in extra low voltage system works;
 - (ii) developing and expanding our E&M engineering project management services in the PRC; and
 - (iii) maintaining our growth with additional human resources, focusing on work quality and prudent financial management;
- further develop the expertise and services of our Environmental Engineering Segment, by investing in the development of
 - (i) web-based building energy management system;
 - (ii) environmental testing laboratory; and
 - (iii) waste water treatment technology using microalgae; and
- further strengthen the efficiency and control of our operation, by
 - (i) enhancing our E&M engineering technical capability; and
 - (ii) further enhancing work quality and project safety.

Please see pages 140 to 143 for details.

SUBCONTRACTORS, SUPPLIERS AND CUSTOMERS

For the years ended 30 June 2013, 2014 and 2015, our five largest subcontractors, each an Independent Third Party, which were subcontractors for labour works for E&M services, accounted for 5.8%, 7.0% and 10.5% of our total costs of sales, respectively. Our five largest suppliers for the years ended 30 June 2013, 2014 and 2015 include principally suppliers for E&M materials or products for our E&M Engineering Segment, each of which is an Independent Third Party.

Our five largest customers accounted for 60.3%, 58.8% and 58.6% of our revenue for the years ended 30 June 2013, 2014 and 2015, respectively, and our single largest customer, NWS Group, the members of which are connected persons of our Company, accounted for 25.1%, 28.9% and 21.2% of our revenue for the corresponding periods. The section “Connected transactions — our connected persons” of this prospectus provides you with further details of the connected relationship of the NWS Group with us.

Please see pages 171 to 175 for further information.

SHAREHOLDER'S INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), 75% interest in our Company will be held by FSE Holdings directly, which is in turn beneficially owned as to 63% by Mr.

SUMMARY

Doo, 18% by Dr. Henry Cheng (our chairman and non-executive Director), 9% by Mr. Wong (our vice-chairman and executive Director), 9% by Mr. Doo Junior (our executive Director) and 1% by Mr. Lee (our executive Director).

Please see pages 248 to 249 for further information.

SUMMARY FINANCIAL INFORMATION AND OPERATIONAL DATA

Key Income Statement Information

The following table sets forth our selected consolidated statements of profit and loss and other comprehensive income for the years ended 30 June 2013, 2014 and 2015 as extracted from the Accountant's Report set out in Appendix I to this prospectus.

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,380,584	2,555,017	2,825,107
Cost of sales	<u>(2,099,563)</u>	<u>(2,222,136)</u>	<u>(2,491,974)</u>
Gross profit	281,021	332,881	333,133
Other income/gains, net	5,218	7,909	5,603
General and administrative expenses	<u>(150,690)</u>	<u>(200,446)</u>	<u>(185,848)</u>
Operating profit	135,549	140,344	152,888
Finance income, net	2,917	8,774	16,209
Share of results of joint ventures	<u>(281)</u>	<u>(848)</u>	<u>—</u>
Profit before income tax	138,185	148,270	169,097
Income tax expenses	<u>(24,453)</u>	<u>(17,070)</u>	<u>(19,946)</u>
Profit for the years	<u>113,732</u>	<u>131,200</u>	<u>149,151</u>
Profit attributable to:			
Equity holder of the Company	113,691	131,200	149,151
Non-controlling interests	<u>41</u>	<u>—</u>	<u>—</u>
	<u>113,732</u>	<u>131,200</u>	<u>149,151</u>
Dividend	<u>54,000</u>	<u>287,000</u>	<u>200,000</u>

Please see page 261 for further information.

SUMMARY

The tables below set out the breakdown of our revenue, gross profit and gross profit margin by business segments, geographical locations, private and public sectors, and installation and maintenance projects.

	For the year ended 30 June								
	2013			2014			2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	
E&M engineering	2,339,158	269,572	11.5%	2,503,135	319,174	12.8%	2,780,553	321,314	11.6%
Environmental management service (note)	41,426	11,449	27.6%	51,882	13,707	26.4%	44,554	11,819	26.5%
Total	<u>2,380,584</u>	<u>281,021</u>	<u>11.8%</u>	<u>2,555,017</u>	<u>332,881</u>	<u>13.0%</u>	<u>2,825,107</u>	<u>333,133</u>	<u>11.8%</u>

Note: Revenue from environmental management service segment is arrived at after elimination of inter-segment sales within the Group. Such inter-segment sales represented goods and services purchased by our E&M engineering segment from our environmental management service segment.

	For the year ended 30 June								
	2013			2014			2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	
Hong Kong	1,502,379	159,240	10.6%	1,742,120	160,152	9.2%	1,561,927	173,438	11.1%
PRC	506,873	32,541	6.4%	594,715	111,538	18.8%	382,695	50,480	13.2%
Macau	371,332	89,240	24.0%	218,182	61,191	28.0%	880,485	109,215	12.4%
Total	<u>2,380,584</u>	<u>281,021</u>	<u>11.8%</u>	<u>2,555,017</u>	<u>332,881</u>	<u>13.0%</u>	<u>2,825,107</u>	<u>333,133</u>	<u>11.8%</u>

	For the year ended 30 June								
	2013			2014			2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	
Private sector	1,888,945	251,968	13.3%	2,231,323	303,410	13.6%	2,418,496	293,125	12.1%
Public sector	491,639	29,053	5.9%	323,694	29,471	9.1%	406,611	40,008	9.8%
Total	<u>2,380,584</u>	<u>281,021</u>	<u>11.8%</u>	<u>2,555,017</u>	<u>332,881</u>	<u>13.0%</u>	<u>2,825,107</u>	<u>333,133</u>	<u>11.8%</u>

SUMMARY

	For the year ended 30 June								
	2013			2014			2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	
Installation division ⁽¹⁾	1,910,997	202,775	10.6%	2,032,856	254,759	12.5%	2,279,642	243,664	10.7%
Maintenance division ⁽²⁾	326,762	25,679	7.9%	376,824	24,535	6.5%	399,396	32,893	8.2%
Others	101,399	41,118	40.6%	93,455	39,880	42.7%	101,515	44,757	44.1%
E&M engineering	2,339,158	269,572	11.5%	2,503,135	319,174	12.8%	2,780,553	321,314	11.6%
Environmental management service ⁽³⁾	41,426	11,449	27.6%	51,882	13,707	26.4%	44,554	11,819	26.5%
Total	<u>2,380,584</u>	<u>281,021</u>	<u>11.8%</u>	<u>2,555,017</u>	<u>332,881</u>	<u>13.0%</u>	<u>2,825,107</u>	<u>333,133</u>	<u>11.8%</u>

Note:

- (1) Projects from the installation division are mainly on a one-off basis.
- (2) Projects from the maintenance division are mainly on a retainer basis.
- (3) Revenue from environmental management service segment is arrived at after elimination of inter-segment sales within our Group. Such inter-segment sales represented goods and services purchased by our E&M engineering segment from our environmental management service segment.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our subcontracting fees accounted for the largest part of our cost of sales. For the years ended 30 June 2013, 2014 and 2015, our subcontracting fees accounted for approximately 55.4%, 49.4% and 45.1% of our cost of sales, respectively. Our raw materials and consumables used accounted for the second largest part of our cost of sales, which accounted for approximately 24.5%, 35.3% and 37.3% of our cost of sales for the years ended 30 June 2013, 2014 and 2015, respectively. The following table summarizes the breakdown of our cost of sales during the Track Record Period:

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting	1,163,879	1,096,949	1,122,909
Raw materials and consumables	514,124	784,619	928,391
Staff cost	266,580	325,746	323,323
Overhead costs	86,352	48,732	57,903
Provision for/(reversal of) employee termination benefits	34,695	(48,959)	488
Reversal of provision for contingencies	(32,958)	(60,348)	(29,328)
Others	66,891	75,397	88,288
Total	<u>2,099,563</u>	<u>2,222,136</u>	<u>2,491,974</u>

Please see pages 266 to 267 for further information.

SUMMARY

Gross profit

Our gross profit amounted to approximately HK\$281.0 million, HK\$332.9 million and HK\$333.1 million for the years ended 30 June 2013, 2014 and 2015, respectively. The following table shows the breakdown of our segmental gross profit during the Track Record Period:

	For the year ended 30 June					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
E&M engineering	269,572	11.5%	319,174	12.8%	321,314	11.6%
Environmental management service	11,449	27.6%	13,707	26.4%	11,819	26.5%
Total	281,021	11.8%	332,881	13.0%	333,133	11.8%

Please see page 267 for further information.

Key Balance Sheet Information

The following table shows our current assets and current liabilities as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets			
Inventories	22,803	21,975	18,074
Amounts due from customers for contract works	146,149	117,136	113,818
Trade and other receivables	527,340	687,075	674,495
Amounts due from related companies	292,783	144,782	63
Cash and bank balances	465,663	734,237	612,526
	1,454,738	1,705,205	1,418,976
Current liabilities			
Amounts due to customers for contract works	187,549	458,794	487,977
Trade and other payables	862,246	745,106	614,314
Amount due to related companies	7,754	126,295	70
Taxation payable	27,852	31,512	16,190
	1,085,401	1,361,707	1,118,551
Net current assets	369,337	343,498	300,425

Please see page 283 for further information.

SUMMARY

Key Financial Ratios

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 30 June		
	2013	2014	2015
Current ratio ¹	1.3	1.3	1.3
Quick ratio ²	1.3	1.2	1.3
Debt to equity ratio ³	Not applicable	Not applicable	Not applicable
Gearing ratio ⁴	1.1%	23.4%	0.0%
Return on assets ⁵	6.2%	6.8%	9.0%
Return on equity ⁶	16.7%	24.3%	30.1%

Notes:

1. Current ratio is calculated as the total current assets divided by the total current liabilities as at the end of the respective years.
2. Quick ratio is calculated as the current assets excluded inventories divided by the total current liabilities as at the end of the respective years.
3. Debt to equity ratio is calculated as total borrowings net of cash and bank balances divided by total equity as at the respective dates.
4. Gearing ratio is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the end of the respective years and multiplied by 100%.
5. Return on assets is calculated as the net profit divided by the total assets as at the end of the respective years.
6. Return on equity is calculated as the net profit attributable to our owners divided by the equity attributable to our owners as at the end of the respective years.

Please see page 294 for further information.

Tender Success Rate

In respect of installation works, for the years ended 30 June 2013, 2014 and 2015, (i) the tender success rate based on the value of tenders submitted and contracts awarded is 12.0%, 11.9% and 18.1%, respectively; and (ii) the tender success rate based on number of tenders submitted and contracts awarded is 19.1%, 20.3% and 18.4%, respectively.

In respect of maintenance works, for the years ended 30 June 2013, 2014 and 2015, (i) the tender success rate based on the value of tenders submitted and contracts awarded is 12.8%, 26.7% and 19.5%, respectively; and (ii) the tender success rate based on the number of tenders submitted and contracts awarded is 44.8%, 40.6% and 35.4%, respectively.

Please see pages 151 and 152 for further information.

SUMMARY

Accident Rate and Fatality Rate

For the years ended 30 June 2013, 2014 and 2015, our accident rates per 1,000 workers are 16.5, 21.9 and 25.5 and the fatality rates for each of the respective periods are nil. Our Group has not encountered any fatal construction accidents after the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had over 3,000 E&M engineering projects on hand with a total estimated outstanding contract value of approximately HK\$5,500 million (of which approximately HK\$4,100 million was attributable to Major Projects).

Subsequent to 30 June 2015 and up to the Latest Practicable Date, we have been awarded 39 E&M and environmental service projects (with tender sum over HK\$1 million) with total contract value of approximately HK\$740 million and have submitted tenders in respect of 221 E&M and environmental service projects (with contract sum over HK\$1 million) with total tender value of approximately HK\$5,254 million. We consider that from 1 July 2015 and up to the date of this prospectus, there has been no material interruption to our business and there has been no material adverse change in the E&M engineering industry in Hong Kong, Macau and the PRC.

On the other hand, subsequent to the Track Record Period, our financial performance may be adversely affected by the increase in expenses related to the Listing, the possible increase in our staff costs in our general and administrative expenses principally due to increase in both number of staff and salary level, the possible recording of exchange loss principally due to the potential devaluation of Renminbi, the possible reduction in interest income principally due to the reduction in interest rate attributable to our bank deposits denominated in Renminbi and the possible increase in our income tax expenses due to the utilization of the over-provision of tax for the year ended 30 June 2015 which is not expected to repeat for the year ending 30 June 2016.

Our Directors have confirmed that, since 30 June 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial information included in "Appendix I — Accountant's Report".

LISTING EXPENSES

We had incurred listing expenses of approximately HK\$5.2 million for the year ended 30 June 2015. The total estimated listing expenses in connection with the Global Offering are approximately HK\$40.4 million (based on the mid-point of the Offer Price of HK\$2.83 and assuming no Over-allotment Option will be exercised), of which approximately HK\$5.2 million has been charged to our consolidated income statement for the year ended 30 June 2015, and approximately HK\$15.3 million is expected to be charged to our consolidated income statement for the year ending 30 June 2016 and approximately HK\$19.9 million is expected to be accounted for as deferred expenses and charged against equity upon the Listing under the relevant accounting standards.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$2.83, we estimate that we will receive net proceeds of approximately HK\$278.0 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

- (i) approximately 31.4%, or HK\$87.4 million, will be used for possible investment in acquisition of and/or formation of strategic cooperation with one or more companies engaged in the installation and maintenance of ELV system, as follows:

Acquisition strategy	Nature of business	Type of business	Description
To acquire 100% shareholding in a target company and/or formulate strategic cooperation, where appropriate and feasible.	Design, supply, installation and maintenance of ELV system.	Design, supply, installation and maintenance of ELV system in new and existing residential/commercial buildings in Hong Kong.	ELV system forms part of the whole building services system for a building. It normally consists of a satellite and television receiving and broadcasting system, public address system, closed-circuit television surveillance system, security burglar alarm/card access control system, radio paging and walkie-talkie system, home automation system, radio frequency identification system, biometrics security system and watchman tour system.

As at the Latest Practicable Date, we had not identified any such targets nor have we commenced any due diligence process in relation to the same;

- (ii) approximately 18.4%, or HK\$51.0 million, will be used for the possible investment in and/or formation of joint venture or strategic cooperation with one or more companies operating environmental management business in our target business areas including advanced lighting solution product, bio-technology of microalgae in waste-water treatment and web-based building energy management system, as follow:

Investment strategy	Nature of business	Type of business	Description
(a) We entered into a memorandum of understanding with a manufacturer of an advanced lighting control solution product to market, distribute and sell such products in Hong Kong and Macau. We intend to apply HK\$6.0 million for marketing and promotion of such products.	Distribution and retail sales of advanced lighting control solution products.	Distribution and retail sales of advanced lighting control solution in commercial and residential buildings in Hong Kong and Macau.	Advanced lighting solution products apply technology to enhance lighting and air-conditioning control system with the aid of wireless control, dimmable and scene setting, so as to achieve energy saving. Such wireless technology enable savings in construction materials cost and provide flexibility in adapting to future lighting layout changes for renovation works.

SUMMARY

Investment strategy	Nature of business	Type of business	Description
(b) To form a joint venture with an inventor of "bio-technology of microalgae in waste-water treatment", in which we will provide operational support, marketing and application projects, while our joint venture partner will provide technical know-how. We intend to apply HK\$27.0 million as capital for such joint venture.	Development, installation and maintenance of the "bio-technology of microalgae in waste water treatment" system.	Development, installation and maintenance of waste-water treatment system for residential and commercial buildings in Hong Kong, Macau and PRC.	Microalgae technology is used to treat waste water through application of microalgae which absorbs and purifies nitrogen phosphate, nitrate, ammonia and orthophosphate contents in waste water, producing bio-fuel. Such waste water treatment is more economical than traditional methods and the bio-fuel produced may serve as replacement for fossil fuel.
(c) To form a joint venture with a "web-based building energy management system" creator in which we will provide marketing and tendering support, supply, installation and maintenance work for such system while our joint venture partner will provide technical know-how. We intend to apply HK\$18.0 million as capital for such joint venture.	Development, installation and maintenance of "web-based building energy management system".	Development, installation and maintenance of "web-based building energy management system" in new and existing residential/ commercial buildings in Hong Kong, Macau and PRC.	The web-based building energy management system is a centralised management system that monitors energy usage status of a building.

As at the Latest Practicable Date, we had not entered into any legally binding agreement with any potential business partners nor have we commenced any due diligence process in relation to the same;

- (iii) approximately 18.2%, or HK\$50.7 million, will be used for the operation of our E&M engineering projects on hand and prospective projects;
- (iv) approximately 7.9%, or HK\$22.0 million, will be used for the employment of additional staff, including engineering and technical personnel and marketing personnel, and provision of relevant staff training, for our current and new projects and our business expansion, especially for our environmental engineering services;
- (v) approximately 7.5%, or HK\$20.7 million, will be used for the development and enhancement of our engineering design capability including (i) purchase of engineering design software; and (ii) employing additional engineering design staff;
- (vi) approximately 3.9%, or HK\$10.9 million, will be used for enhancing our quality testing laboratory, employing additional quality testing personnel and purchasing additional quality testing equipment;
- (vii) approximately 2.9%, or HK\$8.0 million, will be used for the upgrade of our corporate information technology system and software; and

SUMMARY

(viii) approximately 9.8%, or HK\$27.3 million, will be used for our general corporate purposes.

Please see pages 303 to 305 for further information.

STATISTICS OF THE GLOBAL OFFERING

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of our Company as if the Global Offering had taken place on 30 June 2015 assuming that the Over-allotment Option is not exercised.

	Audited consolidated net tangible assets attributable to the Company's equity holders as at 30 June 2015 ¹	Estimated net proceeds from the Global Offering ²	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Company's equity holders	Unaudited pro forma adjusted net tangible assets per Share ³
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$2.98 per Offer Share	460,471	HK\$299,512	759,983	1.69
Based on an Offer Price of HK\$2.68 per Offer Share	460,471	HK\$266,943	727,414	1.62

Notes:

- Our audited consolidated net tangible assets attributable to the Company's equity holders as at 30 June 2015 is based on our audited consolidated net assets attributable to the equity holders of the Company in the amount of approximately HK\$496.2 million, as extracted from our consolidated financial information included in "Appendix I — Accountant's Report", with an adjustment for the intangible assets in the amount of approximately HK\$35.7 million.
- The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$2.68 and HK\$2.98 per Offer Share, respectively, after the deduction of underwriting commissions and fees and other related expenses payable by the Company and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option with an adjustment for the listing expenses recorded by the Company for the year ended 30 June 2015 of approximately HK\$5.2 million.
- Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 450,000,000 Shares were in issue assuming that the Global Offering had been completed and the Offer Shares had been issued on 30 June 2015 and the Over-allotment Option was not exercised, without taking into account any Shares to be issued upon the exercise of options granted under the Share Option Scheme.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

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For the years ended 30 June 2013, 2014 and 2015, we had declared dividends in the amount of approximately HK\$54.0 million, HK\$287.0 million and HK\$200.0 million, respectively, to our shareholder. However, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Nevertheless, subject to the Articles of Association, the Companies Law and other applicable laws and regulations, we currently intend to distribute to our Shareholders not less than 30% of our net profit for each financial year after the Listing.

We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to those relating to our business, industry, regions in which we operate, and the Global Offering. You should read the entire section “Risk Factors” starting on page 30 of this prospectus carefully before you decide to invest in the Offer Shares. Some of the major risks we face include the following.

- 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 realise lower than anticipated profits or incur losses on the contracts.
- 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 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 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 the PRC. Our E&M engineering qualifications on the government’s approved lists of contractors in Hong Kong are important to us as they dictate the range and size of public works in which we are eligible to participate as a contractor.
- 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 risks.
- 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.

SUMMARY

- We depend on our major customers for a significant part of our businesses, and the loss of our major customers could adversely affect our businesses and financial position. Our major customers include connected persons of our Company, and over-reliance on such connected customers may affect our ability to operate independently.
- Labour shortages or increases in labour costs could harm our business, reduce our profitability and slow our growth.
- Any change or deterioration of our relationship with, and the performance of, our joint venture partners and third party service providers may have adverse impact on our business operation and reputation.
- 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.
- Our operations are project-based. Fee collection and 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.
- Wrongdoing by our employees, subcontractors and outsiders may harm our reputation and business.

DEFINITIONS

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

“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
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company adopted and took effect on 20 November 2015, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BEAM”	Building Environmental Assessment Method, which is a standard in Hong Kong to assess, improve, certify and label the performance of buildings
“Board”	the board of Directors
“Building Material”	Building Material Supplies Limited, a company incorporated in BVI with limited liability on 31 January 1997 and a direct wholly-owned subsidiary of our Company
“Business Day(s)”	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 37,500,000 Shares to be made upon capitalisation of certain sums standing to the credit of our share premium amount referred to in “Further information about our Company and our Subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 20 November 2015” 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

DEFINITIONS

“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
“Certificate of Certified Worker for Working in Confined Space”	a certificate issued to an individual who is qualified as being competent to work in a confined space under section 4(1) of the Factories and Industrial Undertakings (Confined Spaces) Regulation, Chapter 59AE of the Laws of Hong Kong
“close associate”	has the meaning ascribed to it in the Listing Rules
“Companies Law”	Companies Law, (Law 3 of 1961, as consolidated and revised) of Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	FSE Engineering Holdings Limited (豐盛機電控股有限公司), an exempted company incorporated in the Cayman Islands on 22 June 2015 with limited liability
“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 to it under the Listing Rules, and in the case of our Company, means Mr. Doo, Sino Spring Global and FSE Holdings
“CTF Jewellery”	Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1929)
“CTF Jewellery Group”	CTF Jewellery, its subsidiaries and associates from time to time but excluding the NWCL Group, NWD Group, NWDS Group and NWS Group

DEFINITIONS

“CTF Nominee”	Chow Tai Fook Nominee Limited (周大福代理人有限公司), a company incorporated in Hong Kong with limited liability on 30 January 1973 through which Dr. Henry Cheng's 18% interest in FSE Holdings is held. Dato' Dr. Cheng Yu Tung is the shareholder of Chow Tai Fook Nominee Limited
“Director(s)” and “our Director(s)”	director(s) of the Company
“Dr. Henry Cheng”	Dr. Cheng Kar Shun, Henry (鄭家純), our chairman and non-executive Director, the brother-in-law of Mr. Doo, and the uncle of Mr. Doo Junior. Dr. Henry Cheng is also the cousin of the spouse of Mr. Poon Lock Kee, Rocky, our chief executive officer and executive Director
“DSSOPT”	the Land, Public Works and Transport Bureau of Macau
“E&M engineering” or “E&M”	electrical and mechanical engineering
“E&M Engineering Segment”	E&M engineering operation conducted by our Group, for details of which please see the section “Business — E&M Engineering Segment” in this prospectus
“Electricity Ordinance”	the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Electronic Application Instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
“ELV”	extra low voltage
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Engineering Segment”	Provision of environmental engineering services and products by our Group, for details of which please see the section “Business — Environmental Engineering Segment” in this prospectus
“Environmental Impact Assessment Ordinance”	Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Environmental P&S”	Environmental Pioneers & Solutions Limited (大成環境科技拓展有限公司), a company incorporated in Hong Kong with limited liability on 23 December 1986 and a wholly-owned subsidiary of the Company

DEFINITIONS

“Extensive Trading”	Extensive Trading Company Limited (精基貿易有限公司), a company incorporated in Hong Kong with limited liability on 12 May 1981 and a wholly-owned subsidiary of the Company
“Factories and Industrial Undertakings Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Far East Engineering” or “FE”	Far East Engineering Services Limited (遠東工程服務有限公司), a company incorporated in Hong Kong with limited liability on 13 September 1967 and a wholly-owned subsidiary of the Company
“Far East Hubei”	Hubei Far East Engineering Services Company Limited* (湖北遠東工程服務有限公司), a wholly foreign owned enterprise established in the PRC on 24 June 1993 and a wholly-owned subsidiary of the Company
“Far East Macao”	Far East Technical Service (Macao) Limited (遠東技術服務(澳門)有限公司), a company incorporated in Macau with limited liability on 9 March 2007 and a wholly-owned subsidiary of the Company
“Frontier Star”	Frontier Star Limited, a company incorporated in BVI with limited liability on 6 January 2014, which is solely and beneficially owned by Mr. Wong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), 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”
“FSE Engineering” or “FSEE”	FSE Engineering Group Limited (豐盛創建機電工程集團有限公司), a company incorporated in BVI with limited liability on 31 January 1997 and a direct wholly-owned subsidiary of our Company
“FSE Environmental”	FSE Environmental Technologies Limited, a company incorporated in BVI with limited liability on 2 April 2013 and a direct wholly-owned subsidiary of our Company
“FSE Holdings”	FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands with limited liability on 26 May 2014, which is beneficially owned as to 63% by Sino Spring Global, 18% by Dr. Henry Cheng (through CTF Nominee), 9% by Frontier Star, 5% by Master Empire Group, 4% by Supreme Win Enterprises and 1% by Lagoon Treasure, and one of our Controlling Shareholders

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“FSE Management”	FSE Management Company Limited (豐盛創建管理有限公司), a company incorporated in Hong Kong with limited liability on 22 October 2013 and a direct wholly-owned subsidiary of FSE Holdings
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider, The Bank of East Asia, Limited
“Great Roc”	Great Roc Capital Securities Limited, a corporation licensed to conduct type 1 (dealing in securities) of the regulated activities under the SFO, and acting as one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering
“Group”, “we”, “our”, “our Group” and “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Halcyon Capital” or “Sole Sponsor”	Halcyon Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) of the regulated activities under the SFO, and acting as the Sole Sponsor of the Global Offering
“Halcyon Securities”	Halcyon Securities Limited, a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) of the regulated activities under the SFO, and acting as one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering
“HK\$”, “Hong Kong dollars”, “HKD” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKQAA”	Hong Kong Quality Assurance Agency, a non-profit organisation established by the Hong Kong Government for development of quality, environmental, safety, hygiene and social management systems and provide the relevant assessment and certification services
“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” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“HK eIPO White Form”	the application for 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
“Hong Kong Branch Register”	the branch register of members of our Shares maintained by the Hong Kong Branch Share Registrar in Hong Kong
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Government”	the government of Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 11,250,000 new Shares offered by our Company for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section “Structure of the Global Offering” in this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering listed in the section “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 25 November 2015 relating to the Hong Kong Public Offering entered into among our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters, particulars of which are set forth in the section “Underwriting” in this prospectus
“Housing Authority” or “HA”	the Hong Kong Housing Authority
“HVAC”	heating, ventilation and air-conditioning
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not a connected person(s) (as defined in the Listing Rules) of our Company

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“International Placing”	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 101,250,000 new Shares being offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing whose names are set forth in the section “Underwriting — International Underwriters” in this prospectus
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, among our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators and the International Underwriters in respect of the International Placing, particulars of which are set forth in the section “Underwriting” in this prospectus
“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 Global Coordinators” or “Joint Bookrunners” or “Joint Lead Managers”	Halcyon Securities and Great Roc
“Joneson”	Joneson Environmental Technologies Limited (忠誠環保科技有限公司), a company incorporated in Hong Kong with limited liability on 18 April 1980 and a wholly-owned subsidiary of the Company
“Lagoon Treasure”	Lagoon Treasure Limited, a company incorporated in BVI with limited liability on 5 May 2015, which is solely and beneficially owned by Mr. Lee

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“Latest Practicable Date”	16 November 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“LEED”	Leader 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
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board first commences
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“lock-up period”	the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date (both days inclusive)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Majestic Engineering” or “MEC”	Majestic Engineering Company Limited (定安工程有限公司), a company incorporated in Hong Kong with limited liability on 22 January 1980 and a wholly-owned subsidiary of the Company
“Majestic Macao”	Majestic Engineering (Macao) Company Limited (定安工程(澳門)有限公司), a company incorporated in Macau with limited liability on 1 March 2005 and a wholly-owned subsidiary of the Company
“Master Empire Group”	Master Empire Group Limited, a company incorporated in BVI with limited liability on 3 January 2012, which is solely and beneficially owned by Mr. Doo Junior
“Memorandum of Association”	the amended and restated memorandum of association of the Company adopted and took effect on 20 November 2015 (as amended 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
“MPF”	Mandatory Provident Fund

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“Mr. Doo”	Mr. Doo Wai Hoi, William (杜惠愷), the sole shareholder of Sino Spring Global and one of our Controlling Shareholders
“Mr. Doo Junior”	Mr. Doo William Junior Guilherme (杜家駒), our executive Director, the sole shareholder of each of Master Empire Group and Supreme Win Enterprises, the son of Mr. Doo and the nephew of Dr. Henry Cheng. Mr. Doo Junior’s mother is the cousin of the spouse of Mr. Poon Lock Kee, Rocky, our chief executive officer and executive Director
“Mr. Lee”	Mr. Lee Kwok Bong (李國邦), our executive Director, one of our joint company secretaries and the sole shareholder of Lagoon Treasure
“Mr. Wong”	Mr. Wong Kwok Kin, Andrew (黃國堅), our executive Director, our vice-chairman and the sole shareholder of Frontier Star
“MVAC”	mechanical ventilation and air-conditioning
“Non-listing Group”	FSE Holdings and its subsidiaries other than the members of our Group
“NWCL”	New World China Land Limited (新世界中國地產有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 917)
“NWCL Group”	NWCL, its subsidiaries and associates from time to time but excluding NWD Group, NWDS Group and NWS Group
“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 17)
“NWD Group”	NWD, its subsidiaries and associates from time to time but excluding the NWCL Group, the NWDS Group and the NWS Group
“NWDS”	New World Department Store China Limited (新世界百貨中國有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 825)
“NWDS Group”	NWDS, its subsidiaries and associates from time to time but excluding NWCL Group, NWD Group and NWS Group
“NWS”	NWS Holdings Limited (新創建集團有限公司), a company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (stock code: 659)
“NWS Group”	NWS, its subsidiaries and associates from time to time but excluding NWCL Group, NWD Group and NWDS Group

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“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 final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$2.98 per Offer Share and is expected to be not less than HK\$2.68 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“OHS”	Occupational health and safety
“OHSAS”	Occupational Health and Safety Advisory Services is an organisation based in the United Kingdom which provide occupational health and safety services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“Over-allotment Option”	the option to be granted by us to the International Underwriters, exercisable by Stabilising Manager on behalf of the International Underwriters pursuant to the International Underwriting Agreement
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
“PRC Engine”	NWS Engineering Ltd.* (新創機電工程有限公司), a wholly foreign owned enterprise established in the PRC on 23 July 2003 and a wholly-owned subsidiary of the Company
“PRC government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“PRC Legal Advisers”	Jingtian & Gongcheng, a qualified PRC law firm as the PRC legal advisers to our Company for the application for listing on the Main Board of the Stock Exchange
“Price Determination Agreement”	the agreement to be entered into between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price

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“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), which is expected to be on or about 2 December 2015 and in any event not later than 12:00 noon on 8 December 2015
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described under the paragraph “Our reorganisation” in the section “History and Development” and under the paragraph “Group reorganisation” in Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 20 November 2015, a summary of the principal terms of which is set out under the paragraph “Share Option Scheme” in Appendix IV to this prospectus
“Sino Spring Global”	Sino Spring Global Limited, a company incorporated in BVI with limited liability on 3 January 2014, which is solely and beneficially owned by Mr. Doo, and one of our Controlling Shareholders
“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 “m ² ”	square metres
“Stabilising Manager”	Halcyon Securities
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between FSE Holdings and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 16,875,000 Shares to cover any over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance

DEFINITIONS

“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Supreme Win Enterprises”	Supreme Win Enterprises Limited (富高勝企業有限公司), a company incorporated in BVI with limited liability on 28 March 2014, which is solely and beneficially owned by Mr. Doo Junior
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers
“Track Record Period”	the three financial years ended 30 June 2013, 2014 and 2015
“Tridant Engineering”	Tridant Engineering Company Limited (佳定工程有限公司), a company incorporated in Hong Kong with limited liability on 19 December 1975 and a wholly-owned subsidiary of the Company
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“USD” or “US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Waste Disposal Ordinance”	Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“WBDB”	the Works Branch Development Bureau (發展局工務科) of the Hong Kong Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Hong Kong Government contracts
“Young’s Engineering” or “YEC”	Young’s Engineering Company Limited (景福工程有限公司), a company incorporated in Hong Kong with limited liability on 30 May 1972 and a wholly-owned subsidiary of the Company
“Young’s Macao”	Young’s Engineering (Macao) Company Limited (景福工程(澳門)有限公司), a company incorporated in Macau with limited liability on 28 April 1989 and a wholly-owned subsidiary of the Company
“Young’s Shanghai”	Young’s Engineering (Shanghai) Company Limited* (景福機電安裝工程(上海)有限公司), a wholly foreign owned enterprise established in the PRC on 6 January 2011 and a wholly-owned subsidiary of the Company
“%”	per cent

* For identification purpose only

DEFINITIONS

Unless otherwise stated, the conversion of RMB into HK\$ in this prospectus is based on the approximate exchange rate of HK\$1.00 to RMB0.8011 and the conversion of HK\$ to MOP in this prospectus is based on the approximate exchange rate of HK\$1.00 to MOP1.0304. Such conversions shall not be construed as representations that amounts in HK\$ will be or have been converted into RMB or US\$ at such rates or any other exchange rates, or vice versa.

In this prospectus, unless expressly stated or the context requires otherwise:

- (1) all data in this prospectus is as of the date of this prospectus;
- (2) amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. 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, respectively, and amounts presented as percentages have been rounded to the nearest tenth of a percent. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;
- (3) percentage shareholding of the Company upon or after the completion of Global Offering and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme;
- (4) for ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The name in Chinese language is the official name of each such company or entity, while that in English language is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail; and
- (5) if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail, except as set out in note (4) above.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“client”	the party to a construction contract who engages and pays for the contractor to carry out the works, and may also be referred to as the “employer”
“contract sum”	the price payable to the party carrying out the works, which under some contracts may be subject to adjustment in accordance with terms
“design and construction contract”	a construction contract under which the contractor undertakes design obligation for the scheme of works to be constructed, in addition to the usual one of building the works
“domestic subcontractor”	a subcontractor selected by the main contractor
“employer”	the party to a construction contract who engages and pays for the contractor to carry out the works, and may also be referred to as the “client”
“main contractor”	a contractor directly employed by the site owner or client, usually a general contractor experienced in a wide range of construction work, who employs subcontractors who may be domestic or named by the employer, responsible for planning, managing and co-ordinating work on site during the construction phase
“named subcontractor”	a subcontractor selected and named by the employer in the main contract documents
“practical completion”	a stage of substantial completion of works marked by the issue of a certificate to that effect, meaning the completion of the works for all practical purposes, allowing the employer to take possession of the works and use them as intended without patent defects
“pre-qualification”	the selection of a shortlist of potential contractors or consultants who will be invited to submit a tender
“quantity surveyor” or “QS”	a person with skills in the construction industry in relation to the estimation of construction costs and contracts
“subcontract”	a contract between a contractor and a subcontractor to carry out all or part of the works which the contractor is obliged to complete under its contract with its customer
“subcontractor”	a contractor employed by the main contractor to carry out part of the contract work on behalf of the main contractor
“variation order(s)”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract

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 the sections “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section “Risk Factors” in this prospectus, 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 industries in which we operate.

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 of the Hong Kong, Macau and PRC central and local governments relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong, Macau and the PRC;
- macroeconomic policies of the Hong Kong, Macau and the PRC government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

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 the section headed “Risk Factors” in this prospectus.

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

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 realise lower than 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. Substantially all of our revenues are derived from contracts with prices determined by reference to our bids and substantially agreed to at the time a project is awarded to us. We are typically responsible for all of our costs, and our ability to achieve our target profitability on any project is largely dependent on our ability to accurately estimate and control these costs. The typical duration of our contracts was two to four years for E&M Engineering Segment during the Track Record Period, and once the tender price is fixed, we are obliged to complete the contract at such price. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors such as delay in work progress due to disputes or incoordination among the parties involved, which are not uncommon for E&M engineering projects, may result in a lower profit or even a loss on a project. The amount of total costs we incur on a project is affected by a variety of factors, including, among other things, 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, extended 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 such as fine and suspension of water and electricity supply. Such change in cost 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, materials and project management costs. In such cases, our operations, financial results and profitability may be adversely affected.

Furthermore, any of the above-mentioned 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, profitability or liquidity. For example, we participated in a large-scale construction project of government building complex in Hong Kong from 2008 to 2011 as one of the parties to a joint venture engaged as the subcontractor for E&M engineering works. There was initially some delay in the project work progress, which was not caused by us, and subsequently an acceleration in completion of the project due to request from the main contractor, which resulted in a substantial increase in costs expended by the joint venture, comprising mainly additional labour costs. As a result of the dispute that arose in relation to such additional costs, we had made additional provisions of HK\$10 million during the Track Record Period. In July 2015, the final account sum in relation to the project had been agreed among the relevant parties to resolve the dispute, and we consider that our share of the loss incurred by the joint venture based on the agreed final account sum was in line with the aggregate provision that we had made.

From time to time, we are required to perform variation works as directed by customer which are not in the original design specifications. Our customer will perform measurement and evaluation to the variation works and make adjustment to the subcontract sum. This process may result in disputes about whether the work performed is beyond the scope of the work, or whether the price the

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customer is willing to pay 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 for by the customer. In addition, any delay caused by the variation work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates.

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. 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. Whether or not justified, 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 public sector projects may, more likely than in the case of private sector projects, draw public attention. Such publicity may be adverse and there is no assurance that any such publicity, whether adverse to our Group or not, will not be overstated. Since those projects 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 private 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 results of operations. Furthermore, there may be negative news or media reports on the E&M engineering industry, such as the news about the discovery of lead-containing water supply system parts in July 2015, which may lead to new regulatory measures and requirements that may increase our costs and negatively affect our results of operation.

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, developed or visible. 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

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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 for any latent defects by our customers or other party, 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. Any negative publicity may adversely affect our reputation and may make it more difficult for us to be engaged for future projects. As a result, our operation, business and results of operation may be materially and adversely affected.

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 the PRC. Our E&M engineering qualifications on the government's approved lists of contractors in Hong Kong are important to us as they dictate the range and size of public works in which we are eligible to participate as a contractor.

In accordance with the laws and regulations of Hong Kong, Macau and the PRC, we are required to maintain various approvals, licences and permits in order to operate our business. Please see the section "Regulatory Overview" for a summary of such licences, approvals or permits.

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 2013, Majestic Engineering was charged for failure, as contractor who had direct control over a construction site, to take such measures as would prevent workmen from being endangered by live electric cable in compliance with Regulation 47(1A) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong). In this incident, a workman was fatally injured as a result of electric shock through a live cable when he carried out electrical checking work at a construction site in October 2011. As a result of the incident, Majestic Engineering's registration status as a subcontractor on the "List of Registered Subcontractors" under the trade specialties of "electrical wiring", "general electrical installation" and "electrical control and power panel assembly", was suspended by the Management Committee of the Construction Industry Council for a period of three months with effect from 2 April 2013; and Majestic Engineering was requested by the WBDB to voluntarily refrain from tendering for public works contracts under the category of "Electrical Installation (Group III)" for a period for six months with effect from 27 May 2013, or until the WBDB is satisfied with the outcome of an independent safety audit required to be conducted against Majestic Engineering at site level and improvements made by Majestic Engineering, whichever is later. Despite our enhanced safety and control procedures and the relevant suspension has been uplifted, there is a risk that such incidents may occur in the future, which may 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 order to tender for public sector 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 found to be unsatisfactory by the government, 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

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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 prospects. In addition, any changes or alterations in the licensing requirements and/or standards for admission into the list of approved contractors, such as the amendment to the requirements on the licensing qualification regime in the PRC, namely the Administrative Provisions on the Construction Enterprises Qualifications as set out in the "Regulatory Overview" section in this Prospectus, may require us to make necessary corresponding adjustments of whatever kind and nature 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 work environments containing dust, dirt, viruses or bacteria that could result in personal injuries, property damage or deaths. Our staff may also be required to work in new environment, where they may be unfamiliar with, or unaware of the fire escape 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 are entitled to 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 the PRC. For some work-related accidents and injuries, the relevant employees may claim for compensations under the Employment Ordinance and pursue litigation claim by way of a personal injury claim against us under common law, and such claims may not be covered by our employees' compensation insurance fully or at all due to various reasons. As at the Latest Practicable Date, to the best of the Directors' knowledge, there were eight outstanding personal injury and employees' compensation claims from our employees or ex-employees. Of the eight outstanding cases, there are (i) three personal injury claims with a total claim amount against the Group of approximately HK\$12.3 million; (ii) one personal injury claims which is yet to be assessed as it is in an initial stage; and (iii) four employees' compensation claims in which the total amount being claimed have yet to be assessed as they are at the initial stage, but each is subject to the jurisdiction of the District Court of HK\$1,000,000. All claims, including both personal injury and employees' compensation, are fully covered by insurance. Please see the section "Business — Risk Management and Internal Control — Safety and Health" for further information.

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 of any of the outstanding claims 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

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counterclaim 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 the aforementioned outstanding and potential 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 adversely affect our revenue, results of operation and financial conditions.

Furthermore, 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 occurrences 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 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 non-completion of works to be included in the contract made between us and the customer involved. Such a clause usually provides that in case of 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 so remain incomplete due to our default. Any delay in the completion of a project, whether or not caused by us, 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 construction projects undertaken by us may not be completed in accordance with the pre-set time schedule, we are subject to the risk of being claimed for the said liquidated damages when a construction project undertaken by us is not completed on time. Such claims for liquidated damages if so occurred 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 to 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 win future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

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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.

We depend on our major customers for a significant part of our businesses, and the loss of our major customers could adversely affect our businesses and financial position. Our major customers include connected persons of our Company, and over-reliance on such connected customers may affect our ability to operate independently.

A significant portion of our revenue has been and is expected to continue to be, derived from a number of major customers. For the years ended 30 June 2013, 2014 and 2015:

- (a) total turnover attributable to the five largest customers for our E&M Engineering Segment accounted for 61.3%, 59.9% and 59.4% of the revenue of this segment respectively; and
- (b) total turnover attributable to the five largest customers for our Environmental Engineering Segment accounted for 26.8%, 38.3% and 22.6% of the revenue of this segment respectively.

Our major customers include connected persons of our Company, including the CTF Jewellery Group, the NWD Group, the NWS Group, the Non-listing Group and some other companies which are connected persons of our Company (together the “**Connected Customers**”). For the years ended 30 June 2013, 2014 and 2015, total turnover attributable to the Connected Customers together accounted for 37.0%, 37.8% and 26.5% of our revenue, respectively.

The NWS Group has been our largest customer in each of the year during the Track Record Period. We consider that this is mainly because we have undertaken a number of Major Projects, as shown in the tables in the section “Business — E&M Engineering Projects”, in which the customer is a main contractor in the NWS Group, which is a major main contractor in Hong Kong with an established market presence. We expect that our revenue attributable to projects with the NWS Group in the next few years may further increase due to the size of the Major Projects on hand, as shown in the table “Projects on hand” in the sub-section “E&M Engineering Projects” in the “Business” section. Please also see the sections “Business — Other Information about our Business — Our Top Five Customers” and “Connected Transactions — Non-exempt CCTS Requiring Independent Approval — B1. The NWS CCTs — NWS Master Services Agreement” for further information. Our Directors confirm that the terms of the contracts we entered into with our connected customers are fair and reasonable, and are on terms which are comparable to those with our customers which are Independent Third Parties. Furthermore, we believe, to the best of our Directors’ knowledge, that our quotations are considered by our connected customers independently based on the terms and merits of our quotations and tenders submitted to them.

We do not enter into long term contracts with our major customers, and there can be no assurance that our major customers, including our Connected Customers, will continue to engage us in the future. In the event that our major customers cease to engage us to provide services and we fail to replace such customers, our business and financial position may be materially and adversely affected.

Furthermore, the major customers of our E&M Engineering Segment in the PRC mainly comprise a number of major Hong Kong-based developers engaging in development projects in the PRC. In the event that the level of construction activities of such major customers in the PRC cease to grow or decline, or such customers cease to engage us to provide services and we fail to replace such customers, our E&M Engineering Segment, in particular its operation in the PRC, may be materially and adversely affected.

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On the other hand, if revenue from our Connected Customers further increase, over-reliance on Connected Customers may affect our operational independency, as such Connected Customers, many of which are controlled by one or more of our Directors or Controlling Shareholders, may be able to exert excessive influence on us. For details, please see the section “Relationship with Controlling Shareholders”.

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.

Any future inability to recruit and retain qualified individuals may delay the completion of our works and could result in deduction of liquidated and ascertained damages from the contract sum payable to our Group. Any such delays could have a material adverse effect on our business and results of operations. In addition, competition for qualified construction workers could also require us to pay higher wages, which could result in higher labour costs. For example, in Macau, given that it only has a total population of slightly above half a million and there have been a large number of construction projects in recent years, the labour market in Macau has been tight and average labour costs in Macau have increased significantly.

Moreover, the minimum wage requirement in Hong Kong has increased and can continue to increase our labour costs in the future. The salary level of construction workers in Hong Kong has been increasing in the past several years. As for the PRC market, there was an increase in labour cost over the past few years and the average annual wage of employees in the PRC construction industry is expected to continue to increase in the coming years. Some of our revenues, in particular in the E&M Engineering Segment, 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 the relevant agreements with such mechanism. 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.

For the operations of our E&M Engineering Segment, we often 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. 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 implement certain contracts in our E&M Engineering Segment. As we generally do not sign any long term contracts with our major subcontractors, there is no assurance that they will be able to continue to provide services to our Group at prices acceptable to us or whether we can maintain our relationship with them in the future. In the event that any of the

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major subcontractors is unable to provide the required services to us and 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 the E&M engineering works for major construction projects, we often form joint ventures with other companies to tender for and carry out the E&M engineering works. There is no assurance that our existing joint venture partners will continue to cooperate with us to continue to tender for and perform E&M engineering 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 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 on a delayed basis or at a higher price than anticipated, 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 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 the acts, defaults or neglects of them. We cannot assure you 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 standard 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 self-employed ones, 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 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 sizable 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,

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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 switch to 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 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.

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.

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 project-based. Fee collection and 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 Segment is project-based. Our fee collection and profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period and the efficiency of implementation of the contractual works. In this connection, the income flow of our E&M Engineering Segment 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, the fee collection by our E&M Engineering Segment, and the profit margin and time for profit recognition depend on the terms of the work contracts and may also be irregular. If the fee collection pattern significantly deviates from our estimation, our financial position could be adversely affected.

We normally 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 will also withhold a portion of contract value as retention money which ranges from 5% to 10% of the total contract value, half of which will generally be released to us upon practical completion of the works and the balance will be released upon defects being certified to be rectified. There can be no assurance that progress payment or retention money in respect of our projects will be paid on time and in full. 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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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 by our staff, subcontractors, joint venture partners or other third parties. Such wrongdoing may 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 fraud, bribery and corruption, and other misconduct. Such instances committed against our interests, 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 brand image may be adversely affected.

We have disposed of a number of properties to and have leased back such properties from our connected persons, resulting in an increase in our rental expenses, and we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

To rationalise the investment and assets holding structure of our Group, we implemented in June 2014 a series of transfers whereby we disposed of certain properties holding companies to transferees, each of which as at the Latest Practicable Date was beneficially wholly owned by Mr. Doo and therefore a connected person of our Company (the “Properties Disposal”). Subsequent to the Properties Disposal, the properties held by the disposed companies are leased to our Group. Please see the sections “History and Development — Our Major Acquisitions and Disposals — Disposals”, “Business — Properties” and “Connected Transactions” for further information. As a result thereof, there has been an increase in our rental expenses after the Properties Disposal. Due to the Properties Disposal, our rental expenses for the year ending 30 June 2015 has increased. As at the Latest Practicable Date, the aggregate annual rental payable by us for the leasing of these properties was approximately HK\$4.44 million. We expected that the aggregate annual rental payable by us will be increased to approximately HK\$5.00 million for the two years ending 30 June 2018 if we are to continue leasing these properties upon expiry of their current term on 30 June 2016.

Also as a result of the Properties Disposal, we will be more exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs. If rental costs for commercial premises in Hong Kong continue to increase, upon expiry of the lease agreements for the relevant premises, we will have to negotiate the terms and conditions on which the lease agreements may be renewed. There is no assurance that we will be able to renew such lease agreements with terms and conditions, in particular regarding rental, which are favourable or commercially acceptable to us. In such case, we will have to relocate the relevant operation, and would have to incur renovation costs and other costs and risks for the relocation.

Suppliers for building materials may change their existing sales or marketing strategy by, among other things, changing their export strategy, reducing their sales or production volume, reducing their selling prices or appointing other distributors which may compete with us in the markets in which we operate.

We are engaged in the distribution and retail sales of building materials, which is dependent on supplies of such products by our suppliers for our distribution. Our suppliers may change their existing sales or marketing strategy in respect of the products we distribute by, among other things, selling those products directly without going through distributors or sub-distributors such as our Group, changing their export strategy, reducing their sales or production volume or reducing their selling prices. In particular, entry barriers to the building material distribution market are relatively low as compared to other industries, such as certain manufacturing industries which require technical know-how and substantial capital expenditures, and there are no specific pre-requisite conditions to

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be fulfilled in order to be qualified as a distributor. There is no assurance that there will be no deterioration in our relationship with our major suppliers. In the event that any of our suppliers changes its sales or marketing strategy or otherwise appoint other distributors to distribute its products, our business, results of operations and financial performance could be materially and adversely affected.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, 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, participation in joint ventures or other strategic alliances with other companies. Please see the section “Business — Our Business Strategies” for details. Acquisitions of companies or businesses and participation in joint ventures or other strategic alliances 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;
- the diversion of financial or other resources from our existing businesses and technologies;
- disagreement with joint venture or strategic alliance partners;
- 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, joint venture formations or other strategic alliances; 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.

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 15 years of experience in the relevant industries. Please see the section “Directors, Senior Management and Employees” 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 future prospects.

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

Our operations are dependent on the conditions and trends in the construction and E&M engineering industry, which are subject to cyclical. The future growth and conditions of the construction and E&M engineering industry in Hong Kong, Macau and the PRC 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 public sector and private sector.

There are many factors affecting the construction and E&M engineering industry, including cyclical trends in the property market and the economy as a whole, fluctuations in interest rates and the availability of new projects in the private 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.

Our business could be affected by the Hong Kong Government's level of spending on public works.

During the Track Record Period, approximately 20.9%, 12.6% and 14.2% of our E&M Engineering Segment revenue was generated from public sector projects. Some public works projects are non-recurring in nature. Any change or significant delay in the level of spending 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.

Conducting business in Macau involves certain economic and other risks.

Some of our businesses, in particular our E&M Engineering Segment, are conducted in Macau. Conducting business in Macau involves certain risks not typically associated with investments in companies with operations outside of Macau, including risks relating to changes in Macau's and the PRC's political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies.

Further, the exchange linkage of the Hong Kong dollar and MOP is subject to potential changes due to, among other things, policies of the governments in the PRC, Hong Kong and Macau, as well as international economic and political developments. Any significant fluctuations in the exchange rates between Hong Kong dollars and MOP may have a material adverse effect on our revenues and financial condition.

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We operate in a competitive industry, and we may experience pressure on our profit margin.

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 such other areas, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO THE PRC

Our future performance is dependent on the PRC economy and the PRC construction industry in particular, and historical results of operation may not be indicative of our future performance.

For the year ended 30 June 2015, 13.5% of our revenue was generated in the PRC. Accordingly, our business, financial condition, results of operations and prospects could be affected by economic, political and legal developments in the PRC. The PRC economy 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. Customers' tendency to become more cost-conscious as a result of an economic slowdown or decreases in disposable income may reduce our customer traffic or average revenue per customer, which may adversely affect our revenues.

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

Furthermore, our operating results may fluctuate due to a number of additional factors, including changes in PRC laws, regulations and industry practices in the E&M engineering industry, increases in costs of labour and raw materials and conditions of the PRC property market and its players, many of which are beyond our control. Therefore, our operating results for future periods are difficult to predict, and prior results are not indicative of results to be expected in future periods. We believe that period-to-period comparisons of our results of operations are not indicative of our future performance.

As such, there is a risk that we will not be able to achieve or maintain profitability or our historical results.

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Uncertainties with respect to the PRC legal system could materially and adversely affect us.

Our business in the PRC is conducted through our PRC subsidiaries. Thus, our operations in the PRC are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes and regulations. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because published court decisions are limited in number and are non-binding, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may be subject to fines and other penalties applied retroactively for violations of policies and rules enacted in the future based on acts that are currently permissible. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

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 the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

We are a company incorporated under the laws of the Cayman Islands. 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, and 13.5% of our revenue was generated in the PRC for the year ended 30 June 2015. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. Recognition and enforcement in Hong Kong or the PRC 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.

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 the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for you to bring an action against us or against our Directors or officers based on Hong Kong laws or PRC laws 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 Articles of Association and by the Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders 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 Cayman Islands law is set out in Appendix III to this prospectus.

RISK FACTORS

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 the PRC. We receive our revenues from our PRC operations in RMB. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries 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 the PRC 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.

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

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 PRC's political and economic conditions. 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.

In respect of our operations in the PRC, a majority of our revenues and costs are denominated in RMB. We also partially rely on dividends and other fees paid to our Company by our wholly-owned subsidiaries in the PRC. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, any appreciation of the Renminbi against the Hong Kong or U.S. dollar or any other currencies may result in the decrease in the Renminbi-equivalent value of our foreign currency-denominated assets.

RISKS RELATING TO THE GLOBAL OFFERING

Our financial results are expected to be affected by the expenses in relation to the Global Offering.

Our financial results will be affected by the expenses in relation to the Global Offering. We had incurred listing expenses of approximately HK\$5.2 million for the year ended 30 June 2015. The total estimated listing expenses in connection with the Global Offering are approximately HK\$40.4 million (based on the mid-point of the Offer Price of HK\$2.83 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately HK\$5.2 million has been charged to our consolidated income statement for the year ended 30 June 2015, and approximately HK\$15.3 million

RISK FACTORS

is expected to be charged to our consolidated income statement for the year ending 30 June 2016 and approximately HK\$19.9 million is expected to be accounted for as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. Therefore, our financial results for the year ending 30 June 2016 will be affected by the expenses in relation to the Global Offering.

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 for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and the International Underwriters) and us, and 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, the PRC, 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.

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.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few Business Days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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.

RISK FACTORS

The Shares owned by our Controlling Shareholder 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 book 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 Joint Global Coordinators (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 “Other Information — 15. 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.

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 Joint Global Coordinators, 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

RISK FACTORS

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 in addition to 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, our Company has sought the following waivers from the Stock Exchange in relation to certain of the requirements of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately upon the Listing, a number of our business transactions which we have carried on from time to time with certain counterparties will constitute our continuing connected transactions under the Listing Rules when these counterparties become, for the purpose of the Listing Rules, our connected persons immediately upon the Listing.

Depending on the size of these transactions, some of them are subject to the reporting and announcement requirements and some of them are subject to the reporting, announcement and independent shareholders' approval requirements, as applicable to continuing connected transactions under Chapter 14A of the Listing Rules immediately upon the Listing.

We have, pursuant to Rule 14A.105, sought waivers from the Stock Exchange from strict compliance from the announcement requirement, or announcement and independent shareholders' approval requirements in respect of these continuing connected transactions immediately following the Listing and the Stock Exchange had granted us the waivers sought.

Details of these continuing connected transactions and other continuing connected transactions of us as well as the waivers sought and granted are set out in the section "Connected Transactions" of this prospectus.

APPOINTMENT OF JOINT COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience", the Stock Exchange will consider the following factors when assessing an individual's "relevant experience:"

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have appointed Mr. Chan Ju Wai (陳祖偉) as one of our joint company secretaries. Mr. Chan graduated from the Lingnan University in Hong Kong with an Honours Diploma in accountancy in November 1991 and attended the Accelerating Management Talent Consortium Program in management operated by the Richard Ivey School of Business in Canada in March 2008. In July and November 2013, he further obtained a master's degree with credit in Business Administration from the University of Sunderland in the United Kingdom and a master's degree with distinction in accountancy from the Lingnan University. In the same year, he was inducted as a member of Lingnan University Chapter of Beta Gamma Sigma, the international honor society for collegiate schools of business. Mr. Chan is currently a member of the Institute of Public Accountants, Institute of Certified Management Accountants in Australia and Hong Kong IT Accountants Association.

Mr. Chan joined our Group in May 2001. He is our chief financial officer and has sound understanding of the operations of our Group. He has been overseeing our Group's accounting, corporate financial reporting, legal and information technology affairs for many years. Among other duties, Mr. Chan is charged with the responsibility of maintaining an effective corporate governance framework within our Group to uphold operation excellence and transparency, and ensuring good information flow and corporate policy and procedures being followed properly. He provides advice to our Group from time to time on corporate governance, compliance and reporting requirements regarding projects and transactions of our Group. He also assists in handling corporate secretarial matters such as organising board, departmental and general meetings for our Group and preparing minutes for the meetings.

Due to business needs, Mr. Chan works from time to time with legal and other professional advisers, both internally and externally, and has gained considerable knowledge as well as practicable experience in legal, corporate financial management and reporting, corporate secretarial matters through his participation in the business and other corporate affairs of our Group. In addition, Mr. Chan has been closely involved in the preparation of our Listing. Hence, he is familiar with the legal and Listing Rules' requirements. For continuous professional development, Mr. Chan has also attended seminars and courses to develop and refresh his knowledge, skills and understanding in the conduct and regulation of professional practices including but not limited to financial reporting and corporate governance, which have relevance to discharge his above duties in our Group. He also attended the training seminar regarding responsibility of directors of listed companies delivered by our Company's legal advisers as to Hong Kong laws to the Directors and senior management of the Company. However, Mr. Chan does not possess a qualification as stipulated in Rule 3.28 of the Listing Rules.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Chan will endeavour to attend relevant training courses to keep himself abreast with the applicable Hong Kong laws and regulations (including the Listing Rules) organised by accredited organisations and seminars organised by the Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- we have appointed Mr. Lee Kwok Bong (李國邦), one of our executive Directors, who is a certified public accountant (as defined in the Professional Accountants Ordinance) and meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Chan in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Chan to acquire the relevant experience as required under Rule 3.28 of the Listing Rules to discharge the duties and responsibilities as company secretary; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- upon expiry of the three-year period, a further evaluation of the qualifications and experience of Mr. Chan and the need for on-going assistance would be made.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Chan will be re-evaluated to determine whether the requirements as stipulated under Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Chan has obtained relevant experience under Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

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 Future (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information 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 in this prospectus misleading.

INFORMATION ON 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 Joint Global Coordinators, the Sole Sponsor, 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 our 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 of any subsequent time.

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

UNDERWRITING

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

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering 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 Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering 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 offering 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 the PRC 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our 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).

Save as disclosed in this prospectus, no part of the Shares 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 in the near future.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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 Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Managers, 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 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 Stabilising Manager (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 16,875,000 Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover, among other things, over-allocation in the International Placing.

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

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Over-allotment Option, are set out in the section “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB and MOP amounts into HKD at specified rates. You should not construe these translations as representations that the RMB and MOP amounts could actually be, or have been, converted into HKD amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB and MOP amounts into HKD have been made at the rate of RMB0.8011 to HK\$1.00 and MOP1.0304 to HK\$1.00, respectively.

ROUNDING

Amounts and percentage figures, including share ownership and operating 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, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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*

Name	Address	Nationality
<i>Chairman and Non-executive Director</i>		
Dr. Cheng Kar Shun, Henry (鄭家純)	12 Repulse Bay Road, Hong Kong	Chinese
<i>Executive Directors</i>		
Mr. Wong Kwok Kin, Andrew (黃國堅)	Flat C, 22nd Floor, Block 1 Clovelly Court, 12 May Road Mid-level, Hong Kong	Chinese
Mr. Poon Lock Kee, Rocky (潘樂祺)	Room C, 11th Floor, Tower 3 The Regalia, 33 King's Park Rise Homantin, Kowloon, Hong Kong	Chinese
Mr. Doo William Junior Guilherme (杜家駒)	60 Peak Road, The Peak, Hong Kong	Chinese
Mr. Lee Kwok Bong (李國邦)	Room 1810, Block M, Kornhill Quarry Bay Hong Kong	Chinese
Mr. Soon Kweong Wah (孫強華)	Flat J, 20th Floor, Block 7 Tsui Chuk Garden, Chuk Yuen Kowloon, Hong Kong	British
<i>Independent non-executive Directors</i>		
Mr. Kwong Che Keung, Gordon (鄺志強)	28, Ng Fai Tin Clearwater Bay Kowloon Hong Kong	Chinese
Mr. Hui Chiu Chung, Stephen (許照中)	Block B1, 1st to 2nd Floors Lok Lam Garden 5-9 Lok Yuen Path Fotan, Shatin New Territories Hong Kong	Chinese
Mr. Lee Kwan Hung (李均雄)	Flat D, 26th Floor, Block 2 Ronsdale Garden 25 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese

* For further information on the Directors, please see the section "Directors, Senior Management and Employees" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Halcyon Capital Limited
11th Floor, 8 Wyndham Street
Central
Hong Kong

**Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

Halcyon Securities Limited
11th Floor, 8 Wyndham Street
Central
Hong Kong

Great Roc Capital Securities Limited
Suite 3712, 37th Floor
West Tower, Shun Tak Center
168-200 Connaught Road Central
Hong Kong

Co-lead Managers

BOSC International Company Limited
Suite 2608–2611
Citibank Tower, Citibank Plaza
3 Garden Road
Hong Kong

Celestial Capital Limited
21st Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Investec Capital Asia Limited
3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Oriental Patron Securities Limited
27th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Jingtian & Gongcheng
34th Floor, Tower 3,
China Central Place
77 Jianguo Road
Beijing 100025
China

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to Macanese law:

Manuela Antonio Law Office
25 Avenida Dr. Mario Soares
1st Floor, Room 13
Macau

As to Malaysian law:

Zaid Ibrahim & Co.
Level 19 Menara Milenium
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

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and the Underwriters**

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18 Chater Road Central
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As to PRC law:

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No. 555, Dongfeng East Road
Guangzhou, PRC

Auditors and reporting accountants

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince Building
Central
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
16th Floor, 1063 King's Road
Quarry Bay, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving banks

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

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Units 701–704 7th Floor, Eastern Harbour Centre No. 28 Hoi Chak Street Quarry Bay, Hong Kong
Company's website address	<u>www.fseng.com.hk</u> <i>(information on this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Lee Kwok Bong (李國邦) (HKICPA, AICPA) Room 1810, Block M, Kornhill Quarry Bay, Hong Kong Mr. Chan Ju Wai (陳祖偉) Flat D, 18th Floor, Block 5 Pacific Palisades 1 Braemar Hill Road Hong Kong
Audit committee	Mr. Kwong Che Keung, Gordon (鄺志強) (Chairman) Mr. Hui Chiu Chung, Stephen (許照中) Mr. Lee Kwan Hung (李均雄)
Remuneration committee	Mr. Hui Chiu Chung, Stephen (許照中) (Chairman) Mr. Lee Kwan Hung (李均雄) Mr. Poon Lock Kee, Rocky (潘樂祺)
Nomination committee	Mr. Lee Kwan Hung (李均雄) (Chairman) Mr. Hui Chiu Chung, Stephen (許照中) Mr. Poon Lock Kee, Rocky (潘樂祺)
Authorised representatives <i>(for the purpose of the Listing Rules)</i>	Mr. Lee Kwok Bong (李國邦) Room 1810, Block M, Kornhill Quarry Bay, Hong Kong Mr. Chan Ju Wai (陳祖偉) Flat D, 18th Floor, Block 5 Pacific Palisades 1 Braemar Hill Road Hong Kong
Compliance adviser	Halcyon Capital Limited 11th Floor, 8 Wyndham Street Central Hong Kong

CORPORATE INFORMATION

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Bank of China Tower
1 Garden Road
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Crédit Agricole Corporate and Investment Bank
Hong Kong Branch
27th Floor, Two Pacific Place
88 Queensway
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Nanyang Commercial Bank, Ltd.
151 Des Voeux Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
32nd Floor
4–4A Des Voeux Road Central
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Principal share registrar and transfer office in Cayman Islands

Codan Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

Branch share registrar and transfer office in Hong Kong

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government resources and a commissioned report, the Frost & Sullivan Report, prepared by Frost & Sullivan which is an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any of their affiliates or advisers or any other party involved in the Global Offering other than Frost & Sullivan with respect to the information contained in the Frost & Sullivan Report. No representation is given as to the accuracy of the Frost & Sullivan Report. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the date of this prospectus which may qualify, contradict or have a material impact on the information in this section.

SOURCES OF INFORMATION

Frost & Sullivan Report

We have commissioned Frost & Sullivan to prepare a report on E&M engineering, environmental engineering and building materials industries in Hong Kong, Macau and the PRC (the “**Frost & Sullivan Report**”). We paid a fee of RMB710,000 for the preparation and use of the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies, and provides growth consulting and corporate training. Its industry coverage in the PRC includes agriculture, forestry, farming and fishery, automotive and transportation, chemicals, materials, food and beverage, airlines and aviation, financial services, retail and consumer goods, energy and power systems, environment and building technologies, healthcare, industrial automation, machinery, and electronics, metals and mining, and technology, media, and telecommunication.

Methodology

Frost & Sullivan’s independent research was undertaken through both secondary and primary research obtained from various official government publications in Hong Kong, Macau and the PRC as well as information provided by international organisations and industry sources. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. Primary research involved interviews with leading industry participants in the relevant industry and related industry experts. Frost & Sullivan has assumed that the information and data, which it obtained from independent third parties and publicly available data, are complete and accurate. The information contained herein has been obtained from sources which Frost & Sullivan believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information, and may be affected by the accuracy of the assumptions and the choice of these parameters.

Assumptions and Parameters

The bases and assumptions for the projections in the Frost & Sullivan Report include the following: (i) the economies of Hong Kong, Macau and the PRC are assumed to maintain steady growth across the forecast period; (ii) the global economy is likely to gradually recover over the forecast period; and (iii) it is assumed that there will not be any external shocks such as natural disasters or the wide outbreak of diseases to affect the catering industry during the forecast period. The research conducted by Frost & Sullivan may be affected by the accuracy of the assumptions and choice of parameters as stated above.

INDUSTRY OVERVIEW

E&M ENGINEERING INDUSTRY IN HONG KONG, MACAU AND THE PRC

During the Track Record Period, our principal business had been the provision of E&M engineering services in Hong Kong, Macau and the PRC.

Hong Kong E&M Engineering Industry

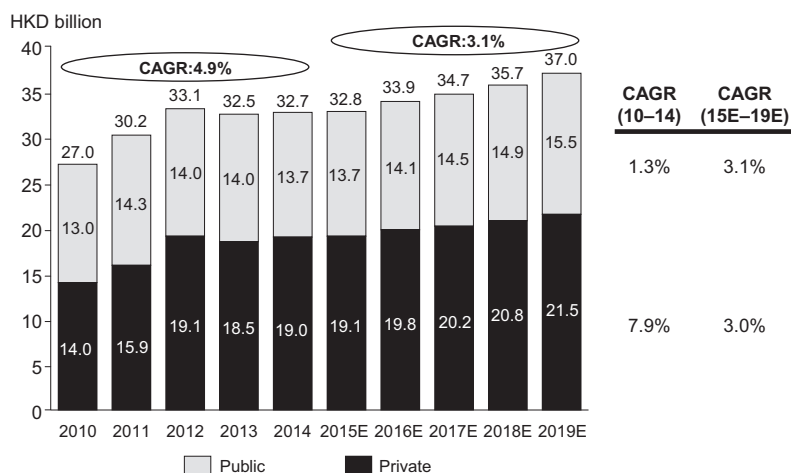
Construction industry in Hong Kong

The construction industry in Hong Kong is generally classified into four sectors: (i) civil construction works of structures and facilities, (ii) building works of residential, commercial, industrial and other buildings, (iii) E&M engineering works, including design and value engineering, supply and installation, energy audit, testing and commissioning, operation and maintenance, facility management, air-conditioning and ventilation, fire services, plumbing and drainage, lighting, electrical and ELV systems, building automation system, acoustic and water treatment, clean room; and (iv) repair, maintenance, alteration and addition works.

E&M engineering industry in Hong Kong

The E&M engineering market in Hong Kong is generally divided into E&M engineering services for private sector and public sector. The overall revenue from the Hong Kong E&M engineering works increased from HK\$27.0 billion in 2010 to HK\$32.7 billion in 2014, with a CAGR of 4.9%, and is expected to grow at a CAGR of 3.1% from 2015 to 2019. From 2015 to 2019, the output value⁽¹⁾ of the Hong Kong public sector E&M engineering market is expected to increase with a CAGR of 3.1% compared to approximately 1.3% from 2010 to 2014, whereas the private E&M engineering market is expected to growth at a CAGR of 3.0% from 2015 to 2019, compared with a CAGR of 7.9% from 2010 to 2014, as illustrated by diagram 1 below.

Diagram 1: Market size in terms of output value of E&M engineering market in Hong Kong, 2010–2019E



Note: (1) Output value is calculated by sales revenue, which, as a generally accepted indicator in the construction market, represents the amount payable to construction contractors based on the actual construction progress.

INDUSTRY OVERVIEW

Drivers and opportunities for the Hong Kong E&M engineering industry

The growth of the E&M engineering market in Hong Kong is expected to be influenced by the following drivers and opportunities:

Mega infrastructure projects — The Hong Kong Government has been increasing its infrastructure investment over the past few years. Some of the mega infrastructure projects announced in the government's Policy Addresses in recent years have had their details published and tenders released, thereby driving up local E&M engineering activities. The Hong Kong Government estimated that the public infrastructure expenditure will be over HK\$70.0 billion annually in the next few years. The table below sets out some of the current and proposed mega infrastructure projects in Hong Kong.

Mega Infrastructure Projects in Hong Kong, 2010–2019E

Project	Description	Investment (USD million)	Period
The Shatin to Central Link	Connecting the northeast New Territories and Hong Kong Island	8,321	2012–2018/20
The Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link	Linking up Deep Bay, the northwest New Territories and Hong Kong International Airport	Over 2,500	2016 (completion)
Kai Tak Development Plan	Area for commercial, residential, recreational, tourism uses and supporting infrastructure	Over 16,700	2009–2021
New Development Areas	Area for housing, employment, high value-added industries	N/A	2019 (1st phase completed)
Hong Kong–Shenzhen Airport Cooperation	Rail link between Shenzhen Airport and Hong Kong International Airport	N/A	N/A
Hong Kong Shenzhen Joint Development of the Lok Ma Chau Loop	Working with Shenzhen authorities to develop the area	N/A	N/A
South Island Link	Linking Admiralty to the Southern District	1,590	2011–2015
West Kowloon Cultural District	Enhance cultural exchange and cooperation	Over 2,769	2013–2015 (1st phase)
The Guangzhou–Shenzhen–Hong Kong Express Rail Link	Linking up the national rail network of the Chinese Mainland. Connecting West Kowloon to Shibi, Guangzhou	8,000	2010–2015
Hong Kong–Zhuhai–Macau Bridge	Linking up Hong Kong, Zhuhai and Macau	2,740	2010–2016

Supplementary labour scheme — In 2015, the Hong Kong Government announced the “Supplementary Labour Scheme” to attract more labour forces for the construction industry. It is expected that regulation passed in favour of recruitment of immigrant construction workers will alleviate the shortage of construction labour and this will likely benefit the construction and E&M engineering market in Hong Kong.

Government's target to provide 480,000 private and public flats — In 2015, the Hong Kong Government announced its target to provide 480,000 private and public flats over the next 10 years, including 210,000 private and public flats to be provided between 2015 and 2019, which is expected to provide ample demand for construction and thus E&M engineering services.

INDUSTRY OVERVIEW

Building automation, ELV works and building maintenance — There is a growing trend of intelligent building and building automation system installation, which is part of the ELV system works, and there is also increasing demand for building maintenance services which requires capacity to integrate ELV building systems such as central control and monitoring system, access control and security system, fire safety system in Hong Kong.

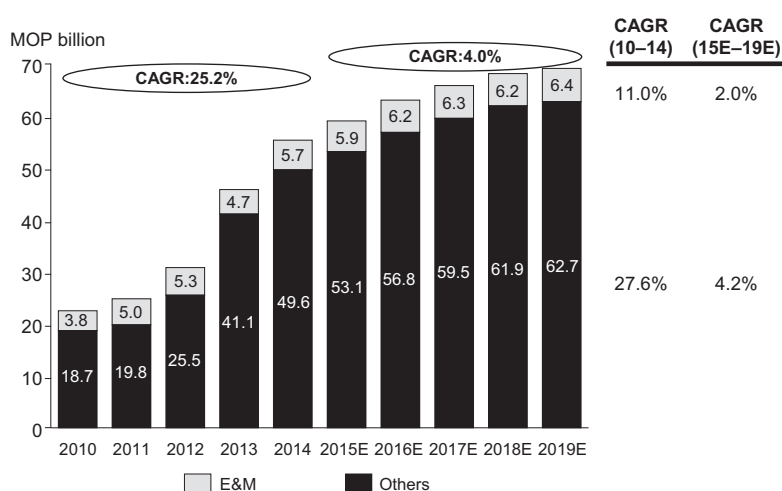
Threats and challenges for the Hong Kong E&M engineering industry

Major threats to the Hong Kong E&M engineering market include the aging and shortage of local labour force, leading to increasing wages and increasing raw material costs for E&M engineering works.

Macau E&M Engineering Industry

Macau's construction market is generally divided into site formation, building construction and civil engineering, E&M works, and others (such as hiring of construction equipment). It has grown from approximately MOP22.5 billion to MOP55.3 billion in terms of output value from 2010 to 2014, at a CAGR of 25.2%, as illustrated by diagram 2 below, driven by major investment in the industry from fast expansion of the gaming industry, expanding tourism and hotel industry, and increasing infrastructure investment supported by the Macau government. Along with such expansion, the Macau E&M engineering industry enjoyed fast growth with a CAGR of 11% from MOP3.8 billion in 2010 to MOP5.7 billion in 2014. The growth of this industry is, however, estimated to slow down to a CAGR of 2.0% from 2015 to 2019, due to the slow-down in the gaming industry.

Diagram 2: Market size in terms of output value of construction industry in Macau by service type, 2010–2019E



Notes:

- (1) Output value is calculated by sales revenue, which, as a generally accepted indicator in the construction market, represents the amount payable to construction contractors based on the actual construction progress.
- (2) Others includes site formation sector, building construction and civil engineering sector, and hire of construction and demolition equipment with operator sector.

INDUSTRY OVERVIEW

Drivers and opportunities for the Macau E&M engineering industry

The growth of the E&M engineering market in Macau is expected to be supported by the following drivers and opportunities:

Mega infrastructure projects — In the next few years, there are a number of approved major infrastructure projects to be conducted. Such major infrastructure projects in the pipeline from 2010 to 2019 include among others, (i) construction of the Hong Kong-Zhuhai-Macau Bridge; (ii) construction of the Macau Light Transit System; (iii) a “New Landfill Urban” land reclamation project approved in 2009 which include five areas of claimed land zoned for different uses including public housing, tourism and recreation facilities, parks and green areas, commercial and residential buildings, public buildings, model green community and public infrastructure; (iv) upgrading facilities and services of the Macau International Airport; (v) construction of the new Taipa Temporary Ferry Terminal; (vi) construction of a tunnel connecting Coloane and Ka-Ho; (vii) construction of a healthcare complex of integrated medical institutions; and (viii) construction of public housing in Fai Chi Kei.

Increased number of hotel guest rooms for visitors — Despite an expected slow-down in the gaming industry, the hotel and guesthouse industry in Macau is expected to reach a peak in 2017 to 2019, with the number of guest rooms at 44.1 thousand units, with a CAGR of 9.6% from 2014 to 2019.

Maintenance of buildings — There are potential for growth in the market of maintenance of private buildings in Macau. As maintenance works are becoming more regulated and people are becoming more aware of the importance of maintenance, increase in demand for building maintenance is expected to drive the E&M engineering market in Macau.

Threats for the Macau E&M engineering industry

Major threats to the Macau E&M engineering market include the aging and shortage of labour, leading to increasing wages; and over-dependence on the gaming industry, the revenue of which is estimated to decline in the next few years.

The PRC E&M Engineering Industry

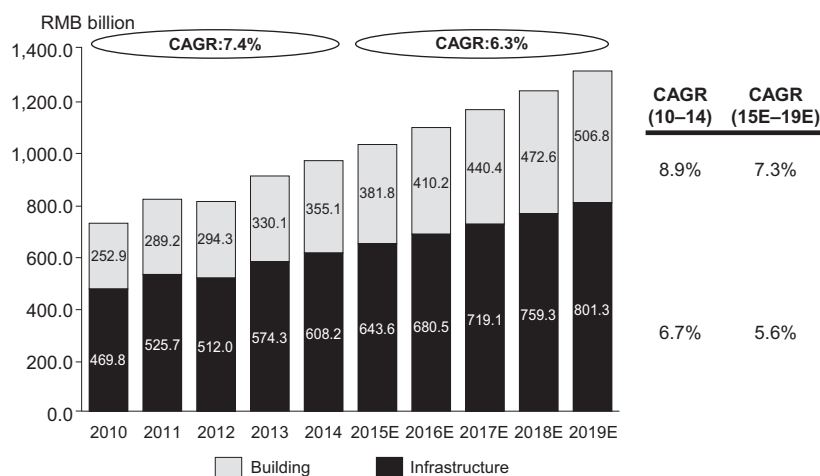
The PRC’s construction industry generally includes four different sub-categories, including (i) building construction and civil engineering, (ii) decoration works, (iii) E&M engineering and (iv) others. The size of the PRC E&M engineering market increased from approximately RMB722.7 billion in 2010 to approximately RMB963.3 billion in 2014, representing a CAGR of 7.4%, and is expected to increase further to approximately RMB1,308.1 billion in 2019, representing a CAGR of 6.3% from 2015 to 2019.

The PRC’s E&M engineering and service market generally includes two sectors: building and infrastructure. Historically, the fixed assets of investment (“**FAI**”) of the infrastructural E&M sector has been much greater than that of the building sector. The increase in demand for greener buildings and innovative technology, however, is expected to drive a faster growth of the building sector E&M sales.

INDUSTRY OVERVIEW

The market size of building sector is estimated to have increased from RMB252.9 billion in 2010 to RMB355.1 billion in 2014, representing a CAGR of 8.9%. The market size is expected to increase from RMB381.8 billion in 2015 to RMB506.8 billion in 2019, representing a CAGR of 7.3%, as illustrated by diagram 3 below.

Diagram 3: Market size in terms of output value of E&M engineering market in the PRC, 2010–2019E



Notes:

- (1) Output value is calculated by construction settlement income, which, as a generally accepted indicator in the PRC construction market, represents the amount payable to construction contractors based on the actual construction progress.
- (2) Infrastructure includes mechanical and electrical systems installed in municipal facilities.

Market share of Hong Kong-based companies to the PRC construction industry

Many large scale Hong Kong-based construction companies have a large property portfolios in the PRC. There has been a surge of market contribution from Hong Kong, Macau and Taiwan enterprises in the PRC's construction industry, with their market contribution increasing from approximately RMB44.4 billion in 2010 to approximately RMB71.8 billion in 2014, of which it is estimated that Hong Kong-based enterprises contributed over 90%. The market contribution of such enterprises from Hong Kong, Macau and Taiwan in the PRC's construction industry is expected to reach a total contribution of approximately RMB97.5 billion in 2019.

Drivers and opportunities for PRC E&M engineering industry

New trend of urbanisation — Chinese citizens are improving their standards of living and household wealth, which in turn stimulates a rapid demand increase for new residential areas and commercial areas.

Construction modernisation — The Chinese government has been increasing efforts to commercialise the construction industry. In September 2014, the Chinese Ministry of Housing and Urban-Rural Development issued a public plan to improve engineering quality of constructions in the PRC. These efforts imply the antiquation of non-standard and archaic methods of construction, which will usher in requirements for modern and innovative technology methods for production.

Green engineering — With increasing awareness of energy saving and environmental protection, the PRC has pushed towards more smart and green solutions in buildings and energy saving. Smart and green solutions heavily rely on E&M engineering; it is believed that rapidly growing smart and green building market is one of the important factors in creating more opportunities in the E&M engineering and service market.

INDUSTRY OVERVIEW

Increasing participation by Hong Kong-based property developers — Although the construction market is beginning to slow down in the PRC, Hong Kong-based property developers are still looking to develop more properties in the Mainland. Such developers see the new urbanisation trend in the PRC as a huge opportunity to gain more reputation and market share; other construction firms should also be able to profit from the new development.

Threats to the PRC E&M engineering industry

Major threats to the PRC E&M engineering market include: (i) the effect of economic slowdown impacting on infrastructure investment, (ii) increasing cost trends for building materials and labour; and (iii) delay and complications of construction projects translating into risk of delay or inability to collect accounts receivables and negatively affecting cash flow.

COMPETITIVE LANDSCAPE OF THE E&M ENGINEERING INDUSTRY IN HONG KONG, MACAU AND THE PRC

Competition and Key Players in Hong Kong E&M Engineering Industry

The E&M engineering industry in Hong Kong is highly competitive and is characterized by a small number of large local companies with high level of subcontracting and business relationship with several major Hong Kong-based property developers as well as Hong Kong Government, a number of overseas companies, and substantial proportion of companies affiliated to both local and overseas developers and contractors. The top five E&M engineering companies take up only approximately 18% of the market share in terms of the total industry revenue for 2014. We were the second largest E&M engineering company with the income of approximately HK\$1.6 billion in 2014 and a market share of approximately 4.9%. According to the Frost & Sullivan Report, our competitive advantages include (i) established operating history and track record in E&M engineering projects; (ii) consistent delivery of high quality services; (iii) systematic and effective tender review procedure; and (iv) strong business relationships with major customers and suppliers. Please see the section “Business — Our Competitive Strengths” for details.

Entry barriers to the Hong Kong E&M engineering industry includes: (i) experienced management and professional staff, as well as technical knowhow of existing market players; (ii) licenses and qualifications required for most E&M engineering works, and only contractors on the Specialist List can be engaged in government projects; (iii) E&M engineering is capital intensive.

The table below shows the top five companies in the E&M engineering market in Hong Kong in 2013 and 2014, with their approximate sales revenue and approximate market share based on sales revenue.

Company Name	2013		2014	
	Sales revenue (HK\$ billion)	Market share	Sales revenue (HK\$ billion)	Market share
1. Company A	2.3	6.8%	2.4	7.3%
2. Our Group	1.4	4.3%	1.6	4.9%
3. Company B	0.9	2.9%	1.1	3.4%
4. Company C	0.5	1.5%	0.6	1.8%
5. Company D	0.5	1.4%	0.5	1.6%
Others	27.0	83.1%	26.5	81.0%
Total	32.6	100.0%	32.7	100.0%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Competition and Key Players in the Macau E&M Engineering Industry

The Macau E&M engineering market has a competitive landscape that is very similar to that in Hong Kong, with the top players taking up leading presence in the market. Hong Kong-based companies dominate the market, and they transfer proven technologies and successful experience in Hong Kong to Macau with low cost and well-recognized quality performance. The table below shows the top five companies in the Macau E&M engineering market in 2013 and 2014, with their approximate sales revenue and approximate market share based on sales revenue.

Company Name	2013		2014	
	Sales revenue	Market share	Sales revenue	Market share
	(MOP million)		(MOP million)	
1. Company A	435.0	9.3%	495.0	8.7%
2. Our Group	374.3	8.0%	219.0	3.8%
3. Company B	132.0	2.8%	159.3	2.8%
4. Company C	76.6	1.6%	113.0	2.0%
5. Company D	70.8	1.5%	84.0	1.5%
Others	3,577.8	76.8%	4,629.7	81.2%
Total	4,666.5	100.0%	5,700.0	100.0%

Source: Frost & Sullivan Report

Entry barriers to the Macau E&M engineering industry are similar to those in the Hong Kong market, except that currently there is no strict qualification requirements in the construction industry in Macau. The Macau government is, however, considering to require certain qualifications for the market players, and classify them into different levels to undertake projects of different sizes, and is also planning to regulate the market more strictly.

Competition and Key Players in the PRC E&M Engineering Industry

The PRC's building E&M engineering market is a relatively fragmented market with thousands of players. Majority of the top players are state-owned enterprises, and private players account for a majority in number of players but with small market share in terms of construction settlement income, with the top ten market players contributing around only 20% to the total market size of the construction settlement income.

Entry barriers to the PRC E&M engineering industry are similar to those in the Hong Kong market. In particular, there are different classes of qualifications of the PRC's E&M engineering companies (classes I and II for E&M engineering general contractor and classes A, B and C for specialist contractor, with different requirements in capital, experience, equipment, and personnel assets). Generally, having a qualification in a higher class means that a company can be engaged for larger sized project.

According to the Frost & Sullivan Report, our competitive advantages in the PRC's E&M engineering market include (i) first mover advantage involving in high-end market in the PRC's E&M engineering market; (ii) top qualification in the PRC's E&M engineering market; (iii) strong business relationships with major customers and suppliers; and (iv) professional management and expertise in know-how. FSEE is one of the few Hong Kong-based companies in the PRC which possesses the top qualification of class I for E&M engineering general contractor, and FSEE also possesses 12 qualifications of different classes of specialist contractor. Please see the section "Business — Our Competitive Strengths" for details.

INDUSTRY OVERVIEW

ENVIRONMENTAL ENGINEERING INDUSTRY IN HONG KONG AND MACAU

Overview

The environmental engineering market generally includes products and services for (i) water conservation and pollution control; (ii) air and odour pollution control; (iii) energy conservation; (iv) waste treatment, disposal and recycling; (v) noise control and mitigation; and (vi) environmental consulting.

The market size of the Hong Kong environmental engineering market rose from approximately HK\$5,603 million in 2010 to approximately HK\$7,292 million in 2014, with a CAGR of approximately 6.8%, and is expected to increase from approximately HK\$7,497 million in 2015 to approximately HK\$8,549 million in 2019, with a CAGR of approximately 3.2%, which is mostly contributable to the government's determination for sustainable development while providing a better living environment. In Macau, the relevant market size rose from approximately MOP1,122.2 million in 2010 to approximately MOP1,252.5 million in 2014, with a CAGR of approximately 2.8%, and is expected to grow from approximately MOP1,299.8 million in 2015 to approximately MOP1,459.1 million in 2019 with a CAGR of approximately 2.9%.

Drivers and Opportunities for the Hong Kong and Macau Environmental Engineering Industry

Promotion by governments — Both the Hong Kong and Macau governments have implemented a number of measures to support the development of the environmental engineering industry.

Increasing environmental awareness — The increasing awareness of the importance of a good environment further raises the demand for environmental engineering services and products, in particular energy saving, renewable and environmental friendly technologies.

Cost-saving by building energy management — Energy-conserving building energy management system (“BEMS”) is gaining popularity by the public and government. A BEMS regulates energy-consuming equipment in a building to reduce energy use, avoiding equipment operating at a greater capacity than necessary to meet building loads. These systems can ensure that the equipment operates at the minimum-needed capacity by automatically resetting operating parameter. A properly tuned BEMS can lower the amount of energy consumed by up to 20 to 30 percent, depending on how inefficiently the building was operating before the installation.

Trend of retrofitting older buildings — There are still a large number of older buildings which are not installed with BEMS, and there are significant opportunities for growth of the BEMS market since more building owners become aware of BEMS and its benefits, especially for buildings under demolition and reconstruction.

Stricter requirements for water discharge — The Hong Kong and Macau governments' discharge standards for water pollutants have risen steadily over the years but are still less stringent than standards in developed countries, such as the United States.

Growth of service industry — In Macau, the service sector accounts for over 90% of the economy, and serves tourists from around the world, who pay attention to the environment, and is expected to spur more investment on air, water and noise control.

Threats to the Hong Kong and Macau Environmental Engineering Industry

Major threats to the environmental engineering market players in Hong Kong and Macau include uncertain policy and insufficient support by governments; and reliance on and competition to recruit personnel with experience and expertise in the field.

INDUSTRY OVERVIEW

Competition landscape of the Hong Kong and Macau Environmental Engineering Industry

The environmental engineering industry in Hong Kong and Macau is highly fragmented and there is no dominant market player. According to the Frost & Sullivan Report, our competitive advantages in the environmental engineering market include (i) opportunities brought by joint-development with institutes; (ii) high specialisation in areas such as water treatment in construction site and energy audit; and (iii) rich experience with long history in the environmental engineering industry.

Entry Barriers to Hong Kong and Macau Environmental Engineering Industry

Entry barriers to the environmental engineering industry in Hong Kong and Macau include: (i) intense competition among existing players (including over 300 companies in Hong Kong), having experienced professional team, patented products and established customer networks; (ii) requirements on research and development capabilities; and (iii) capital investment requirement and uncertainty for development of environmental engineering services and products.

TRENDS OF LABOUR COST AND RAW MATERIAL COSTS AS KEY COMPONENTS OF OUR COST OF SALES

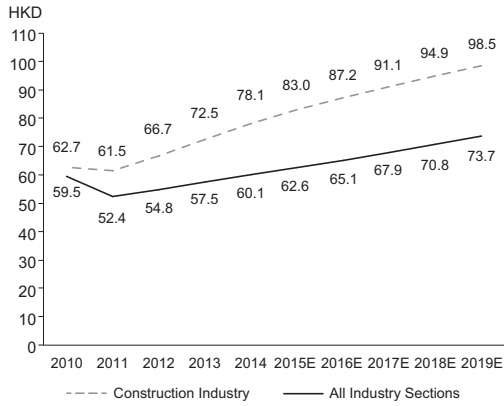
According to Census and Statistics Department of HKSAR, the median hourly wage in the Hong Kong construction industry has increased from approximately HK\$62.7 in 2010 to approximately HK\$78.1 in 2014, representing a CAGR of approximately 5.6%.

In Macau, median monthly earnings in construction industry has increased from approximately MOP9,500 in 2010 to approximately MOP13,000 in 2014, representing a CAGR of approximately 9.5%.

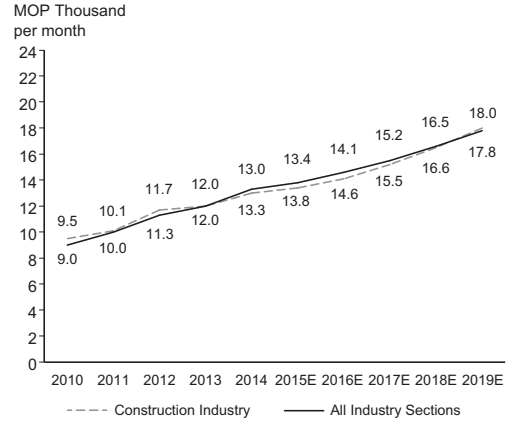
As the main cost of construction industry, labour cost in the PRC market has experienced an obvious surge during the past few years. According to data from National Bureau of Statistics of PRC, the average annual wage of employees in construction industry has increased from approximately RMB27,500 in 2010 to approximately RMB45,800 in 2014, representing a CAGR of approximately 14%.

INDUSTRY OVERVIEW

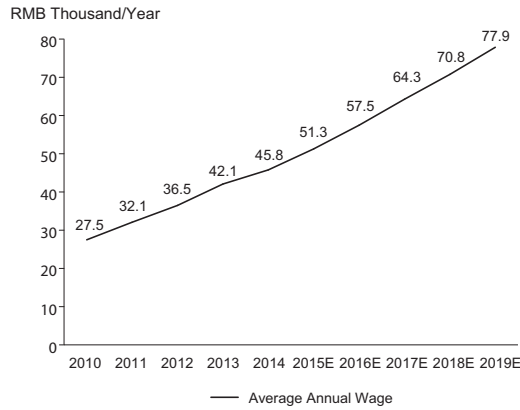
Median Hourly Wage in Construction Industry, Hong Kong SAR, 2010–2019E



Median of Monthly Employment Earnings in Construction Industry, Macau SAR, 2010–2019E

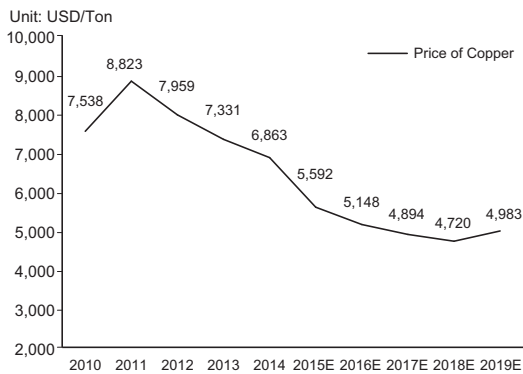


Average Annual Wage of Employees in Construction Industry, PRC, 2010–2019E

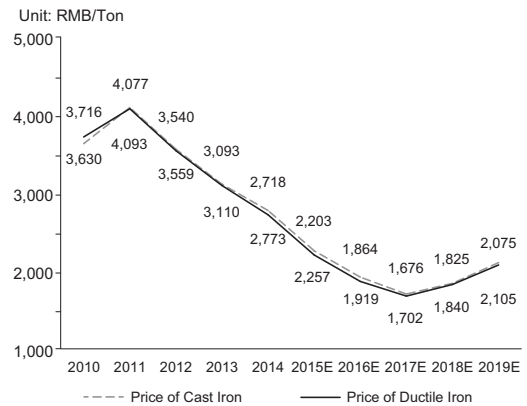


Generally, the major materials used for our E&M Engineering segment are cables, iron pipes such as cast iron pipes and ductile iron pipes, the price trend of which are approximately related to the price trends of copper and iron, which are illustrated in the diagrams below.

Average Market Price of Copper, Global, 2010–2019E



Average Market Price of Iron, China, 2010–2019E



REGULATORY OVERVIEW

HONG KONG

A. CONTRACTORS REGISTRATION REGIMES

A1. Contractors Registration System for Building Works

Under section 2 of the **Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)** (the “**Buildings Ordinance**”), building works include any kind of building construction, site formation works, ground investigation in scheduled areas, foundation works, repairs, demolition, alteration, addition and every kind of building operation, as well as drainage works.

A contractor carrying out building works in Hong Kong must register with the Building Authority as a general building contractor, a specialist contractor or a minor works contractor.

We are specialist contractor and minor works contractor registered with the Building Authority.

A1(1) Registered specialist contractor

Currently, there are five different categories of building works specified by the Building Authority as specialist works, including:

- demolition works;
- foundation works;
- ground investigation field works;
- site formation works; and
- ventilation works.

As at the Latest Practicable Date, Far East Engineering and Young’s Engineering, who are members of our Group, were registered as specialist contractors in the ventilation works category.

Registers

The Building Authority maintains a register of specialist contractors who are qualified to carry out specialised works specified in the category in the sub-register in which they are entered.

Scope of work that can be undertaken

Registered specialist contractors may only carry out specialised works in their corresponding categories as specified in the sub-registers in which they have been entered.

REGULATORY OVERVIEW

A1(2) Minor works contractor

Under the **Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) ("Minor Works Regulation")**, a subsidiary legislation under the **Buildings Ordinance**, certain building works are specified as "minor works", which could be carried out without the Building Authority's prior approval of building plans and consent to commence works. Minor works are categorised into three classes (Classes I, II and III) according to their nature, scale, complexity and risk to safety they pose:

- **Class I** comprises more complicated minor works and requires higher technical expertise and more stringent supervision, including the appointment of a prescribed building professional (the "**Building Professional**"), such as an authorised person and where necessary, a registered structural engineer and/or a registered geotechnical engineer; and
- **Class II and Class III** comprise works of a lower complexity and common household minor works respectively which can be carried out by registered contractors without the involvement of a Building Professional.

The works under each class of minor works are further classified into seven types: alteration and addition works, repair works, works relating to signboards, drainage works, works relating to structures for amenities, finishes works and demolition works.

As at the Latest Practicable Date, Far East Engineering and Young's Engineering, who are members of our Group, were registered minor works contractors.

Registers

The Building Authority maintains a register of minor works contractors who are qualified to carry out minor works belonging to the class, type and item specified in the register in which they are registered.

Scope of work that can be undertaken

Minor works contractors shall only carry out such minor works belonging to the class, type and item specified in the register in which they are registered.

Validity period and renewal of registration as registered specialist contractors and registered minor contractors

Unless registration is removed by a disciplinary order, registration is valid for a period of three years from the date on which a person's name is included in the register.

Registration can be renewed upon its expiry by making prior application to the Building Authority in accordance with section 8C of the **Buildings Ordinance** and section 14 of the **Minor Works Regulation** for registered specialist contractors and registered minor contractors respectively.

REGULATORY OVERVIEW

Application for renewal of registration should be made by the registered contractor to the Building Authority not earlier than four months and not later than 28 days prior to the date of expiry of the registration. Provided the application is made within the time limit and the renewal fee is paid, the existing registration will remain in force until the application for renewal is finalised by the Building Authority. Once renewed, a registration is valid for a period of three years from the expiry date of the previous registration.

Regulatory actions

Under section 13 of the Buildings Ordinance, a registered contractor (including a registered specialist contract or a registered minor contractor), or the director, officer or person appointed by the registered contractor to act on its behalf for the purposes of the Buildings Ordinance (collectively, the “**persons subject to inquiry**”) may be subject to inquiry by the disciplinary board appointed by the Building Authority under section 6 of the Building Ordinance where appropriate. The disciplinary board may, among others, order that: (i) the name of the person subject to inquiry be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the person subject to inquiry be fined, in the case of building works (other than minor works), a sum not exceeding HK\$250,000 or in the case of minor works, a sum not exceeding HK\$150,000; (iii) the person subject to inquiry be reprimanded; and (iv) the person subject to inquiry be prohibited from certifying or carrying out certain works, either permanently or for such period as the disciplinary board thinks fit.

A2. Undertaking 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 (the “**Specialist List**”), 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, some of which are further divided into different classes according to the types of works within that particular specialist works category and different groups according to the value of contracts for which a contractor registered in that group is normally eligible to tender; or
- the List of Approved Contractors for Public Works, which comprises contractors who are approved for carrying out public works in one or more of the five work categories, namely buildings, port works, roads and drainage, site formation and waterworks.

REGULATORY OVERVIEW

As at the Latest Practicable Date, Far East Engineering, Joneson, Majestic Engineering and Young's Engineering, who are members of our Group, were registered on the Specialist List.

Requirements for admission and retention on the Specialist List

For admission and retention on the Specialist List and for the award of public works contracts, a contractor is required to meet the financial, technical, management and personal criteria applicable to the appropriate category and group for admission and retention on the Specialist List. Set out below are the major requirements that are required to be met and maintained:

<u>Criteria</u>	<u>Major items</u>
Financial:	<ul style="list-style-type: none">● should generally possess at least a positive capital value;● maintain certain minimum levels of employed capital and working capital applicable to the appropriate category and group (please refer to paragraphs B1(2), B2(2), B3(2), B4(2) and C1 below for the minimum levels as are applicable to the various categories and groups of works in which we are registered);● ability to rectify shortfalls in capital requirements by approved sources of funding;● average loss rate of not more than 30% (if a contractor's business is at a loss); and● outstanding workload, as expressed in the approximate value of and approximate time required to complete the contractor's outstanding contracts in both public and private sectors.
Technical and management:	<p>Job experience:</p> <ul style="list-style-type: none">● adequate experience in the type and size of work of the category, with satisfactory quality of work compatible with Government standard; and● adequate experience in contract management of work of the category. <p>Personnel:</p> <ul style="list-style-type: none">● Qualification and minimum number of management and technical staff; and● (where applicable) registered electrical workers registered under the Electricity Ordinance, licensed plumber registered under the Waterworks Ordinance, registered fire service installation contractor under the Fire Service Ordinance whom can be the qualified engineer, technical support staff or craftsman. <p>Registration with relevant authorities in Hong Kong:</p> <ul style="list-style-type: none">● (where applicable) a registered contractor under the applicable Ordinance, such as the Buildings Ordinance, the Electricity Ordinance, the Fire Services Ordinance; and● accredited with the relevant quality management system certification.

An approved contractor in relation to capital works and maintenance works is also required to employ subcontractors registered in the respective trade available under the subcontractor registration scheme administered by the Construction Industry Council.

Generally, upon satisfaction of the above requirements, an approved contractor will be admitted initially on probation in the appropriate work category and group, during which it will be limited in the number and value of contracts for which it is eligible to tender.

Upon reaching the required financial, technical and management criteria, a probationary contractor may apply to the WBDB for a "confirmed" status and subsequently for elevation to a higher group in the works category in order to tender for contracts of higher or unlimited values.

REGULATORY OVERVIEW

Renewal of Registration

While admissions to the WBDB approved lists are not subject to expiry and renewal requirements, approved contractors intending to be retained on the approved lists shall submit audited accounts to the WBDB annually for ensuring their compliance with the minimum financial criteria. Any approved contractor failing to meet the designated financial requirements will not be recommended for tender awards for contracts in this prevailing group or category.

Regulatory actions

The WBDB may take regulatory actions against a contractor who is on the Specialist List where appropriate. These regulatory actions include: (i) removal from all categories or from a particular category in which the contractor is listed; (ii) suspension from tendering in all categories or from a particular category in which the contractor is listed. A time limit for review will be set in all cases but will not be longer than six months; (iii) downgrading or demotion in a particular category in which the contractor is listed.

A3. Undertaking 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 the Housing Authority's Lists of Works Contractors (each an "HA List"). Currently, the Housing Authority administers a List of Works Contractors for each of the nine categories of works as detailed below:

- building contractors;
- piling contractors;
- demolition contractors;
- ground investigation contractors;
- electrical contractors;
- lift and escalator contractors;
- fire services and water pump contractors;
- soft landscape contractors; and
- materials testing laboratories for pile testing.

As at the Latest Practicable Date, Far East Engineering and Majestic Engineering, who are members of our Group, were registered on the HA List of electrical contractors, and fire services and water pump contractors respectively.

Requirements for admission and retention on the HA List

For admission and retention onto an HA List, a contractor shall pay a prescribed application fee and is required to meet and maintain the following major admission and retention criteria to the satisfaction of the Housing Authority:

<u>Criteria</u>	<u>Major items</u>
Statutory registration:	<ul style="list-style-type: none">• has the prescribed statutory registration;
Work experience:	<ul style="list-style-type: none">• has an appropriate proven work record;
Financial capability:	<ul style="list-style-type: none">• has a sound financial background and satisfies the prescribed capital requirements;

REGULATORY OVERVIEW

<u>Criteria</u>	<u>Major items</u>
Organisation and resources:	<ul style="list-style-type: none">• has adequate full-time managerial, supervisory and operational staff with an appropriate level of experience both at head office and on site and meets the prescribed requirements on the minimum qualifications, experience and quantities of personnel;• developed its own training schemes and/or send employees to recognized training institutions to develop their management and/or trade skills;• suitable plant and equipment available for delivering its service and output, including adequate head office facilities, off-site depot and workshop facilities, technical support and agency authorisation commensurate with the relevant category of works being undertaken;
Safety, health and environment:	<ul style="list-style-type: none">• has policies and practices to ensure safe and healthy working conditions for all site personnel and to provide adequate protection for the public at large;• has its own environmental policies demonstrating its commitment to environmental protection, prevention of pollution and compliance with the relevant environmental legislation and regulations; and• certified as a firm of “assessed capability” to, where applicable, the current edition of ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 by an approved certification body.

An applicant satisfying the above admission criteria will be admitted initially with probationary status, during which it will be limited in the number and value of contracts for which it is eligible to tender.

Upon satisfactory completion of a contract with the Housing Authority or of comparable size and complexity with other major clients including the Development Bureau and private developers in Hong Kong, as assessed based on the listed contractor’s performance, technical, management and financial capabilities, a listed contractor may apply to the Housing Authority for a “confirmed” status. Promotion to a next higher group in a particular Category of Work is subject to fulfillment of the prescribed criteria and a satisfactory record of performance.

Renewal of Registration

Contractors intending to be retained on the appropriate category of work of an HA List shall apply for renewal of its listed status annually, which is subject to satisfactory compliance with the above major requirements and payment of a renewal application fee.

Regulatory actions

The Housing Authority may take regulatory actions against a contractor who is on the HA List where appropriate.

The regulatory actions include: (i) removal from a list; (ii) suspension from tendering (i.e. tender document will not be issued to the contractor or its submitted tender will not be considered if any date of the suspension period falls within the period between the tender invitation date and tender award date inclusive); (iii) restriction from tendering (i.e. tender document will not be issued to the contractor within the restriction period); (iv) downgrading from confirmed status to probationary status in a HA List; (v) demotion to a lower group; and (vi) extension of probationary period.

REGULATORY OVERVIEW

A4. Subcontractor Registration Scheme

To tender for and carry out capital works and maintenance works contracts in the public sector of Hong Kong as subcontractors, subcontractors shall be registered in one or more of the 52 trades in the Primary Register of the Subcontractor Registration Scheme (**SRS**) (formerly known as the Voluntary Subcontractor Registration Scheme) managed by the Construction Industry Council (“**CIC**”). In broad, the 52 trades cover common structural, civil, finishing, E&M works as well as supporting services. Some trades are further classified into several specialties with reference to specialisation in the relevant industry. An approved contractor in relation to capital works and maintenance works in the public sector of Hong Kong is required to employ subcontractors registered from the respective trades available under the SRS.

As at the Latest Practicable Date, Environmental P&S, Far East Engineering, Joneson, Majestic Engineering, Majestic Plumbing Engineers Limited and Young’s Engineering, who are members of our Group, were registered subcontractors on the Primary Register of the SRS. The “Business — Legal Compliance and Litigation — Licences, Permits, Qualifications and Registrations” of this prospectus provides you with further details of these registrations.

Requirements for registration

To apply for registration in a trade on the Primary Register of the SRS, a corporate subcontractor shall comply with the following major entry requirements:

Criteria	Major items
Project undertaken or comparable experience:	<ul style="list-style-type: none"> • completion of at least one job within the last five years as a main contractor or subcontractor in the trades and specialties for which registration is applied, or comparable experience acquired by the applicant or its directors within the last five years; or
Qualifications on Government registration scheme:	<ul style="list-style-type: none"> • listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought; or
Qualifications/working experiences on board of directors:	<ul style="list-style-type: none"> • the applicant or its director having been employed by a registered subcontractor under the SRS for at least five years with experience in the trades and (where applicable) the specialties for which registration is sought, and having completed the prescribed training modules for subcontractors (or equivalent) conducted by the CIC; or • the applicant or its director having registered as registered skilled worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade and (where applicable) the specialty with at least five years of relevant experience, and having completed the prescribed training modules conducted by the CIC.

Validity period and renewal of registration

An approved registration is valid for two years from the approval date. A registered subcontractor under the SRS shall apply for renewal within three months before expiry of the current registration by submitting an application in specified form and providing information and supporting documents to show continued compliance with the entry requirements. An approved renewal is valid for two years from the expiry of the current registration.

REGULATORY OVERVIEW

Regulatory action

The CIC may take regulatory actions against a registered subcontractor on the Primary Register of the SRS where applicable. These regulatory actions include: (i) issue of warning notice to the registered subcontractor; (ii) directing the registered subcontractor to submit an improvement plan within a specified period; and (iii) suspension of registration for a specified period or revocation of registration and in both cases, the name of the registered subcontractor will be removed from the Primary Register of the SRS. A registered subcontractor whose registration has been revoked shall not be eligible for re-registration for a period of two years from the date of revocation.

B. LICENCES AND REGISTRATIONS REQUIRED FOR OUR GROUP'S E&M ENGINEERING BUSINESSES

B1. Electrical Works

B1(1) 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. Examples of fixed electrical installations are distribution boards, wiring installations and lighting fittings that are fixed in premises. However, persons who are engaged in work on electrical installations other than fixed electrical installations need not be registered. Examples of electrical installations other than fixed electrical installations are portable electrical home appliances such as table lamps, television sets, refrigerators, etc.

Electrical works are further classified into 5 grades based on the voltage and capacity of electricity involved in an electrical installation and industry specialisation.

Registered electrical workers

Only a registered electrical worker ("**REW**") registered with the Electrical and Mechanical Services Department (the "**EMSD**") under the Electricity Ordinance shall do the electrical works specified in his certificate of registration. However, where a non-REW works under the oral or written instruction of a REW who is aware of and responsible for that non-REW's work, the non-REW may do electrical works of the kind specified in the supervising REW's certificate of registration, except the following:

- certifying that a fixed electrical installation complies with the Electricity Ordinance; or
- works on energised parts of a fixed electrical installation when the non-REW is not immediately adjacent to the supervising REW.

To register as a REW to do electrical works in at least one grade, an individual shall satisfy the Director of the EMSD that he has the qualification to do electrical work in the relevant grades as set out in Part III of the **Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong)**, such as completion of the prescribed apprenticeship or training, possessing craftsmanship, academic qualification or practical experience in electrical engineering and electrical works, or passing the prescribed examination or trade test.

REGULATORY OVERVIEW

As at the Latest Practicable Date, 295 of the Group's technical staff were REW.

Registered electrical contractors

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, Environmental P&S; Far East Engineering; Joneson; Majestic Engineering; Tridant Engineering; and Young's Engineering were REC.

Validity period and renewal of registration

A registration for REW or REC is valid for the 3 year 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.

Regulatory actions

Where the Director of the EMSD considers that there is evidence that a REW or a REC has failed to comply with the Electricity Ordinance, he may: (i) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000; or (ii) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal, who may do one or more of the following:

- (a) reprimand the registrant;
- (b) fine a worker up to HK\$10,000 and a contractor up to HK\$100,000;
- (c) suspend or cancel the registration of the registrant;
- (d) suspend the registrant's right to apply for registration or renewal of registration for a prescribed period.

The Director of the EMSD may cancel a registration if he considers that: (i) the registrant obtained registration by fraud or on the basis of misleading or inaccurate information; (ii) the registration was made in error; or (iii) the registrant is no longer qualified under the Electricity Ordinance to be registered.

B1(2) Undertaking contracts in the public sector

Specialist Contractors for Electrical Installation

To register as a Specialist Contractor for Electrical Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section "**A2. Undertaking public works contracts**" above.

REGULATORY OVERVIEW

The major specific criteria for admission and retention on the Specialist List for Electrical Installation are set out below:

<u>Specific admission/retention criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (direct entry or entry on probation)</u>	<u>Group III (entry on probation (Note))</u>
Financial criteria			
Minimum employed capital	HK\$0.57 million	HK0.57 million	HK4.7 million
Minimum working capital	HK\$0.57 million	HK0.57 million	HK3.4 million
Major technical and management criteria			
Registration with relevant authorities in Hong Kong	The applicant shall be a REC.	The applicant shall be a REC.	<ol style="list-style-type: none"> 1. The applicant shall be a REC 2. Relevant accredited Quality Management System ("QMS") certificates
Minimum number of technical staff	Technical support staff: <ul style="list-style-type: none"> ● 1 technician ● 1 site supervisor ● 1 draftsman Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsman Statutory registration: <ul style="list-style-type: none"> ● 1 REW in Grade B0 	Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 2 site supervisors ● 1 draftsman Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsman Statutory registration: <ul style="list-style-type: none"> ● 1 REW in Grade B0 ● 1 REW in Grade B2 ● 2 REWs in Grade A2 	Qualified engineer: <ul style="list-style-type: none"> ● 1 qualified engineer (electrical or building services discipline) Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 4 site supervisors ● 2 draftsmen Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsman Statutory registration: <ul style="list-style-type: none"> 1 REW in Grade C0 2 REWs in Grade C2 5 REWs in Grade A2

Note: Direct entry to Group III is not permitted.

Contractors registered with the WBDB as Specialist Contractors for Electrical Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of low voltage electrical installation comprising incoming electricity supply, main and sub-main distribution system, final circuits, power points, lighting points, lighting fittings, electrical appliances, lightning protection and earthing system for building and amenity projects subject to certain tender limits.

As at the Latest Practicable Date, the following members of our Group were registered as a Specialist Contractor for Electrical Installation:

- Majestic Engineering (Group III); and
- Far East Engineering (Group II — on probation).

Specialist Contractors for Industrial Type Electrical Installation

To register as a Specialist Contractor for Industrial Type Electrical Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section "**A2. Undertaking public works contracts**" above.

REGULATORY OVERVIEW

The major specific criteria for admission and retention on the Specialist List for Industrial Type Electrical Installation are set out below:

<u>Specific admission/ retention criteria</u>	<u>Direct entry or entry on probation</u>
Financial criteria	
Minimum employed capital	HK\$0.57 million
Minimum working capital	HK\$0.57 million
Major technical and management criteria	
Registration with relevant authorities in Hong Kong	The applicant shall be a REC.
Minimum number of technical staff	Qualified engineer: <ul style="list-style-type: none">• 1 qualified engineer (electrical discipline) Technical support staff: <ul style="list-style-type: none">• 2 technicians• 2 site supervisors• 1 draftsman Craftsman: <ul style="list-style-type: none">• Employ adequate numbers of craftsman Statutory registration: <ul style="list-style-type: none">• 1 REW in Grade C2• 1 REW in Grade H2• 3 REW in Grade A2

Contractors registered with the WBDB as Specialist Contractors for Industrial Type Electrical Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of electrical installations that are of high voltage or in specialised locations, typical installations include those in airport, highway, subway, tunnel, workshop, sewage treatment plant, pumping station, mechanical handling system and in industrial environment.

Specialist Contractors for Industrial Type Electrical Installation are not subject to tender limits but registrants who are on probation are only eligible for the award of a maximum of two contract/subcontracts provided that the total value of works in this category does not exceed HK\$3.4 million.

As at the Latest Practicable Date, Majestic Engineering was registered as a Specialist Contractor for Industrial Type Electrical Installation.

B1(3) Undertaking Housing Authority's works contracts

For admission and retention onto the HA List for Electrical Contractors, a registrant shall satisfy the applicable criteria, a general summary of which is provided under the paragraph headed "**A3. Undertaking Housing Authority projects**" above.

REGULATORY OVERVIEW

The major specific criteria for admission and retention on the HA List for Electrical Contractors are set out below:

<u>Criteria</u>	<u>Major items</u>
Statutory registration:	<ul style="list-style-type: none">• The contractor has to be a REC.
Quality, environmental and safety management systems:	<ul style="list-style-type: none">• The contractor shall possess ISO 9001, ISO 14001 and OHSAS 18001 which cover, as a minimum, supply, installation and maintenance of electrical systems.
Work experience:	<ul style="list-style-type: none">• The contractor shall have the following contract(s) satisfactorily completed in Hong Kong over the past 3 years and satisfactory maintenance and operation of the said installations for at least 6 months:<ul style="list-style-type: none">(a) one electrical installation with domestic block(s) (contract sum of at least HK\$8 million) and technical complexity similar to a typical Housing Authority domestic block project;(b) one electrical installation with commercial/institutional building; and(c) one security system installation, including doorphone system & CCTV system.• Different contracts for different installations or one contract for all installations will be accepted by the HA for vetting purpose.
Financial capability:	Meeting the requirements for minimum working capital and minimum employed capital.
Organisation and resources:	The contractor is required to maintain adequate number of competent skilled workers for installation, maintenance and emergency services and shall employ a minimum number of full-time staff as specified by the Housing Authority.

Contractors on the HA List of Electrical Contractors are eligible to tender for works contracts or nominated sub-contracts of unlimited value in electrical installations in residential, commercial and institutional buildings maintained by the Housing Authority.

As at the Latest Practicable Date, Majestic Engineering was admitted to the HA List of Electrical Contractors.

B2. Fire Service Installation Works

B2(1) 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)**.

REGULATORY OVERVIEW

In relation to each class of RFC, the permitted scope of work and the major minimum qualifications for registration are set out below:

<u>Class of RFC</u>	<u>Installation, maintenance, repair and/or inspection works fit to undertake</u>	<u>Major minimum qualifications for registration (Note)</u>
Class 1	Any fire service installation or equipment (other than portable equipment) which contains an electrical circuit or other apparatus for the detection and warning of smoke or fire	<p>At least one director or employee of a corporate applicant shall:</p> <ul style="list-style-type: none"> • hold a degree in electrical engineering satisfying the prescribed examination requirements for corporate membership of the Institution of Electrical Engineers; and • be the manufacturer (or its authorised agent) or designer of an electrical circuit or other apparatus, recognised by the Director of Fire Services, for the detection by alarm or otherwise of smoke or fire.
Class 2	<p>Any fire service installation or equipment (other than portable equipment) which contains:</p> <p>(a) pipes and fittings for carrying fire extinguishing medium such as water; or</p> <p>(b) any type of electrical apparatus other than those specified in Class 1</p>	<p>At least one director or employee of a corporate applicant shall:</p> <ul style="list-style-type: none"> • hold a Grade I plumber's licence issued under the Waterworks Ordinance (Chapter 102 of the Laws of Hong Kong); and • hold a diploma from an approved institution in electrical engineering or a qualification recognised as equivalent to such a diploma by the Director of Fire Services.
Class 3	Portable equipment (i.e. any fire service equipment for use as independent unit for purpose of extinguishing, attacking, preventing or limiting a fire, such as fire extinguishers)	<p>Individual applicant shall be a Hong Kong resident of 21 years of age or more and demonstrate adequate knowledge of:</p> <ul style="list-style-type: none"> • the function and maintenance of portable equipment; and • the related regulations made under the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong).

Note: The applicant's access to equipment and facilities shall also be assessed based on:

- the equipments it/he owns for use in performing the relevant class of fire service installation works; and
- the Fire Services Department's inspection of every workshop it/he uses as a RFC.

REGULATORY OVERVIEW

As at the Latest Practicable Date, the following members of our Group and their employees (for Class 3) were RFC:

- Far East Engineering (Classes 1, 2 and 3);
- Majestic Engineering (Classes 1, 2 and 3);
- Tridant Engineering (Classes 1 and 2); and
- Young's Engineering (Classes 1 and 2).

Renewal of Registration

Registration as a RFC is not subject to expiry. However, the qualifications of RFCs are subject to continuous review by the Fire Services Department.

Regulatory actions

A RFC who undertakes any work in connection with fire service installation or equipment outside his registered class, shall be guilty of an offence and liable on conviction to a fine of HK\$10,000.

Where the disciplinary board (appointed under Regulation 9 of the Fire Service (Installation Contractors) Regulations) is satisfied that a RFC has been convicted of an offence or has been guilty of improper conduct or negligence in the installation, maintenance, repair or inspection of any fire service installation or equipment, which renders it/him unfit as a RFC; or its/his continued registration prejudicial to the due administration of the Fire Services Ordinance, the disciplinary board may order that the RFC's registration be temporarily suspended or permanently terminated or the RFC to be reprimanded.

B2(2) Undertaking contracts in the public sector

To register as a Specialist Contractor for Fire Service Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section "**A2. Undertaking public works contracts**" above.

The major specific criteria for admission and retention on the Specialist List for Fire Service Installation are set out below:

<u>Specific Admission/ Retention Criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (entry on probation (Note))</u>
Financial criteria		
Minimum employed capital	HK\$0.57 million	HK0.57 million
Minimum working capital	HK\$0.57 million	HK0.57 million
Major technical and management criteria		
Registration with relevant authorities in Hong Kong	The applicant shall be a RFC (Classes I and 2) and a REC	<ol style="list-style-type: none"> 1. The applicant shall be a RFC (Classes I and 2) and a REC. 2. Relevant accredited QMS certificates.

REGULATORY OVERVIEW

<u>Specific Admission/ Retention Criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (entry on probation (Note))</u>
Minimum number of Technical staff	Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 2 site supervisors ● 1 draftsman Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsmen Statutory registration: <ul style="list-style-type: none"> ● 1 RFC (Class 3) ● 1 REW in Grade A2 ● 1 licenced plumber 	Qualified engineer: <ul style="list-style-type: none"> ● 1 qualified engineer (mechanical, electrical or building services discipline) Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 4 site supervisors ● 2 draftsmen Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsmen Statutory registration: <ul style="list-style-type: none"> ● 1 RFC (Class 3) ● 1 REW in Grade A2 ● 1 licenced plumber

Note: Direct entry to Group II is not permitted.

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 comprising sprinkler system, Fire Hydrant/Hose Reel (FH/HR) system, manual and automatic fire alarm system, etc. for building and amenity projects subject to certain tender limits.

As at the Latest Practicable Date, the following members of our Group were registered as a Specialist Contractor for Fire Service Installation:

- Majestic Engineering (Group II); and
- Far East Engineering (Group II).

The section “Business — Legal Compliance and Litigation — Licences, Permits, Qualifications and Registrations” in the “Business” section of this prospectus provides you with further details of these registrations.

B2(3) Undertaking Housing Authority’s works contracts

For admission and retention onto the HA List for Fire Services and Water Pump Contractors, a registrant shall satisfy the applicable criteria, a general summary of which is provided under the sub-section “**A3. Undertaking Housing Authority projects**” above.

REGULATORY OVERVIEW

The major specific criteria for admission and retention on the HA List for Fire Services and Water Pump Contractors are set out below:

Criteria	Major items
Statutory registration:	<p>The contractor has to be:</p> <ul style="list-style-type: none"> • a RFC of Class 1, 2 and 3; • a REC; and • a valid radioactive substance license holder granted by the Radiation Board under the Radiation Ordinance (Cap. 303) and related regulation
Quality, environmental and safety management systems:	<ul style="list-style-type: none"> • The contractor shall possess ISO 9001, ISO 14001 and OHSAS 18001 which cover, as a minimum, supply, installation and maintenance of fire services and water pump systems.
Work experience:	<ul style="list-style-type: none"> • The contractor shall have the following contract(s) satisfactorily completed in Hong Kong over the past 3 years and satisfactory maintenance and operation of the said installations for at least 6 months: <ul style="list-style-type: none"> (a) one fire services and water pump installation with domestic block(s) (contract sum of at least HK\$3 million) and technical complexity similar to a typical HA domestic block project; and (b) one fire services and water pump installation with commercial/institutional building. • Different contracts for different installations or one contract for all installations will be accepted by the Housing Authority for vetting purpose.
Financial capability:	Meeting the requirements for minimum working capital and minimum employed capital.
Organisation and resources:	The contractor is required to maintain adequate number of competent skilled workers for installation, maintenance and emergency services and shall employ a minimum number of full-time staff as specially set out by the Housing Authority.

Contractors on the HA List of Fire Services and Water Pump Contractors are eligible to tender for works contracts and nominated sub-contracts of unlimited value in fire services and water pump installations in residential, commercial and institutional buildings maintained by the Housing Authority.

As at the Latest Practicable Date, Far East Engineering was admitted to the HA List of Fire Services and Water Pump Contractors.

REGULATORY OVERVIEW

B3. Heating, Ventilation and Air-conditioning (HVAC) Systems and other Air Installation Works

B3(1) Registration with the Building Authority

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:

- Far East Engineering and Young's Engineering were Registered Specialist Contractor in the Ventilation Sub-register under the Buildings Ordinance.

Registered Minor Works Contractor (Types A, E or G)

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 following types, classes and items of minor works as particularised under Part 3 of Schedule 1 of the Buildings (Minor Works) Regulation:

Class of minor works	Types of minor works and examples of minor works items				
	Supporting structure for air-conditioning units and water cooling towers			Supporting structure for solar water heating system	
	Erection or alteration	Removal	Strengthening	Erection or alteration	Removal
Class I	Type A/E	Type A/E/G		Type A/E	Type A/E/G
Class II		Type A/E/G			Type A/E/G
Class III	Type A/E	Type A/E/G	Type A/E	Type A/E	Type A/E/G

As at the Latest Practicable Date, the following members of our Group were Registered Minor Works Contractors for carrying out the following types and classes of minor works:

- Young's Engineering (Type A — Classes II & III, Type E — Classes I, II & III); and
- Far East Engineering (Type A — Classes I, II & III, Type E — Classes I, II & III).

For more details on the registration regimes for Registered Specialist Contractors and Registered Minor Works Contractor under the Buildings Ordinance, please refer to the sub-section "**A1. Contractors Registration System for Building Works**" above.

REGULATORY OVERVIEW

B3(2) Tendering for contracts in the public sector

Specialist Contractors for Air-conditioning Installation

To register as a Specialist Contractor for Air-conditioning Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section “**A2. Undertaking public works contracts**” above.

The major specific criteria for admission and retention on the Specialist List for Air-conditioning Installation are set out below:

<u>Specific admission/ retention criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (entry on probation (Note))</u>
Financial criteria		
Minimum employed capital	HK\$0.57 million	HK4.7 million
Minimum working capital	HK\$0.57 million	HK3.4 million
Major technical and management criteria		
Registration with relevant authorities in Hong Kong	<p>The applicant:</p> <ul style="list-style-type: none"> ● is a Registered Specialist Contractor in the Ventilation Sub-register under the Buildings Ordinance; and ● is a REC. 	<p>The applicant:</p> <ul style="list-style-type: none"> ● is a Registered Specialist Contractor in the Ventilation Sub-register under the Buildings Ordinance; ● is a REC; and ● has relevant accredited QMS certificates.
Minimum number of technical staff	<p>Technical support staff:</p> <ul style="list-style-type: none"> ● 2 technicians ● 2 site supervisors ● 1 draftsman <p>Craftsman: Employ adequate numbers of craftsman</p> <p>Statutory registration:</p> <ul style="list-style-type: none"> ● 1 REW in Grade A2 ● 1 licenced plumber <p>(the licenced plumber and REW can be the technical support staff or craftsman)</p> <p>Qualified welder:</p> <ul style="list-style-type: none"> ● Employ 1 qualified welder 	<p>Qualified engineer:</p> <ul style="list-style-type: none"> ● 1 qualified engineer (mechanical or building services discipline) <p>Technical support staff:</p> <ul style="list-style-type: none"> ● 2 technicians ● 4 site supervisors ● 2 draftsmen <p>Craftsman:</p> <ul style="list-style-type: none"> ● Employ adequate numbers of craftsman <p>Statutory registration:</p> <ul style="list-style-type: none"> ● 2 REW in Grade A2 ● 1 licenced plumber <p>(the licenced plumber and REW can be the qualified engineer, technical support staff or craftsman)</p> <p>Qualified welder:</p> <ul style="list-style-type: none"> ● Employ 2 qualified welders

Note: Direct entry to Group II is not permitted.

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 installation comprising chillers, refrigeration systems, heat rejection plant, pipeworks, water handling equipment, air ducts, air handling equipment, thermal insulation, control and monitoring system subject to certain tender limits.

REGULATORY OVERVIEW

As at the Latest Practicable Date, the following members of our Group were registered as Specialist Contractors for Air-conditioning Installation:

- Young's Engineering (Group II); and
- Far East Engineering (Group I).

Specialist Contractors for Steam and Compressed Air Installation

To register as a Specialist Contractor for Steam and Compressed Air Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed "**A2. Undertaking public works contracts**" above.

The major specific criteria for admission and retention on the Specialist List for Steam and Compressed Air Installation are set out below:

Specific admission/ retention criteria	Direct entry or entry on probation
Financial criteria	
Minimum employed capital	HK\$0.57 million
Minimum working capital	HK\$0.57 million
Major technical and management criteria	
Registration with relevant authorities in Hong Kong	The applicant shall be a REC.
Minimum number of technical staff	Qualified engineer: <ul style="list-style-type: none"> • 1 qualified engineer (mechanical or building services discipline) Technical support staff: <ul style="list-style-type: none"> • 2 technicians • 2 site supervisors • 1 draftsman Craftsman: <ul style="list-style-type: none"> • Employ adequate numbers of craftsmen Qualified welder: <ul style="list-style-type: none"> • Employ 2 qualified welders Statutory registration: <ul style="list-style-type: none"> • 1 REW in Grade A2

Contractors registered with the WBDB as Specialist Contractors for Steam and Compressed Air Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of steam and compressed air installation including laundry equipment, boiler, steam, distribution system and compressed air plant.

Registration under this Works Category is not subject to tender limits but registrants on probation are only eligible for the award of a maximum of two contracts/sub-contracts provided that the total value of works in this category does not exceed HK\$3.4 million.

As at the Latest Practicable Date, Young's Engineering was registered as a Specialist Contractor for Steam and Compressed Air Installation.

REGULATORY OVERVIEW

B4. Plumbing and drainage works

B4(1) Registration as Licensed Plumbers

Plumbing installation that receives water supply from the Water Authority has to comply with the provisions of the Waterworks Ordinance/Regulations, Hong Kong Waterworks Standard Requirements for Plumbing Installation in Buildings, and Water Supplies Department Circular Letters issued to licensed plumbers and authorised persons. Approval from the Water Authority is also required in order to construct, install, alter or remove a plumbing installation.

Under section 15(1) of the **Waterworks Ordinance (Chapter 102 of the Laws of Hong Kong)**, only a licensed 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 (總水管) for (i) a supply of water solely for the purposes of fire fighting ("**fire service**"); and (ii) a supply of water (other than the pipes and fittings forming part of a fire service) ("**inside service**").

To register as a licensed plumber, a person shall hold a Craft Certificate in Plumbing and Pipefitting issued by the Vocational Training Council after 1987 or an equivalent qualification in the opinion of the Water Authority. Where an applicant for plumber's licence relies on any qualification obtained 5 or more years before the application, he shall satisfy the Water Authority that he has adequate knowledge of the type of work involved in respect of a plumber's licence; and the provisions of the Waterworks Ordinance relating to such work.

A plumber's licence may be issued in either of the following grades and shall be valid only for the type of work indicated in the licence:

Grade I	For the construction, installation, maintenance, alteration, repair or removal of a fire service or inside service of any type
Grade II	(i) For the maintenance and repair of a fire service or inside service; and
(Note)	(ii) For the installation, maintenance, repair or removal of water appliances.

Note: No new Grade II plumber's licence has been issued after 1 October 1993.

Renewal of Registration

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.

Regulatory Actions

Any person shall be guilty of an offence if he contravenes section 15(1) of the Waterworks Ordinance; or employs or permits a person other than a licensed plumber or an authorized public officer to construct, install, maintain, alter, repair or remove a fire service or inside service and liable on summary conviction to a fine ranging from HK\$10,001 to HK\$25,000.

Where a licenced plumber contravenes any of the provisions of the Waterworks Ordinance in respect of the construction, installation, maintenance, alteration, repair or removal of a fire service or inside service, the Water Authority may cancel or suspend his plumber's licence for any period not exceeding 6 months.

REGULATORY OVERVIEW

B4(2) Registered Minor Works Contractor (Types A, D or G)

To carry out works concerning the addition, erection or alteration, removal and repair of underground and aboveground drains, a contractor shall be a Registered Minor Works Contractor eligible to perform the following types, classes and items of minor works as particularised under Part 3 of Schedule 1 of the Buildings (Minor Works) Regulation:

<u>Class of minor works</u>	<u>Types of minor works and examples of minor works items</u>					
	<u>Aboveground drains</u>			<u>Underground drains</u>		
	<u>Erection or Alteration</u>	<u>Removal</u>	<u>Repair</u>	<u>Addition or Alteration</u>	<u>Removal</u>	<u>Repair</u>
Class I	Type A			Type D	Type D	Type D
Class II	Type D	Type D		Type D	Type D	Type D
Class III	Type D	Type D/G	Type D/G			

As at the Latest Practicable Date, the following members of our Group were Registered Minor Works Contractors for carrying out the abovementioned minor works:

- Far East Engineering (Type A — Classes I, II & III and Type D — Classes II & III); and
- Young's Engineering (Type A- Classes II & III and Type D — Classes II & III).

For more details on the registration regimes for Registered Specialist Contractors and Registered Minor Works Contractor under the Buildings Ordinance, please refer to the sub-section “**A1. Contractors Registration System for Building Works**” above.

B4(3) Undertaking contracts in the public sector

Specialist Contractors for Plumbing Installation

To register as a Specialist Contractor for Plumbing Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed “**A2. Undertaking public works contracts**” above.

The major specific minimum criteria for admission and retention on the Specialist List for Plumbing Installation are set out below:

<u>Specific admission/retention criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (entry on probation (Note))</u>
Financial criteria		
Minimum employed capital	HK\$0.57 million	HK\$0.57 million
Minimum working capital	HK\$0.57 million	HK\$0.57 million
Major technical and management criteria		
Registration with relevant authorities in Hong Kong	The applicant is a REC.	The applicant: <ul style="list-style-type: none"> ● is a REC; and ● has relevant accredited QMS certificates.

REGULATORY OVERVIEW

<u>Specific admission/ retention criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (entry on probation (Note))</u>
Minimum number of technical staff	Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 2 site supervisors ● 1 draftsman Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsmen Statutory registration: <ul style="list-style-type: none"> ● 1 licenced plumber (Grade I) ● 1 REW in Grade A2 	Qualified engineer: <ul style="list-style-type: none"> ● 1 qualified engineer (mechanical, building services or electrical discipline) Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 4 site supervisors ● 2 draftsmen Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsmen Statutory registration: <ul style="list-style-type: none"> ● 1 licenced plumber (Grade I) ● 1 REW in Grade A2

Note: Direct entry to Group II is not permitted.

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 of typical installations include fresh and flush water pumps and pipework installations (including connection to sanitary fixtures and associated taps and water heaters installed by others); water supply for fire service installation including up-feed pipework and connection to the roof/transfer tank; cold and hot water supply systems; rain water recycling system; water supply for feeding/make-up to air-conditioning installation, fountain installation and swimming pool installation; and water supply for irrigation system subject to certain tender limits.

As at the Latest Practicable Date, Majestic Engineering was registered as a Specialist Contractor for Plumbing Installation (Group II — on probation).

Specialist Contractors for Supply and Installation of Pumpsets and Associated Pipework

To register as a Specialist Contractor for Supply and Installation of Pumpsets and Associated Pipework, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section **"A2. Undertaking public works contracts"** above.

REGULATORY OVERVIEW

The major specific minimum criteria for admission and retention on the Specialist List for Supply and Installation of Pumpsets and Associated Pipework are set out below:

<u>Specific Admission/ Retention Criteria</u>	<u>Direct Entry</u>
Financial criteria	
Minimum employed capital	HK\$3.4 million
Minimum working capital	HK\$3.4 million
Major technical and management criteria	
Registration with relevant authorities in Hong Kong	Not applicable
Top management	At least one of the managers and professional staff should possess minimum qualification of corporate membership of a recognized professional institution in mechanical engineering discipline or equivalent with relevant experience.
Minimum number of technical staff	<ul style="list-style-type: none"> • 3 qualified technical and supervisory persons with minimum qualification of Higher Certificate in Mechanical Engineering or equivalent with at least five years relevant experience; and • 10 tradesmen/workers.

Contractors registered with the WBDB as Specialist Contractors for Supply and Installation of Pumpsets and Associated Pipework are eligible to tender for and carry out public works in Hong Kong concerning the supply, fabrication, installation, testing and delivery to site of pumpsets, pipeworks, fittings, valves and the associated equipment.

Registration under this Works Category is not subject to tender limits.

As at the Latest Practicable Date, Young's Engineering was registered as a Specialist Contractor for Supply and Installation of Pumpsets and Associated Pipework.

B4(4) Tendering for Housing Authority's works contracts

Please refer to the sub-section "***Fire Service Installation Works — B2(3) Undertaking Housing Authority's works contracts***" above for details of the admission and retention criteria onto the HA List for Fire Services and Water Pump Contractors.

As at the Latest Practicable Date, Far East Engineering was admitted to the HA List of Fire Services and Water Pump Contractors.

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C. LICENCES AND REGISTRATIONS REQUIRED FOR OUR GROUP'S ENVIRONMENTAL ENGINEERING BUSINESS

C1. Water Treatment Works

Specialist Contractors for Supply and Installation of Water Treatment Plant

To register as a Specialist Contractor for Installation of Supply and Installation of Water Treatment Plant, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section "**A2. Undertaking public works contracts**" above.

The major specific minimum criteria for admission and retention on the Specialist List for Supply and Installation of Water Treatment Plant are set out below:

<u>Specific admission/ retention criteria</u>	<u>Entry on probation (note)</u>
Financial criteria	
Minimum employed capital	HK\$3.4 million
Minimum working capital	HK\$3.4 million
Major technical and management criteria	
Minimum qualification of technical staff	Qualified professional and technical staff from civil, electrical, mechanical and chemical engineering fields with at least 5 years relevant experience
Others	Have at least 3 years trading record with manufacturers who are able to supply specialised materials and equipment for the required works and provide technical support when required.

**Note:* Except in the most exceptional circumstances, a contractor will be admitted initially on probation.

Contractors registered with the WBDB as Specialist Contractors for Supply and Installation of Water Treatment Plant are eligible to tender for and carry out public works in Hong Kong concerning 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.

Registration under this Works Category is not subject to tender limits.

As at the Latest Practicable Date, Young's Engineering was registered as a Specialist Contractor for Supply and Installation of Water Treatment Plant.

Specialist Contractors for Fountain Installation

To register as a Specialist Contractor for Fountain Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the sub-section "**A2. Undertaking public works contracts**" above.

REGULATORY OVERVIEW

The major specific minimum criteria for admission and retention on the Specialist List for Fountain Installation are set out below:

<u>Specific admission/ retention criteria</u>	<u>Direct entry</u>
Financial criteria	
Minimum employed capital	HK\$0.57 million
Minimum working capital	HK\$0.57 million
Major technical and management criteria	
Registration with relevant authorities in Hong Kong	The applicant shall be a REC.
Minimum number of technical staff	Technical support staff: <ul style="list-style-type: none"> ● 2 technicians ● 2 site supervisors ● 1 draftsman Craftsman: <ul style="list-style-type: none"> ● Employ adequate numbers of craftsmen Statutory registration: <ul style="list-style-type: none"> ● 1 REW in Grade A2 ● 1 licensed plumber

Contractors registered with the WBDB as Specialist Contractors for Fountain Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of equipment, piping and fittings for water treatment of fountain pool such as water circulation, filtration, pH control, chemical treatment and fountain lighting installation.

Registration under this Works Category is not subject to tender limits.

As at the Latest Practicable Date, Joneson was registered as a Specialist Contractor for Fountain Installation.

C2. 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, including commercial buildings, common area of a residential building and common area of a portion of a composite building that is for residential or industrial use, are required to obtain certification (Certification) from a registered energy assessor that the 4 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. Owners of certain types of buildings are required to obtain certification (Form of Compliance) from a registered energy assessor that the 4 types of building services installation comply with the design standards of the relevant building energy code when performing major retrofitting works. Owner of a commercial building or a composite building a portion of which is for commercial use is required to cause energy audit to be carried out by and obtain the Energy Audit Form from a registered energy assessor every 10 years in respect of the 4 types of central building services installations of the building.

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As at the Latest Practicable date, we had 11 registered energy assessors, two of whom were our executive Directors, namely, Mr. Poon Lock Kee, Rocky and Mr. Soon Kweong Wah.

Requirements for registration as registered energy assessors

To register as a registered energy assessor, a person should be:

- (if the applicant is an individual) a registered professional engineer within the meaning of section 2(1) of the Engineers Registration Ordinance (Cap. 409) in the electrical, mechanical, environmental or building services discipline, has had at least 2 years practical experience in engineering works relating to energy efficiency in buildings acquired while being so registered, has the knowledge required for the performance of the duties and functions of a registered energy assessor and is fit and proper to be registered; or
- (if the applicant is a corporation) a corporate member of the Hong Kong Institution of Engineers in the electrical, mechanical, environmental or building services discipline, has had at least 3 years practical experience in engineering works relating to energy efficiency in buildings while being such a member, has the knowledge required for the performance of the duties and functions of a registered energy assessor and is fit and proper to be registered.

Renewal of registration

The registration is valid for ten years and is renewable upon submission of, among others, specified form accompanied by a prescribed fee.

Regulatory actions

A registered energy assessor who knowingly or recklessly issues any Form of Compliance or Energy Audit Form or makes any Certification that is false or misleading in any material particular commits an offence and is liable on conviction to a fine of HK\$100,000 and imprisonment for 6 months.

A registered energy assessor commits an offence and is liable on conviction to a fine of HK\$10,000 if:

- after issuance of the Form of Compliance, the registered energy assessor fails to send a copy of it together with the documents specified therein to the Director of EMSD and send another copy of it to the property management company of the building concerned or if there is no such property management company, the owner of the building concerned; or
- after issuance of the Energy Audit Form, the registered energy assessor fails to send a copy of it and an energy audit report on the audit to the Director of EMSD within 30 days of the issuance.

The Director of EMSD may institute disciplinary proceedings against a registered energy assessor where appropriate, and may, among others, order that:

- the name of the assessor be removed from the register of registered assessor and that the Director of EMSD must not allow an application from the assessor for registration as a registered energy assessor within a period directed by the disciplinary board;

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- the assessor be reprimanded;
- a fine of not more than HK\$25,000 be imposed on the assessor;
- its finding and any order made be published in the Gazette.

The section “Business — Legal Compliance and Litigation — Licenses, Permits, Qualifications and Registrations” of this prospectus provides you with further details on registrations and licence maintenance of our Group.

D. LABOUR, HEALTH AND SAFETY LAWS AND REGULATIONS

D1. Factories and Industrial Undertakings Ordinance

The **Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)** (the “**Factories and Industrial Undertakings Ordinance**”) provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, 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 is reasonably practicable:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer’s control, (1) maintaining the workplace in a condition that is safe and without risks to health; and (2) providing and maintaining safe access to and egress from the workplaces that are safe and without any such risks; and
- providing and maintaining a safe and healthy work environment.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. 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.

Matters regulated under the subsidiary regulations of the **Factories and Industrial Undertakings Ordinance**, including the **Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)**, include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities, etc. Contravening any of these rules shall be an offence and a contractor committing the relevant offence without reasonable excuse could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

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D2. 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 by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. 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.

The Commissioner for Labour may also issue (i) improvement notice against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within specific period/refrain from continuing or repeating the contravention or (ii) suspension notice directing specific activity not to be undertaken, or the premises, plant or substance not to be used, while the notice remains in force. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (plus a further fine of HK\$50,000 for each day if contravention is knowingly and intentionally continued) respectively and imprisonment of up to 12 months.

D3. Occupiers Liability Ordinance

The **Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)** (the “**Occupiers Liability Ordinance**”) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The **Occupiers Liability Ordinance** 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.

E. ENVIRONMENTAL PROTECTION LAWS AND REGULATIONS

E1. 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. Subsidiary regulations of the **Air Pollution Control Ordinance** impose control on air pollutant emissions from certain operations through the issue of licences and permits.

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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.

E2. 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. Import and export of waste is generally controlled through a permit system.

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.

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. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

Under the **Waste Disposal Ordinance**, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, HK\$500,000 and to imprisonment for six months for a second or subsequent offence and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

E3. Dumping at Sea Ordinance

Under the **Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)** (the “**Dumping at Sea Ordinance**”), any waste producers involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection Department.

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Under the **Dumping at Sea Ordinance**, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months on a first conviction; and HK\$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

E4. Environmental Impact Assessment Ordinance

The **Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)** is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (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 **Environmental Impact Assessment Ordinance**, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (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\$2,000,000 and to imprisonment for six months, (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 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.

PEOPLE'S REPUBLIC OF CHINA

Laws and Regulations relating to the Industry

General Regulations Regarding Construction

Pursuant to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) passed on 1 November 1997 and amended on 22 April 2011 (hereinafter referred to as the "**Construction Law**"), enterprises in the construction industry shall be categorised into various certification classes based on such certification conditions as the registered capital they own, their professional technical personnel and technical equipment and the outcomes of the construction projects they have completed, and they shall be allowed to be engaged in construction activities only upon obtaining the qualification certificate for the corresponding class. Moreover, professional technical personnel engaged in construction activities shall obtain the corresponding occupational qualification certificate.

The Administration Rules on Certification of Construction Enterprises (《建築業企業資質管理規定》) which came into effect on 1 March 2015 (hereinafter referred to as the "**New Certification Administration Rules**") has replaced the Administration Rules on Certification of Construction Enterprises (《建築業企業資質管理規定》) which became effective on 1 September 2007 (hereinafter referred to as the "Previous Certification Administration Rules"), and the aforementioned "construction enterprises" shall refer to those enterprises engaged in construction activities, including new construction, extension and alteration, in relation to civil engineering, building works and wiring and piping equipment installation works. The construction enterprise certifications are divided into three series, namely construction general contracting certifications (施工總承包資質), professional contracting certifications (專業承包資質) and construction labour services certifications (施工勞務資

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質). Construction general contracting and professional contracting certifications are respectively subdivided into a number of certification categories based on works nature and technical features, while each of such certification categories is further split into a number of certification classes in accordance with the stipulated conditions. Qualification certificates of construction enterprises have a validity of 5 years. Enterprises shall make an application for renewal and complete the relevant formalities 3 months prior to the expiry of the validity of their qualification certificates.

On 6 November 2014, the Ministry of Housing and Urban-Rural Development of the PRC promulgated the Standards for Certification of Construction Enterprises (《建築業企業資質標準》) (hereinafter referred to as the “**New Certification Standards**”), replacing the Certification Class Standards for Construction Enterprises (《建築業企業資質等級標準》) (hereinafter referred to as the “**Previous Certification Standards**”) which came into effect on 1 July 2001.

The Implementation Opinions on Administration Rules on Certification of Construction Enterprises and Standards for Certification* (《建築業企業資質管理規定和資質標準實施意見》) (the “**Implementation Opinions**”) which became effective on 1 March 2015 stipulates that, among other things, during the period from the date of commencement of the New Certification Administration Rules until 31 December 2016 shall be the transitional period for the relevant enterprises to comply with the New Certification Standards. Those construction enterprises which have obtained their construction enterprise certifications (the “**Old Certification Certificates**”) in accordance with the Previous Certification Standards (the “**Existing Holders**”) shall, prior to 31 December 2016 and in accordance with both the New Certification Administration Rules and the New Certification Standards, apply for the issuance of a new-version construction enterprise qualification certificate as a replacement. Under section 42 of the Implementation Opinions, Existing Holders will be issued with the new qualification certificates if they can comply with the new requirements in relation to their net assets, key personnel and technical equipments under the New Certification Standards. All Old Qualification Certificates shall automatically lapse on 1 January 2017. As there are no requirements on technical equipments under the New Certification Standards that are applicable to the qualification certificates currently held by our Group, we are only required to comply with the new requirements in relation to our net assets and key personnel under the New Certification Standards.

On 9 October 2015, the Notice on Problems relating to the Certification of Construction Enterprises* (《住房城鄉建設部關於建築業企業資質管理有關問題的通知》) issued by the Ministry of Housing and Urban-Rural Development of the PRC came into effect which modified and supplemented the Implementation Opinions, among other matters, as follows:

- (1) abolishing the assessment by the relevant PRC certification authorities of fulfilment by the Existing Holders of the New Certification Standards in relation to their net assets, key personnel and technical equipment when issuing the new-version qualification certificates to replace the Old Qualification Certificates as is originally required under the Implementation Opinions;
- (2) revising the deadline for obtaining of the new-version construction enterprise qualification certificates of the corresponding certification category and class prescribed by the Implementation Opinions by the Existing Holders from the relevant PRC certification authorities from 31 December 2016 to 30 June 2016; and
- (3) revising the date when all Old Qualification Certificates shall automatically lapse from 1 January 2017 to 1 July 2016.

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As at the Latest Practicable Date, the major certifications (which were granted based on the Previous Certification Standards) held by our Group were as follows:

1. General Contracting Class I Certification for Electrical and Mechanical Installation
2. Special Contracting Class I and Class II Certifications for Electrical and Mechanical Equipment Installation
3. Special Contracting Class I and Class III Certifications for Fire Services Facilities Engineering Works

Set out below is a summary on the major requirements of such certifications under the Previous Certification Standards and the New Certification Standards:

General Contracting Class I Certification for Electrical and Mechanical Installation

The major requirements under the Previous Certification Standards are as follows:

1. Over the past 5 years, the enterprise shall have undertaken the construction general contracting or main works contracting in respect of more than 2 E&M installation works projects, each with a contractual amount exceeding RMB30 million and having passed the relevant quality inspection.
2. The manager of the enterprise shall have over 10 years of work experience in project management or possess an accredited senior job title (高級職稱), its chief engineer shall have over 10 years of work experience in the technical management of project works and possess an accredited senior job title in the specialisation concerned, its chief accountant shall possess an accredited senior job title in accounting, while its chief economist shall possess an accredited senior job title.

The enterprise shall have no less than 200 technicians and management staff members (人員) who bear accredited job titles, among whom no less than 120 shall be technicians. Among such technicians, no less than 20 shall be staff members with accredited senior job titles and no less than 60 shall be staff members with accredited middle-ranking job titles (中級職稱). The enterprise shall have no less than 15 project managers with Class I certifications.

3. The enterprise shall have a registered capital exceeding RMB50 million and its net assets shall be over RMB60 million.
4. Over the past 3 years, the highest annual project revenue of the enterprise shall exceed RMB200 million.
5. The enterprise shall possess such works machinery and quality inspection equipment as are adapted to the scope of the works undertaken.

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The major adjustments under the New Certification Standards are as follows:

1. The net assets of the enterprise shall be over RMB100 million.
2. Key personnel of the enterprise
 - (1) There shall be no less than 12 professional Class I registered constructors (註冊建造師) in building works and E&M works in total, among whom no less than 9 shall be professional Class I registered constructors in E&M works.
 - (2) The technical director (技術負責人) shall have over 10 years of work experience in the technical management of project works and possess an accredited senior job title in a specialisation related to E&M works, and there shall be no less than 60 staff members with accredited job titles above middle rank in specialisations related to E&M works (機電工程相關專業中級以上職稱人員), involving a full array of specialisations.
 - (3) There shall be no less than 50 on-site managerial staff members (現場管理人員) who are holders of position certificates (崗位證書), involving a full array of staff types including workers, quality assurance staff, safety personnel, machinery personnel, materials officers and data personnel.
 - (4) There shall be no less than 150 qualified technical workers above middle rank (中級工以上技術工人) who have passed the relevant assessment or training.
3. Over the past 5 years, the enterprise shall have undertaken the construction general contracting in respect of 2 E&M works projects, each with a contractual amount exceeding RMB20 million and having passed the relevant quality inspection.
4. Enterprises with a Class I certification are allowed to undertake all types of construction in respect of E&M works.

Special Contracting Class I Certification for Electrical and Mechanical Equipment Installation

The major requirements under the Previous Certification Standards are as follows:

1. Over the past 5 years, the enterprise shall have undertaken more than 2 E&M equipment installation works projects, each with a contractual amount exceeding RMB10 million and having passed the relevant quality inspection.
2. The manager of the enterprise shall have over 10 years of work experience in works management or possess an accredited senior job title, its chief engineer shall have over 10 years of work experience in the technical management of E&M equipment installation and possess an accredited senior job title in the specialisation concerned, while its chief accountant shall possess an accredited job title of senior accountant.

The enterprise shall have no less than 100 works technicians and economic management staff members who bear accredited job titles, among whom no less than 60 shall be works technicians.

Among such works technicians, no less than 10 shall be staff members with accredited senior job titles and no less than 30 shall be staff members with accredited middle-ranking job titles.

The enterprise shall have no less than 10 project managers with Class I certifications.

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3. The enterprise shall have a registered capital exceeding RMB15 million and its net assets shall be over RMB18 million.
4. Over the past 3 years, the highest annual project revenue from project settlement of the enterprise shall exceed RMB40 million.
5. The enterprise shall possess such works machinery and quality inspection equipment as are adapted to the scope of the works undertaken.

The major adjustments under the New Certification Standards are as follows:

1. The net assets of the enterprise shall be over RMB20 million.
2. Key personnel of the enterprise
 - (1) There shall be no less than 8 professional Class I registered constructors in E&M works.
 - (2) The technical director shall have over 10 years of work experience in the technical management of project works and possess an accredited senior job title in a specialisation related to E&M works, and there shall be no less than 20 staff members with accredited job titles above middle rank in specialisations related to E&M works, involving a full array of specialisations.
 - (3) There shall be no less than 20 on-site managerial staff members who are holders of position certificates, involving a full array of staff types including workers, quality assurance staff, safety personnel, materials officers, machinery personnel and data personnel.
 - (4) There shall be no less than 50 qualified technical workers above middle rank who have passed the relevant assessment or training, including machinery and equipment installation workers, electricians, plumbers, ventilation workers, welders and crane operators.
3. Over the past 5 years, the enterprise shall have undertaken 2 construction-related E&M installation works projects, each with a contractual amount exceeding RMB15 million and having passed the relevant quality inspection.
4. Enterprises with a Class I certification are allowed to undertake the installation works for equipment, wiring and piping, works for power substations below 35kV as well as the manufacturing and installation of non-standard steel structures in respect of all types of building works projects.

Special Contracting Class II Certification for Electrical and Mechanical Equipment Installation

The major requirements under the Previous Certification Standards are as follows:

1. Over the past 5 years, the enterprise shall have undertaken more than 2 E&M equipment installation works projects, each with a contractual amount exceeding RMB5 million and having passed the relevant quality inspection.
2. The manager of the enterprise shall have over 8 years of work experience in works management or possess an accredited middle-ranking job title, its technical director shall have over 8 years of work experience in the technical management of E&M

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equipment installation and possess an accredited senior job title in the specialisation concerned, while its financial director shall possess an accredited accounting job title above middle rank.

The enterprise shall have no less than 60 works technicians and economic management staff members who bear accredited job titles, among whom no less than 30 shall be works technicians. Among such works technicians, no less than 20 shall be staff members with accredited job titles above middle rank.

The enterprise shall have no less than 10 project managers with certifications above Class II.

3. The enterprise shall have a registered capital exceeding RMB8 million and its net assets shall be over RMB10 million.
4. Over the past 3 years, the highest annual revenue from project settlement of the enterprise shall exceed RMB20 million.
5. The enterprise shall possess such works machinery and quality inspection equipment as are adapted to the scope of the works undertaken.

The major adjustments under the New Certification Standards are as follows:

1. The net assets of the enterprise shall be over RMB10 million.
2. Key personnel of the enterprise
 - (1) There shall be no less than 8 professional registered constructors in electrical and mechanical works, among whom no less than 2 shall be Class I registered constructors.
 - (2) The technical director shall have over 8 years of work experience in the technical management of project works and possess an accredited job title above middle rank in a specialisation related to E&M works or the qualification to practise as a professional Class I registered constructor in E&M works, and there shall be no less than 10 staff members with accredited job titles above middle rank in specialisations related to electrical and mechanical works, involving a full array of specialisations.
 - (3) There shall be no less than 15 on-site managerial staff members who are holders of position certificates, involving a full array of staff types including workers, quality assurance staff, safety personnel, machinery personnel, materials officers and data personnel.
 - (4) There shall be no less than 30 qualified technical workers above middle rank who have passed the relevant assessment or training, including machinery and equipment installation workers, electricians, plumbers, ventilation workers and welders.
3. Over the past 5 years, the enterprise shall have undertaken 2 construction-related E&M installation works projects, each with a contractual amount exceeding RMB8 million and having passed the relevant quality inspection.

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4. Enterprises with a Class II certification are allowed to undertake the installation works for equipment, wiring and piping, works for power substations below 10kV as well as the manufacturing and installation of non-standard steel structures in respect of all types of building works projects each with a contractual amount under RMB20 million.

Special Contracting Class I Certification for Fire Services Facilities Engineering Works

The major requirements under the Previous Certification Standards are as follows:

1. Over the past 5 years, the enterprise shall have undertaken more than 2 works projects for automatic fire alarm systems and fixed fire-fighting systems in respect of a building area exceeding 40,000 square metres, which have passed the relevant quality inspection.
2. The manager of the enterprise shall have over 8 years of work experience in works management or possess an accredited senior job title, its chief engineer shall have over 8 years of work experience in the technical management of fire services facilities works and possess an accredited senior job title in electrical works, equipment or a related specialisation, while its chief accountant shall possess an accredited accounting job title above middle rank.

The enterprise shall have no less than 40 works technicians and economic management staff members who bear accredited job titles, among whom no less than 30 shall be staff members bearing accredited job titles in such specialisations as electrical works and equipment. Among such works technicians, no less than 5 shall be staff members with accredited senior job titles in the corresponding specialisations, no less than 10 shall be staff members with accredited middle-ranking job titles in the corresponding specialisations, and no less than 15 shall be works technicians who have passed the examination for the fire services specialisation.

The enterprise shall have no less than 5 project managers with Class I certifications who have passed the examination for the fire services specialisation.

3. The enterprise shall have a registered capital exceeding RMB5 million and its net assets shall be over RMB6 million.
4. Over the past 3 years, the highest annual project revenue from project settlement of the enterprise shall exceed RMB25 million.
5. The enterprise shall possess inspection equipment for automatic fire alarm systems, specific tools for the installation of sprinklers in automatic fire-fighting water sprinkler systems, check-up and testing equipment and quality examination equipment for fire hydrants and smoke control and smoke extraction systems.

The major adjustments under the New Certification Standards are as follows:

1. The net assets of the enterprise shall be over RMB10 million.
2. Key personnel of the enterprise
 - (1) There shall be no less than 5 professional Class I registered constructors in electrical and mechanical works.

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- (2) The technical director shall have over 10 years of work experience in the technical management of project works in fire services facilities and possess an accredited senior job title under the works series, and there shall be no less than 10 staff members with accredited job titles above middle rank in such specialisations as heating and ventilation, water supply and drainage, electrical works and automation, involving a full array of specialisations.
 - (3) There shall be no less than 20 on-site managerial staff members who are holders of position certificates, involving a full array of staff types including workers, quality assurance staff, safety personnel, materials officers and data personnel.
 - (4) There shall be no less than 30 qualified technical workers above middle rank who have passed the relevant assessment or training.
3. Over the past 5 years, the enterprise shall have undertaken 2 works projects in fire services facilities in respect of a single building area exceeding 40,000 square metres (with each of such projects involving an automatic fire alarm system, an automatic fire-fighting system and a smoke control and smoke extraction system), which have passed the relevant quality inspection.
 4. Enterprises with a Class I certification are allowed to undertake all types of construction in respect of fire services facilities works.

Special Contracting Class III Certification for Fire Services Facilities Engineering Works

The major requirements under the Previous Certification Standards are as follows:

1. Over the past 5 years, the enterprise shall have undertaken more than 2 works projects for automatic fire alarm systems and fixed fire-fighting systems in respect of a building area exceeding 10,000 square metres, which have passed the relevant quality inspection.
2. The manager of the enterprise shall have over 3 years of work experience in works management or possess an accredited senior job title, its technical director shall have over 3 years of work experience in the technical management of fire services facilities works and possess an accredited senior job title in electrical works, equipment or a related specialisation, while its financial director shall possess an accredited accounting job title above middle rank.

The enterprise shall have no less than 20 works technicians and economic management staff members who bear accredited job titles, among whom no less than 10 shall be staff members bearing accredited job titles in such specialisations as electrical works and equipment. Among such works technicians, no less than 2 shall be staff members with accredited senior job titles in the corresponding specialisations, no less than 4 shall be staff members with accredited middle-ranking job titles in the corresponding specialisations, and no less than 5 shall be works technicians who have passed the examination for the fire services specialisation.

The enterprise shall have no less than 2 project managers with certifications above Class III who have passed the examination for the fire services specialisation.

3. The enterprise shall have a registered capital exceeding RMB1 million and its net assets shall be over RMB1.5 million.

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4. Over the past 3 years, the highest annual project revenue from project settlement of the enterprise shall exceed RMB5 million.
5. The enterprise shall possess inspection equipment for automatic fire alarm systems, specific tools for the installation of sprinklers in automatic fire-fighting water sprinkler systems, check-up and testing equipment and quality examination equipment for fire hydrants and smoke control and smoke extraction systems.

The Class III certification has been removed under the New Certification Standards, pursuant to which the major requirements for the Class II certification are as follows:

1. The net assets of the enterprise shall be over RMB6 million.
2. Key personnel of the enterprise
 - (1) There shall be no less than 3 professional registered constructors in electrical and mechanical works.
 - (2) The technical director shall have over 8 years of work experience in the technical management of project works in fire services facilities and possess an accredited senior job title under the works series or the qualification to practise as a professional Class I registered constructor in E&M works, and there shall be no less than 6 staff members with accredited job titles above middle rank in such specialisations as heating and ventilation, water supply and drainage, electrical works and automation, involving a full array of specialisations.
 - (3) There shall be no less than 15 on-site managerial staff members who are holders of position certificates, involving a full array of staff types including workers, quality assurance staff, safety personnel, materials officers and data personnel.
 - (4) There shall be no less than 20 qualified technical workers above middle rank who have passed the relevant assessment or training.
 - (5) In terms of works outcomes, the technical director (or registered constructor) shall have seen to the completion of no less than 2 projects meeting the requirements of the Class I certification standards under this category.
3. Enterprises with a Class II certification are allowed to undertake fire services facilities works projects in respect of the following premises with a single building area below 50,000 square metres:
 - (1) civil buildings, except for Class I high-rise civil buildings;
 - (2) factories, warehouses, storage tanks and depots which are categorised below Class C in terms of fire hazard.

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To ensure that we can comply with the New Certification Standards as and when required by PRC laws and regulations and/or reviewed by relevant PRC certification authorities, our senior management headed by Mr. Poon Lock Kee, Rocky, our chief executive officer and executive Director in collaboration with our human resources department are responsible for implementation of, and have been vested with authority to implement, the following measures which have been implemented by us as at the Latest Practicable Date:

1. to identify, review and keep abreast with the latest development of the new requirements, their operations and implementation by the relevant PRC authorities;
2. to keep close contact with the relevant PRC authorities for the purpose of ensuring that we have the latest updates on the new requirements, their operations and implementation and in particular, the information and documentation that are required to be submitted when making an application for the new qualification certificate;
3. in relation to any credentials as required under the new requirements which we are yet to be met by us, to devise and implement plans, procedures and measures and monitor their operations and process to ensure that we can have the relevant credentials when making applications for the new qualification certificates and the application is made on a timely manner;
4. to provide brief, seminars and trainings to our senior management on a regular and as needed basis on the new requirements and their latest development, operations and implementation; and
5. to seek advice and opinions from legal and professional advisers alike as and when necessary.

As at the Latest Practicable Date, based on, among other things, the track record, projects on hand or under negotiation and qualifications of the relevant members of the Group, our Directors are not aware of any significant impediment in fulfilling the new requirements under the New Certification Standards. The requirement under the New Certification Standards that is yet to be met by us is in relation to the increased minimum number of qualified key personnel. Our Directors confirm that they are in the course of planning to recruit suitable personnel and provide training to relevant staff in order to comply with such requirements. Specifically, to ensure that our PRC Group members shall have sufficient numbers of (i) qualified technical workers above middle-rank, (ii) on-site managerial staff with position certificates relevant to their specialties, and (iii) staff members with accredited job titles above middle-rank in the relevant E&M engineering specialisations, we have been arranging, since May 2015:

1. the required trainings and/or assessments provided by relevant PRC accredited bodies or authorities on:
 - (i) E&M engineering installation and fire services facilities engineering works for our technical workers (including our E&M engineering installation workers, electricians, plumbers, ventilation workers and welders); and
 - (ii) quality assurance and safety, machinery, materials and data management for our on-site managerial staff; and
2. our staff members in the relevant E&M engineering specialisations to be accredited by relevant PRC accredited bodies or authorities as qualified holders of accredited job titles above middle-rank in their specialisations, and recruitment of sufficient staff members with such accreditation where necessary.

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As the trainings/assessments and accreditations arranged are expected to be generally of a duration of not more than 6–9 months and 6–12 months respectively, our Directors believe that, we can satisfy the above requirement no later than 30 June 2016.

Foreign Investment in Construction Fields

According to Regulations on Foreign Investments in Construction Enterprises (外商投資建築業企業管理規定) promulgated on 27 September 2002 and effective from 1 December 2002, to establish foreign-invested construction enterprises within the PRC and engage in construction activities, an approval certificate for foreign-invested enterprise must be obtained from the competent commerce departments, registration should be accomplished at the State Administration for Industry and Commerce or its authorized local industrial and commercial bureaus and a construction qualification certificate for construction enterprise from competent construction administrative department is also needed.

Wholly foreign owned construction enterprises are only allowed to undertake the following projects in accordance with their corresponding qualification certificates:

- (a) construction projects invested exclusively by foreign investment and/or foreign grant;
- (b) construction projects financed by international financial institutions and awarded through international bidding in accordance with loan terms;
- (c) sino-foreign joint construction projects with 50% or more than 50% of foreign investment, or sino-foreign joint construction projects with less than 50% of foreign investment that cannot be independently implemented by domestic-invested construction enterprises due to technical difficulties and with the approval by the construction department of governments of provinces, autonomous regions, and municipalities;
- (d) joint contracting of Chinese and foreign construction is allowable, upon the approval of competent construction departments of governments of provinces, autonomous regions, and municipalities directly under the administration of the Central Government, for a domestic-invested construction project that cannot be independently undertaken by domestic-invested construction enterprises due to technical difficulties.

According to Supplementary Provisions of the Provisions on the Administration of Foreign-funded Construction Enterprises (《外商投資建築業企業管理規定》的補充規定) promulgated on 19 December 2003 and with effect from 1 January 2004, when a construction enterprise invested and established by a Hong Kong service provider or Macao service provider in the PRC undertakes Sino-foreign joint construction projects, it shall not be subject to the restrictions on Chinese and foreign investment percentages.

Laws and Regulations relating to Production Safety

Production Safety Licences

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) promulgated on 29 June 2002, with effect from 1 November 2002, and revised on 27 August 2009 and 31 August 2014 and Regulations on Production Safety Licences (安全生產許可證條例) promulgated on 13 January 2004 and revised on 18 July 2013 and 29 July 2014, the production safety licensing system of the PRC is applied to enterprises engaged in construction. No enterprise may engage in construction activities without a production safety license. The Administrative Departments of Construction under the People's Governments of Provinces, Autonomous Regions, and Municipalities

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directly under the Central Government, shall be in charge of the issuance and administration of production safety licenses for construction enterprises, and are subject to the guidance and supervision of the Administrative Department of Construction under the State Council.

The validity of a production safety license shall be three years. If a production safety licence needs to be extended beyond this period, the enterprise shall go through extension procedures three months prior to expiration with the administrative department from which the original licence is issued. If an enterprise strictly abides by the relevant laws and regulations on production safety and is free of any fatal accident during its production safety license validity period, it will be granted a review-free three-year licence extension, with the consent of the administrative department from which the licence is issued.

Enterprises in construction industry must establish an administrative department for production safety and have maintained full-time personnel for the administration of production safety. The major persons-in-charge and the personnel for the administration of production safety must have a knowledge and management capacity that matches the production and business operation activities of the concerned entities. The persons-in-charge and the personnel for the administration of production safety may not take their positions until they have passed the examinations of the administrative departments concerning the knowledge and management capacity of production safety.

Special Operations

According to Regulations on the Administration of Production Safety of Construction Projects (建設工程安全生產管理條例) promulgated on 24 November 2003 and effective from 1 February 2004, when the construction projects implement general contracting, the general contractor shall be fully responsible for the production safety at the construction site. The general contractor shall complete the construction of the major structure of the construction projects on its own. When the general contractor legally subcontracts the construction project to other entities, the subcontract shall clearly define the general contractor and subcontractors' rights and obligations in respect of the production safety. The general contractor and the subcontractors shall be jointly and severally liable for the production safety of the subcontracting projects.

The operation personnel of vertical transportation machinery, installation and dismantling workers, blasting operation personnel, crane-bandsman, climbing and erection operation personnel and other special operation personnel shall be subject to special work safety training stipulated by the relevant laws, regulations, provisions and treaties of the PRC and may commence operation only after obtaining the qualifications certificate for special operations.

Laws and Regulations relating to quality of Constructions

Under the Regulations on the Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council and effective from 30 January 2000, construction projects investment enterprises, reconnaissance enterprises, design enterprises, construction enterprises and project supervisory enterprises shall all be responsible for the quality of construction projects. For construction projects the entire works of which are governed by a main contract, the main contractor shall be responsible for the quality of the whole construction project and, where it subcontracts part of the project works, the subcontractors shall be jointly and severally responsible for the quality of the construction works.

REGULATORY OVERVIEW

Laws and Regulations relating to Labor

Employment Contracts

The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labor Contract Law**”), which was promulgated on 29 June 2007 and with effect from 1 January 2008 by the Standing Committee of the NPC and whose amendments made on 28 December 2012 took effect on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor 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.

Social Security Funds

Under applicable PRC laws and regulations, including 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 with effect from 1 July 2011 by the Standing Committee of the NPC, and the Regulations on the Administration of Housing Accumulation Fund (住房公積金管理條例), which was amended by the State Council on 24 March 2002, 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 insurance, and to housing provident funds. These payments are paid to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

Laws and Regulations relating to the Taxation

Enterprise Income Tax

According to 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 effective from 1 January 2008, and the Implementation Rules to the EIT Law (中華人民共和國企業所得稅法實施條例) (the “**Implementation Rules**”), which was promulgated on 6 December 2007 and with effect from 1 January 2008 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or a place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

Value-added Tax

Pursuant 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**”), which was amended by the State Council on 10 November 2008 and became effective on 1 January 2009, and its implementation rules (中華人民共和國增值稅暫行條例實施細則), which was amended by the Ministry of Finance of the PRC (中華人民共和國財政部) on 28 October 2011, and became effective on 1 November 2011, entities or individuals engaging in sale

REGULATORY OVERVIEW

of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax. Unless provided otherwise, the rate of value-added tax is 17%.

Business Tax

Pursuant to Provisional Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) which was amended by the State Council on 10 November 2008 and effective from 1 January 2009, all entities and individuals engaged in the provision of labor services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC shall pay Business Tax. The applicable tax rates range from 3% to 20%.

Furthermore, 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), which was promulgated by the MOF and the State Administration of Taxation (中華人民共和國國家稅務總局) (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.

Enterprise Income Tax on indirect transfer by Non-resident Enterprises

Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”), which was promulgated by the SAT and became effective on 3 February 2015, where a non-resident enterprise indirectly transfers equity interests of a PRC resident enterprise or other China taxable properties (“**China Taxable Properties**”) by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay EIT, such indirect transfer shall, in accordance with Article 47 of the EIT Law, be redefined by relevant competent PRC tax authorities as a direct transfer of equity interests or other assets of the PRC resident enterprise.

Circular 7 applies to such offshore indirect transfer of China Taxable Properties (“**Offshore Indirect Transfer**”) as: (i) immovable property in China, (ii) assets held under the establishment and place in China and (iii) equity-related interests in PRC resident company, directly or indirectly obtained by a non-resident company in China through the Offshore Indirect Transfer of its offshore intermediate holding subsidiary (“**Offshore Subsidiary**”). However, where Offshore Indirect Transfer of such Offshore Subsidiary is completed in a publicly traded securities market or is exempt from corporate income tax pursuant to applicable tax treaties or arrangements, Circular 7 will not be applicable to such Offshore Indirect Transfer.

According to Circular 7, an Offshore Indirect Transfer shall be deemed as having a reasonable commercial purpose, should such Offshore Indirect Transfer meets all the following conditions: (i) the holding structure of the transaction parties shall be that (a) the transferor directly or indirectly controls 80% or more of the equity interests of transferee, (b) the transferee directly or indirectly controls 80% or more of the equity interests of transferor, or (c) 80% or more of the equity interests of the transferor and transferee are commonly controlled, moreover, if over 50% of the value of the Offshore Subsidiary is directly or indirectly derived from the immovable properties in China, such equity holding percentage will be 100%, (ii) the corporate income tax imposed on the gains derived from the subsequent offshore indirect equity transfer transactions arising after the said Offshore Indirect Transfer will not be less than in such subsequent transactions as if without the occurrence of the said Offshore Indirect Transfer, and (iii) such Offshore Indirect Transfer will be paid by the Transferee with solely the equity interests (not including the listing shares) of such Transferee or its subsidiaries.

REGULATORY OVERVIEW

Laws and Regulations relating to Dividend Distribution and Foreign Currency Exchange

Dividend Distribution

Under the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法) which was amended by the Standing Committee of the NPC on 31 October 2000 and its Implementing Rules, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the 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) (the “**Arrangement**”) on 21 August 2006. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in such PRC company and other necessary requirements are also satisfied. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in such PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協議股息條款有關問題的通知) which was promulgated by the SAT and became effective on 2 February 2009, all of the following requirements shall be satisfied where a tax resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a tax resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a tax resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協議待遇管理辦法(試行)) (the “**Administrative Measures**”), which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the relevant competent tax authorities. Without being approved, the non-resident enterprise can not enjoy the favorable tax treatments provided in the tax agreements.

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Administration Rules**”). They were promulgated by the State Council of the PRC on 29 January 1996 and with effect from 1 April 1996, and were amended on 14 January 1997 and 1 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

REGULATORY OVERVIEW

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of PRC State Administration of Foreign Exchange (the “SAFE”) for paying dividends, or for trade and services-related foreign exchange transactions. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

MACAU

Regulating construction/engineering business in Macau

The relevant authority for the construction business in Macau is DSSOPT — Land, Public Works and Transport Bureau (土地工務運輸局).

DSSOPT is one of the public organisations under the Macau government providing technical support in drawing up rules and guidelines and supervising the construction work.

DSSOPT promotes regulations for land use and assists other public organisations by analysing the proposals of private and public constructions.

Regarding construction work, DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licensing for urban buildings and use of electrical installations.

The relevant legal framework in respect of construction business is laid down under Decree-Law no. 79/85/M (第79/85/M號法令) and Law no. 1/2015 (第1/2015號法律).

In accordance with Decree-Law no. 79/85/M, the execution of construction works may only be carried out by companies or constructors that are duly registered with DSSOPT and in respect of licensed and approved projects.

In general, for the registration of companies or constructors, DSSOPT will assess, at its discretion, their capacity, notably, relying (i) on the technical means at their disposal and (ii) on the past experience regarding the execution of previous construction works.

The qualifications of the technicians involved in the constructions business are made in accordance with Law no. 1/2015, by means of which those technicians, which include engineers and architects, are required to be duly licensed and registered in the CAEU — Architect, Engineer and Urban Academy (建築、工程及城市規劃專業委員會), a public authority in Macau.

For the registration in the CAEU, holders of engineering or architecture degrees must present the relevant documents, participate in a traineeship and be approved in an admission exam.

Once obtained the respective professional certificate and title, upon registration before the CAUE, those technicians must proceed with the registration with DSSOPT for the purposes of being allowed to render the services of (i) draft of projects, (ii) direction of works and/or (iii) supervision of works.

The mentioned registration, being accepted, is valid by the end of the following civil year after its request, and is subject to mandatory renewal.

REGULATORY OVERVIEW

Registration before the DSSOPT may be requested by private sector technicians, individual commercial enterprises with at least a registered technician or companies of the sector duly registered in the Macau SAR with at least a registered technician.

The validity of the registration before DSSOPT and its renewal is subject to the maintenance of all the legal requirements, otherwise the said registration and/or renewal may be suspended or cancelled.

In addition, for the purposes of the registration before DSSOPT, the applicants must be covered by a valid and effective liability insurance that covers the losses arising from the rendering of the relevant services.

Under article 48.º, 49.º, 50.º, 51.º and 68.º of Law no. 1/2015, the preparation and execution of projects related to air-conditioning and ventilation systems must be done by electricity engineers or technical machine engineers or, if related to mechanical ventilation, by fire safety engineers, electrical engineers, electromechanical engineers and mechanical engineers.

The licensing procedure for these engineers follows the regime referred above.

The abovementioned is also applicable to the other businesses carried out by the Group in Macau, notably the design, contracting and installation, testing as well as maintenance of fire alarms and fire safety and prevention systems, plumbing and drainage systems and electrical wiring and electricity supply systems. Eventual differences reside on the specialized technicians that may conduct those specific services, which is tied in accordance with their specific qualifications, as attested by the professional certificate and title conferred by CAEU and further registered before DSSOPT.

For the year of 2015, Far East Macao, Young's Macao and Majestic Macao were entitled to execute construction works in Macau and Far East Macao and Majestic Macao were entitled to execute construction works to install and maintain preventive systems against fires in Macau.

The registration with DSSOPT only includes the execution of construction works and not the drafting of projects and the works supervision.

The section "Business — Legal Compliance and Litigation — Licences, Permits, Qualifications and Registrations" of this prospectus provides you with further details of the registrations that we have effected in Macau.

Environment

According to section 1 of article 8 of the Environmental Law (環境綱要法), everyone is entitled to air quality suiting basic health and well-being, whether in public spaces, residential areas, workplace and others.

Under section 3 of article 8 of the Environmental (環境綱要法), any installation, machine or means of transportation which activity may affect the air quality must be equipped with a device or other mean that can ensure compliance with legal emission limits under the penalty of being banned.

In what respects water quality, it is forbidden under section 1 of article 23 of the Environmental Law (環境綱要法) to discharge in marine jurisdictions any substances, liquid or solid residues that may, somehow, pollute the water, beaches, shoreline, as well as flora and fauna, such as oil products or oil containing mixtures, or other chemical substances set in applicable international agreements or conventions.

REGULATORY OVERVIEW

Labour Issues

The labour legal framework of Macau follows a specific regime, as provided for in Law no. 7/2008 of 18 August (第7/2008號法律), Law no. 21/2009 of 27 October (第21/2009號法律) and Law no. 6/2004 of 2 August (第6/2004號法律) and raises very sensitive issues, particularly in what regards non-resident workers.

Under chapter I of Law no. 21/2009, in order to stay and work in Macau, non-residents must obtain a valid work permit issued by the Human Resources Office and register themselves with the Immigration Department as non-resident employees.

The non-resident employees, who are not duly authorized to work in Macau, may face civil and criminal charges, given that pursuant to the immigration rules in Macau, non-resident employees, who are not authorized to work in Macau, are not allowed to perform any kind of professional activity in this jurisdiction.

In particular, under the terms of chapter IV of Law no. 21/2009, without prejudice to other sanctions that may be applicable, the following fines may be imposed:

- A fine ranging from MOP10,000 to MOP20,000, to the employer regarding employees that works in the Macau SAR without authorisation;
- A fine ranging from MOP5,000 to MOP10,000, to the employer regarding employees who works to a different employer than the one to which he has been authorized to work for.

Furthermore, and in accordance with chapter I and V of Law no. 6/2004, those who stay in the Macau SAR beyond the authorized staying period are considered to be illegal immigrants and, thus, may be subject to detention and further expulsion from the Macau SAR. In addition to the foregoing, such illegal immigrants may be prevented from entering the territory again for a certain period of time, being that if the said person(s) infringe the determined prohibition may face imprisonment up to one year.

OUR COMPLIANCE WITH THE ABOVE REGISTRATION AND LICENSING REQUIREMENTS

Our Directors confirm that we have effected the registrations and obtained the licences and/or certifications as are required for our operations in Hong Kong, Macau and the PRC in all material aspects and have complied with the relevant requirements for maintaining these registrations and licences during the Track Record Period and up to the Latest Practicable Date.

The section headed “Business — Legal Compliance and Litigation — Licences, Permits, Qualifications and Registrations” of this prospectus provides you with further details of the registrations that we have effected and the licences that we have obtained as well as the procedures that we have implemented to ensure ongoing compliance with these requirements.

HISTORY AND DEVELOPMENT

OUR HISTORY

Our Group is one of the leading E&M engineering companies in Hong Kong, providing a comprehensive range of E&M engineering and environmental engineering services, and we also have well-established E&M engineering operations in the PRC and Macau. Our principal businesses of E&M engineering and environmental engineering services have a long operating history for more than 40 years and 35 years respectively which became part of the operating businesses of the NWS Group in or about 2003 until they were acquired by us during 2010 to 2011 as described below. The “Business” section of this prospectus provides further information on our principal businesses. Mr. Wong, Mr. Poon Lock Kee, Rocky and Mr. Soon Kweong Wah have been managing our Group’s operation for more than 15 years with Mr. Lee joined in 2010 (collectively, “**our Core Management Team**”).

In June 2010, Mr. Wong led a management buyout (the “**Acquisition**”) pursuant to which, among others, the companies carried on the principal businesses of our Group, comprising E&M engineering services and environmental engineering services, together with other companies, were acquired by an investment holding vehicle beneficially owned as to 90% by Mr. Doo and 10% by Mr. Wong at an aggregate consideration of HK\$888.5 million which was funded by Mr. Doo and Mr. Wong from their own sources. The consideration was determined with reference to the adjusted unaudited consolidated net asset value as at 31 March 2010 of the companies disposed of by the NWS Group in the aggregate amount of approximately HK\$533.5 million. The Acquisition was completed in two stages on 27 July 2010 and 30 June 2011. Our Core Management Team has continued to manage our Group’s operation since then. The “Relationship with Controlling Shareholders” and “Directors, Senior Management and Employees” sections of this prospectus provide you with further information on Mr. Doo and our Core Management Team respectively.

Save as disclosed in the paragraph headed “Major changes in our shareholding structure” below in this section, there were no significant changes in the shareholding of our Company and our major operating subsidiaries following completion of the Acquisition.

OUR KEY BUSINESS MILESTONES

The key business milestones in the development of our Group in chronological order are set out below:

- Prior to 2000
- Our principal key E&M engineering companies, namely Far East Engineering, Young’s Engineering and Majestic Engineering, were established in 1967, 1972 and 1980 respectively. Joneson, our principal environmental engineering company, was established in 1980
 - These engineering companies had obtained various licenses/permits for conducting the E&M engineering services during the period:
 - Young’s Engineering: Specialist Contractor for Air Conditioning Installation (Group II), Registered Fire Service Installation Contractor (Class 2), Specialist Contractor for Supply and Installation of Pumpsets and Associated Pipework, and Specialist Contractor for Supply and Installation of Water Treatment Plant
 - Far East Engineering: Specialist Contractor for Air Conditioning Installation (Group II), Registered Fire Service Installation Contractor (Classes 1 and 2)

HISTORY AND DEVELOPMENT

From year 2001
onwards to year
2010

- Majestic Engineering: Specialist Contractor for Electrical Installation (Group III) and, Listed Electrical Contractor of Housing Authority
- During the period, our engineering companies had participated in various electrical and/or mechanical installation for projects in Hong Kong and through single project registration arrangement in the PRC.
- PRC Engine, our current principal operating subsidiary for the provision of E&M engineering services in the PRC, was established in 2003
- To capture for the considerable development potential for E&M engineering services in Macau, apart from having Young's Macao (which was incorporated in 1989), Majestic Macao and Far East Macao were established in 2005 and 2007 respectively
- Members of our Group had obtained further licences and/or permits for the operation of the E&M engineering services, for details please refer to the section "Business — Legal Compliance and Litigation — Licences, Permits, Qualifications and Registrations" in this prospectus
- During the period, we had been awarded a number of contracts to participate in a wide spectrum of E&M engineering services, which included:

In Hong Kong:

- HVAC and building management system ("BMS") installation for a railway terminus in Lok Ma Chau;
- E&M installation for the hotel resort development of a theme park in Sunny Bay, Lantau Island;
- HVAC, electrical and plumbing & drainage installation for a commercial, hotel and service apartment complex in Tsimshatsui;
- HVAC and BMS installation for the proposed convention and exhibition project in Wanchai;
- Electrical and plumbing & drainage installation for the headquarter development of the Hong Kong Government in Central; and
- HVAC, fire services and plumbing & drainage installation for a hospital extension project in Tseung Kwan O.

In Macau:

- Electrical and fire services installation for a casino and hotel development in Nam Van;
- HVAC installation for a casino and resort development in Cotai; and

HISTORY AND DEVELOPMENT

- mechanical electrical package installations for the service apartments and high class mansion resort for a resort development in Cotai.

In the PRC:

- MVAC, electrical and plumbing & drainage installation for a commercial development in Pudong, Shanghai;
- Integrated E&M installation for a commercial development in Jing An, Shanghai; and
- Electrical installation for a commercial development in Lujiazui, Shanghai.

From year 2011 onwards to the Latest Practicable Date

- To further expand the E&M engineering market in the PRC, Young's Shanghai was established in 2011
- Our laboratory for the environmental engineering business commenced operation, which was principally engaged in water quality testing and calibration services in October 2013
- We expanded the provision of environmental engineering services to Macau in July 2014
- Members of our Group had obtained further licences and/or permits for the operation of the E&M engineering services, for details please refer to the section "Business — Legal Compliance and Litigation — Licences, Permits, Qualifications and Registrations" in this prospectus
- During the period, we had been awarded a number of contracts to participate in a wide spectrum of E&M engineering services, which included:

In Hong Kong:

- E&M installation for the design-build-operate a district cooling system in Kai Tak area;
- Plumbing & drainage, electrical & ELV installation for a residential development at Austin Station;
- Electrical & ELV installation for the new research and academic building at an education institution in Sai Kung;
- HVAC, fire services, electrical and central chiller plant installation for a complex buildings redevelopment in Tsimshatsui;
- HVAC, fire services, electrical and plumbing & drainage installation for a private hospital in Wong Chuk Hang; and
- MVAC, electrical and fire services installation for the expansion of an airline catering services facilities at Hong Kong International Airport, Chek Lap Kok.

HISTORY AND DEVELOPMENT

In Macau:

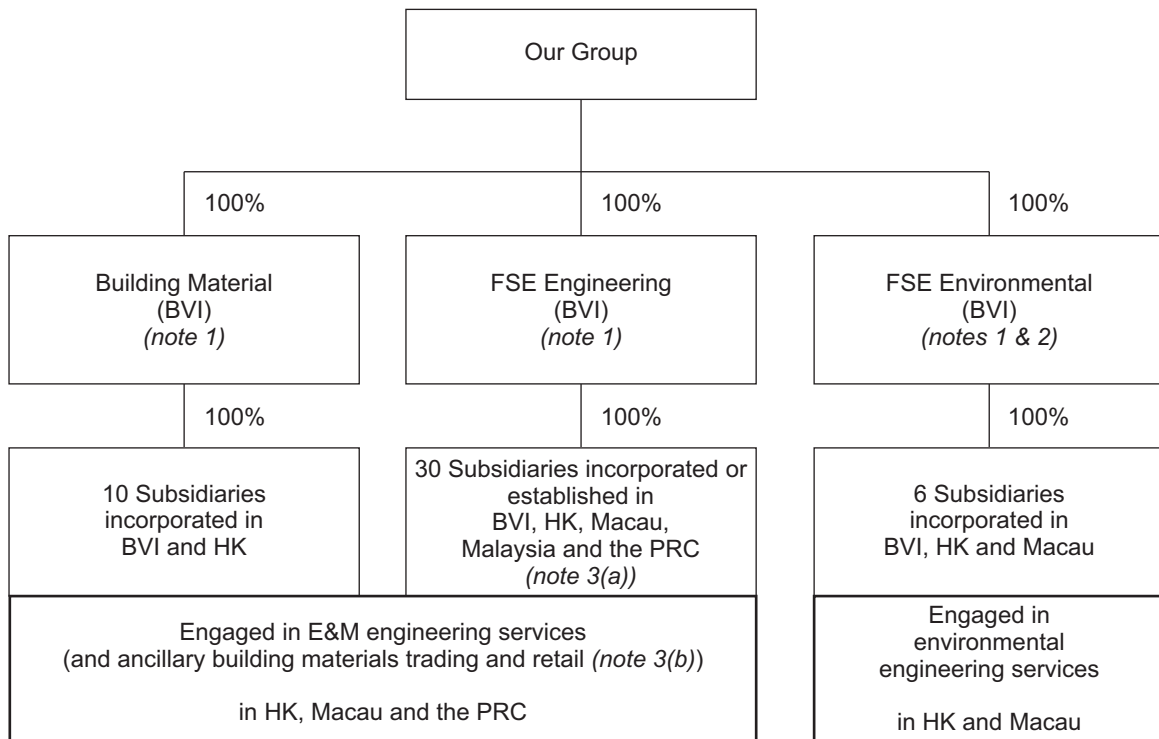
- Electrical installation to the podium of an integrated resort and entertainment complex in Cotai;
- Central chiller plant & BMS, dry fire and HVAC installation for a luxurious resort in Cotai; and
- HVAC installation to the tower of a luxurious integrated resort in Cotai.

In the PRC:

- Electrical and mechanical installation for a hotel development in Nanjing;
- HVAC and plumbing & drainage installation for a five-star hotel in Tangshan; and
- E&M project management services for a financial centre in Tianjin.

OUR MAJOR OPERATING SUBSIDIARIES

The chart below sets out the simplified corporate structure of our Group during the Track Record Period and as at the Latest Practicable Date:



HISTORY AND DEVELOPMENT

Notes:

1. They are the intermediary holding companies (“our 3 Intermediary Holding Companies”) of our Group.
2. As part of our Group’s intra-group transfer, FSE Environmental was incorporated in April 2013 to acquire the subsidiaries then held indirectly by FSE Engineering which were engaged in our environmental engineering services.
- 3(a). We do not have any business operations in Malaysia during the Track Record Period and up to the Latest Practicable Date.
- 3(b). Our ancillary building materials trading and retail business is operated in HK only.
4. The paragraph headed “Group reorganisation” in Appendix IV of this prospectus sets out the steps that we have taken, as part of the Reorganisation, to consolidate our 3 Intermediary Holding Companies and their subsidiaries as part of our Group in preparation for the Listing.
5. Due to the large number and diverse nature of projects undertaken by us in Hong Kong, the PRC and Macau, we maintain a number of subsidiaries in order to attain operational effectiveness and efficiency.

Our principal businesses are (1) E&M engineering services (and ancillary building materials trading and retail); and (2) environmental engineering services. The “Business” section of this prospectus sets out further details of our principal businesses.

We conducted our businesses through our operating subsidiaries, all of them are our wholly-owned subsidiaries held directly or indirectly by our 3 Intermediary Holding Companies. For certain large-scale E&M projects, we may form joint ventures with other companies to tender for and undertake the relevant works on a project-by-project basis.

As at the Latest Practicable Date, we had 49 subsidiaries, 16 of them were our major operating subsidiaries in terms of their revenue contribution made to our consolidated financial results during the Track Record Period or prospects for development.

During the Track Record Period and as at the Latest Practicable Date, all our major operating subsidiaries were our wholly-owned subsidiaries and there were no significant changes in their shareholdings other than our Group’s intra-group transfers and we completed the acquisition of the entire equity interest in PRC Engine in June 2014. The sub-section “Our major acquisitions and disposals” below sets out the details of the acquisition.

The table below sets out the details of our major operating subsidiaries as at the Latest Practicable Date:

No.	Name	Place of incorporation or establishment	Date of incorporation (or establishment) and commencement of business	Paid up capital	Effective equity interest attributable to our Company	Principal business activities
1.	Far East Engineering	Hong Kong	13 September 1967	HK\$10,000,020 <i>(Note 1)</i>	100%	Mechanical and electrical engineering
2.	Majestic Engineering	Hong Kong	22 January 1980	HK\$30,000,000	100%	Mechanical and electrical engineering
3.	Majestic Plumbing Engineers Limited (定安水務工程有限公司)	Hong Kong	7 September 1990	HK\$2,000,000	100%	Plumbing engineering services
4.	Tridant Engineering	Hong Kong	19 December 1975	HK\$50,000,000 <i>(Note 2)</i>	100%	Mechanical and electrical engineering

HISTORY AND DEVELOPMENT

No.	Name	Place of incorporation or establishment	Date of incorporation (or establishment) and commencement of business	Paid up capital	Effective equity interest attributable to our Company	Principal business activities
5.	Young's Engineering	Hong Kong	30 May 1972	HK\$40,000,000	100%	Mechanical and electrical engineering
6.	Far East Macao	Macao	9 March 2007	MOP\$25,000	100%	Mechanical and electrical engineering
7.	Majestic Macao	Macao	1 March 2005	MOP\$25,000	100%	Mechanical and electrical engineering
8.	PRC Engine	PRC	23 July 2003	RMB150,000,000	100%	Mechanical and electrical engineering
9.	Young's Macao	Macao	28 April 1989	MOP\$100,000	100%	Mechanical and electrical engineering
10.	Young's Shanghai	PRC	6 January 2011	RMB15,000,000	100%	Mechanical and electrical engineering
11.	Companion Building Material Supplies (H.K.) Limited (友聯建築材料供應(香港)有限公司)	Hong Kong	11 February 1983	HK\$100	100%	Retail trade of ceramic tiles
12.	Extensive Trading	Hong Kong	12 May 1981	HK\$10,000,000 (Note 3)	100%	Trading of building and engineering materials
13.	Environmental P&S	Hong Kong	23 December 1986	HK\$100,000	100%	Environmental products and engineering
14.	FSE Environmental Laboratory Services Limited (豐盛創建環境化驗服務有限公司)	Hong Kong	22 October 2013	HK\$10,000	100%	Testing and calibration services
15.	Joneson	Hong Kong	18 April 1980	HK\$570,000 (Note 4)	100%	Environmental products and engineering
16.	EPS Environmental Technologies (Macao) Limited (EPS環景科技(澳門)有限公司)	Macao	7 July 2014	MOP\$25,000	100%	Environmental products and engineering

Notes:

1. HK\$7,667,140 of which represents paid up capital for 766,714 ordinary shares and HK\$2,332,880 of which represents paid up capital for 233,288 non-voting deferred shares.
2. HK\$34,400,000 of which represents paid up capital for 34,400,000 ordinary shares and HK\$15,600,000 of which represents paid up capital for 15,600,000 non-voting deferred shares.
3. HK\$8,500,000 of which represents paid up capital for 8,500,000 ordinary shares and HK\$1,500,000 represents paid up capital for 1,500,000 non-voting deferred shares.
4. HK\$535,000 of which represents paid up capital for 535,000 ordinary shares and HK\$35,000 of which represents paid up capital for 35,000 non-voting deferred shares.

HISTORY AND DEVELOPMENT

OUR MAJOR ACQUISITIONS AND DISPOSALS

Acquisitions

PRC Engine

PRC Engine was a wholly foreign owned enterprise established in the PRC on 23 July 2003, the entire assets and liabilities of the engineering business of which was acquired by our Group in or about June 2011 as part of the Acquisition.

As there were non-engineering related assets of the NWS Group held by PRC Engine, we did not acquire the registered and paid up capital of PRC Engine as part of and upon completion of the Acquisition but to enter into the Contractual Arrangements as mentioned below to accord with the acquisition by us of the entire assets and liabilities of the engineering business of PRC Engine as part of the Acquisition. We therefore obtained effective control over the financial and operations of the E&M engineering business and related assets of PRC Engine and effectively transferred the entire economic benefits and the associated risks to us through our contractual arrangements (the “**Contractual Arrangements**”) with NWS Holdings (China) Limited (a wholly owned subsidiary of NWS). Accordingly, the financial results of the engineering business of PRC Engine were consolidated in our accounts as if it were our wholly-owned subsidiary during the Track Record Period notwithstanding that we did not have any equity interest in PRC Engine prior to our acquisition of its entire registered and paid up capital in 2014 as mentioned below.

The relevant non-engineering related assets of the NWS Group had subsequent to the Acquisition been disposed of entirely, other than cash and bank balances, by PRC engine and PRC Engine no longer holds any assets of, other than cash and bank balances, or operates any business under the NWS Group.

In light of the above and with a view to rationalising our Group’s structure, we acquired the entire registered and paid up capital of PRC Engine at a consideration of approximately RMB180 million (after adjustment) by reference to the non-engineering unaudited net assets of PRC Engine pursuant to an agreement for sale and purchase dated 8 April 2014 entered into between NWS Holdings (China) Limited (as vendor) and our wholly-owned subsidiaries, Young’s Engineering (for 51% interest) and Tridant Engineering (for 49% interest), as purchasers, and proceed to completion in June 2014 whereupon the Contractual Arrangements had ceased since then. As advised by our PRC Legal Advisers, the Contractual Arrangements did not violate any PRC laws.

Disposals

On 23 September 2013, we transferred our 51% interest in Trihan Engineering (Wuhan) Company Limited* (武漢定安機電工程有限公司) to the holder of the remaining 49% interest in the company at a consideration of RMB2,714,844 pursuant to an equity transfer agreement dated 8 August 2013 and ceased to have any interest in the company. The consideration was determined at arm’s length basis by reference to the net asset value of the company as at 30 June 2013. The company was not our major operating subsidiary during the Track Record Period.

To rationalise the investment and assets holding structure of our Group, we implemented a series of transfers whereby the following properties holding companies holding the property interests as mentioned below were disposed of by us to the following transferees:

1. On 20 June 2014, we transferred our 100% interest in DMI Development Limited, an investment holding company, to Unison City Investments Limited, at a consideration of HK\$95,674,494 and ceased to have any interest in the company. The consideration was determined at arm’s length basis by reference to the unaudited net assets value of DMI

HISTORY AND DEVELOPMENT

Development Limited as at 31 May 2014. At the time of the transfer and as at the Latest Practicable Date, DMI Development Limited was the owner of Lorry Parking Space No.L3, Car Parking Space No.P106 on the 1st Floor, Unit 2 on the 6th Floor, Units 2, 3, 4, 6, 7 and 9 on the 7th Floor of Eastern Harbour Centre, No.28 Hoi Chak Street, Quarry Bay, Hong Kong.

2. On 20 June 2014, we transferred our 100% interest in Kenbase Engineering Limited, an investment holding company, to Solution Ace Holdings Limited, at a consideration of HK\$29,918,399 and ceased to have any interest in the company. The consideration was determined at arm's length basis by reference to the unaudited net assets value of Kenbase Engineering Limited as at 31 May 2014. At the time of the transfer and as at the Latest Practicable Date, Kenbase Engineering Limited was the owner of Units 10 and 11 on the 7th Floor of Eastern Harbour Centre, No.28 Hoi Chak Street, Quarry Bay, Hong Kong.
3. On 20 June 2014, we transferred our 100% interest in Onglory International Limited, an investment holding company, to Jetset Holdings Limited, at a consideration of HK\$7,078,575 and ceased to have any interest in the company. The consideration was determined at arm's length basis by reference to the unaudited net assets value of Onglory International Limited as at 31 May 2014. At the time of the transfer and as at the Latest Practicable Date, Onglory International Limited was the owner of Unit 1 on the 7th Floor of Eastern Harbour Centre, No.28 Hoi Chak Street, Quarry Bay, Hong Kong.

Each of the above transferees was beneficially owned as to 90% by Mr. Doo and as to the remaining 10% by Mr. Wong at the time of the above transfers. As at the Latest Practicable Date, each of the above transferees was beneficially and solely owned by Mr. Doo and is therefore our connected person.

The companies disposed of by us during the Track Record Period as mentioned above had made insignificant loss during part of the Track Record Period prior to their disposal by us as follows:

	(Loss) for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trihan Engineering (Wuhan) Company Limited* (武漢定安機電工程有限公司)	<i>note 1</i>	(2,428)	<i>note 2</i>
DMI Development Limited	(2,289,100)	<i>note 1</i>	<i>note 2</i>
Kenbase Engineering Limited	(128,442)	(394,137)	<i>note 2</i>
Onglory International Limited	(260,158)	<i>note 1</i>	<i>note 2</i>

Notes:

1. The relevant company was making a profit during the year.
2. The relevant company had been disposed of by us in the previous year.

The property interests held by these properties holding companies are currently leased to our Group. The paragraph headed "Properties" in the "Business" section and the "Connected Transactions" section of this prospectus provide you with further details of these tenancies.

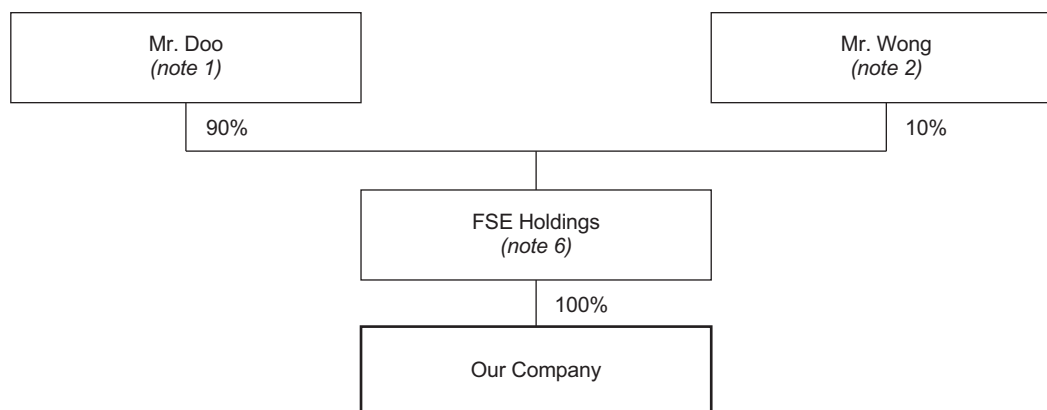
As at the Latest Practicable Date, the aggregate annual rental payable by us for the leasing of these properties was approximately HK\$4.44 million. We expected that the aggregate annual rental payable by us will be increased to approximately HK\$5.00 million for the two years ending 30 June 2018 if we are to continue leasing these properties upon expiry of their current term on 30 June 2016.

HISTORY AND DEVELOPMENT

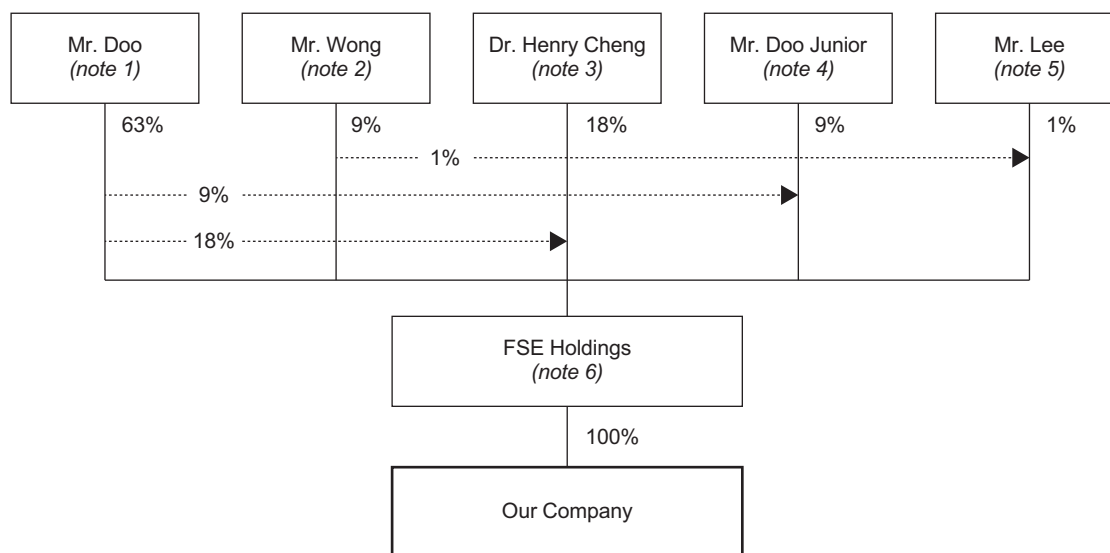
MAJOR CHANGES IN OUR SHAREHOLDING STRUCTURE

The charts below set out the simplified shareholding structure of our Company immediately **before and after** the major changes in our shareholding structure:

Before:



After:



Notes:

1. Mr. Doo's interest is held through Sino Spring Global, the entire issued share of which is registered in the name of Mr. Doo.
2. Mr. Wong's interest is held through Frontier Star, the entire issued share of which is registered in the name of Mr. Wong.
3. Dr. Henry Cheng's interest is held through CTF Nominee. The 18% interest was transferred from Sino Spring Global on 23 June 2015.
4. Mr. Doo Junior's interest is held through Master Empire Group (5%) and Supreme Win Enterprises (4%), the entire issued share of each of which is registered in the name of Mr. Doo Junior. The 9% interest was transferred from Sino Spring Global on 23 June 2015 by way of gift as part of, and solely for, family arrangement.

HISTORY AND DEVELOPMENT

5. Mr. Lee's interest is held through Lagoon Treasure, the entire issued share of which is registered in the name of Mr. Lee. The 1% interest was transferred from Frontier Star on 23 June 2015.
6. FSE Holdings is also holding the Non-listing Group through FSE Management and another wholly owned subsidiary of FSE Holdings.

Gift of shares in FSE Holdings by Mr. Doo to his son, Mr. Doo Junior

On 23 June 2015, as part of, and solely for, the family arrangement of Mr. Doo, 9% of Mr. Doo's interest in FSE Holdings was transferred by way of gift by Sino Spring Global to Master Empire Group (as to 5%) and Supreme Win Enterprises (as to 4%), both are companies wholly owned by Mr. Doo Junior.

Acquisitions of interest by Dr. Henry Cheng and Mr. Lee respectively in FSE Holdings (the "Investments")

On 23 June 2015, 18% of Mr. Doo's interest in FSE Holdings was transferred at a consideration of HK\$180,000,000 by Sino Spring Global to Dr. Henry Cheng through CTF Nominee. The consideration was funded by Dr. Henry Cheng from his own sources.

On 23 June 2015, 1% of Mr. Wong's interest in FSE Holdings was transferred at a consideration of HK\$10,000,000 by Frontier Star to Lagoon Treasure, a company wholly-owned by Mr. Lee. The consideration was funded by Lagoon Treasure from its own sources.

Principal terms of the Investments

The principal terms of the Investments are set out in the table below:

	Investors	
	Dr. Henry Cheng	Lagoon Treasure
Background of the investor	Dr. Henry Cheng, our chairman and non-executive Director (through CTF Nominee), who is the brother in law of Mr. Doo and the uncle of Mr. Doo Junior.	An investment holding company incorporated in BVI on 5 May 2015, which is solely and beneficially owned by Mr. Lee, our executive Director.
Date of relevant agreement	23 June 2015.	23 June 2015.
Date of completion	23 June 2015.	23 June 2015.
Vendor	Sino Spring Global.	Frontier Star.
The investment made	18% interest in FSE Holdings.	1% interest in FSE Holdings.

HISTORY AND DEVELOPMENT

	Investors	
	Dr. Henry Cheng	Lagoon Treasure
Shareholding in our Company immediately upon Listing after completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option and any options as may be granted under the Share Option Scheme are not exercised at all)	An effective interest of 13.5% which will be held through FSE Holdings.	An effective interest of 0.75% which will be held through FSE Holdings.
Consideration and payment date	<p>HK\$180,000,000, which was fully paid on 23 June 2015.</p> <p>56.6% of the consideration in the sum of HK\$101,880,000 was allocated for our Group and the remaining 43.4% of the consideration in the sum of HK\$78,120,000 was allocated for the Non-listing Group.</p>	<p>HK\$10,000,000, which was fully paid on 23 June 2015.</p> <p>56.6% of the consideration in the sum of HK\$5,660,000 was allocated for our Group and the remaining 43.4% of the consideration in the sum of HK\$4,340,000 was allocated for the Non-listing Group.</p>
Basis of determination of the consideration	The total consideration was determined at arm's length negotiation determined by reference to the audited net profit after tax for the year ended 30 June 2014 of our Group and the Non-listing Group, representing a price-to-earnings multiple of approximately 4.3 times of such audited net profit, whereas the consideration allocated for our Group was based on the proportionate audited net profit of each of our Group and the Non-listing Group bears to the aggregate audited net profit of our Group and the Non-listing Group for the year ended 30 June 2014.	The total consideration was determined at arm's length negotiation determined by reference to the audited net profit after tax for the year ended 30 June 2014 of our Group and the Non-listing Group, representing a price-to-earnings multiple of approximately 4.3 times of such audited net profit, whereas the consideration allocated for our Group was based on the proportionate audited net profit of each of our Group and the Non-listing Group bears to the aggregate audited net profit of our Group and the Non-listing Group for the year ended 30 June 2014.
Investment cost per Share	approximately HK\$1.68.	Same as that of Dr. Henry Cheng.

HISTORY AND DEVELOPMENT

	Investors	
	Dr. Henry Cheng	Lagoon Treasure
Discount to the Offer Price	approximately 40.6% (based on HK\$2.83 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus).	Same as that of Dr. Henry Cheng.
Use of net proceeds and its utilisation by the vendor	As the vendor's general working capital which has not been fully utilised. None of the proceeds are received by our Company as we are not the vendor.	As the vendor's general working capital which has not been fully utilised. None of the proceeds are received by our Company as we are not the vendor.
Special rights granted to the investor	None was granted.	None was granted.
Lock-up of the investment made as part of the terms of the agreement	None.	None.
Public float for the purposes of Rule 8.08	All the Shares held by FSE Holdings will not be considered as part of the public float as FSE Holdings will remain to be our Controlling Shareholder immediately upon Listing.	Same as that of Dr. Henry Cheng.
Strategic benefits to our Company	Our Directors believe that the investor, as shareholder of FSE Holdings, will bring strategic benefits to our Group in the long run by providing strategic and development advice to FSE Holdings in relation to our Group's businesses and development.	Our Directors believe that the investment made by the investor, who is our executive Director, as shareholder of FSE Holdings, will bring in synergy to the development of our Group by creating a sense of belonging and ownership to the investor in our Group.
Share-based payments	The investment made did not result in any share-based payment expense as the consideration of the transfer was determined at arm's length basis based on the estimated fair value at the time of the transfer.	The investment made did not result in any share-based payment expense as the consideration of the transfer was determined at arm's length basis based on the estimated fair value at the time of the transfer.

The Sole Sponsor's confirmation

After reviewing the terms of the Investments, the Sole Sponsor has confirmed that each of the Investments is in compliance with the Interim Guidance on Pre-IPO Investments HKEx-GL29-12, the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange.

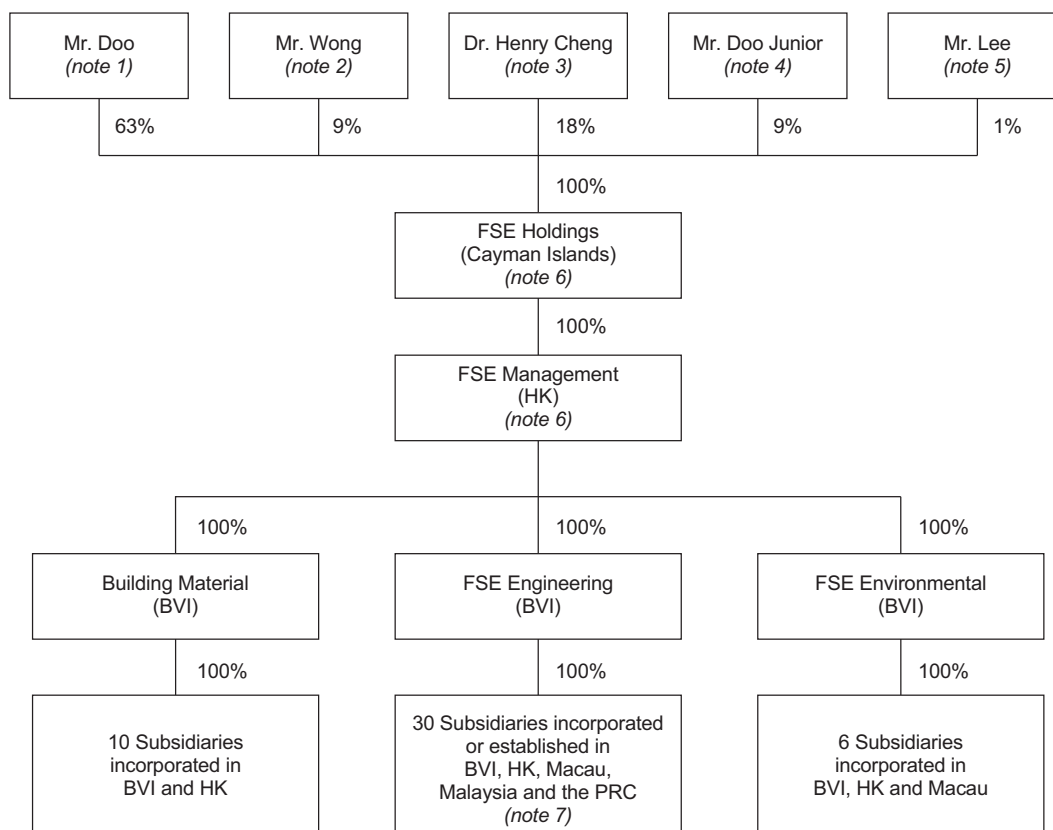
HISTORY AND DEVELOPMENT

OUR REORGANISATION

Our Group underwent a reorganisation to consolidate our 3 Intermediary Holding Companies and their subsidiaries as part of our Group and to rationalize our Group's structure in contemplation of the Listing. The paragraph headed "Group reorganisation" in Appendix IV of this prospectus sets out the steps of the Reorganisation.

CORPORATE STRUCTURE

The chart below sets out the simplified corporate structure of our Group immediately **before** completion of the Reorganisation:



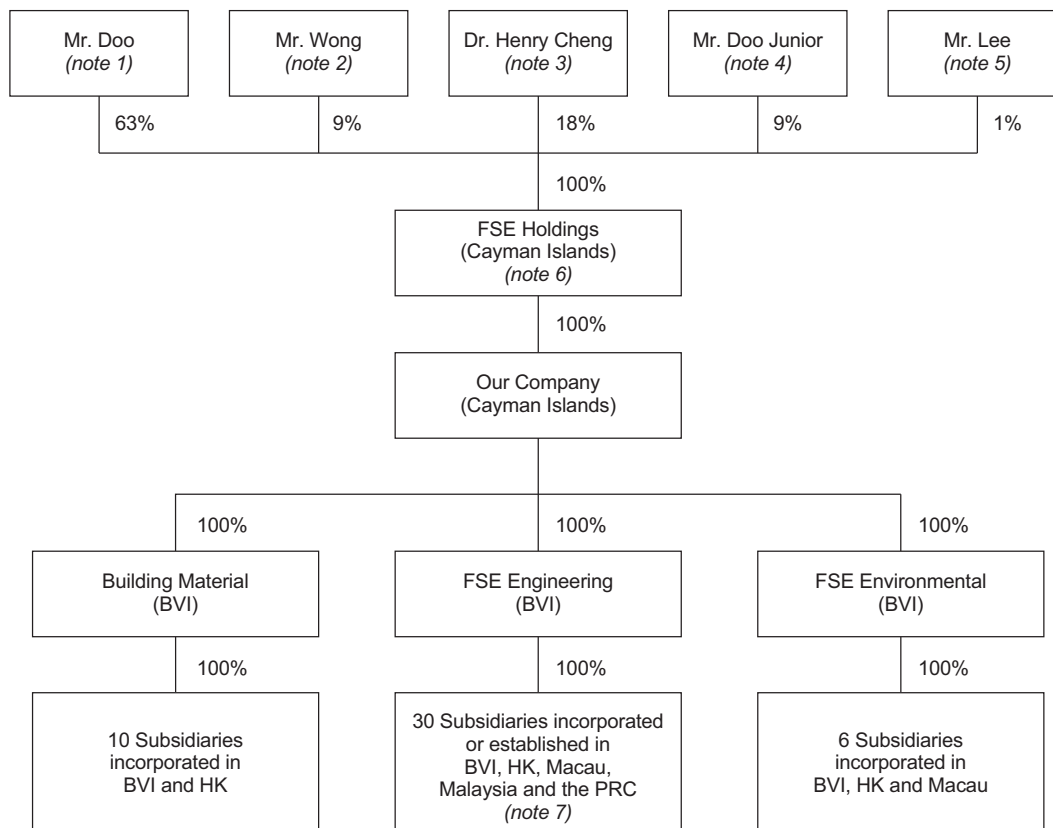
Notes:

1. Mr. Doo's interest is held through Sino Spring Global, the entire issued share of which is registered in the name of Mr. Doo.
2. Mr. Wong's interest is held through Frontier Star, the entire issued share of which is registered in the name of Mr. Wong.
3. Dr. Henry Cheng's interest is held through CTF Nominee. The 18% interest was transferred from Sino Spring Global on 23 June 2015.
4. Mr. Doo Junior's interest is held through Master Empire Group (5%) and Supreme Win Enterprises (4%), the entire issued share of each of which is registered in the name of Mr. Doo Junior. The 9% interest was transferred from Sino Spring Global on 23 June 2015 by way of gift as part of, and solely for, family arrangement.

HISTORY AND DEVELOPMENT

5. Mr. Lee's interest is held through Lagoon Treasure, the entire issued share of which is registered in the name of Mr. Lee. The 1% interest was transferred from Frontier Star on 23 June 2015.
6. The Non-listing Group is held through FSE Management and another wholly-owned subsidiary of FSE Holdings.
7. We do not have any business operations in Malaysia during the Track Record Period and up to the Latest Practicable Date.

The chart below sets out the simplified corporate structure of our Group immediately **after** completion of the Reorganisation but prior to completion of the Capitalisation Issue and the Global Offering:



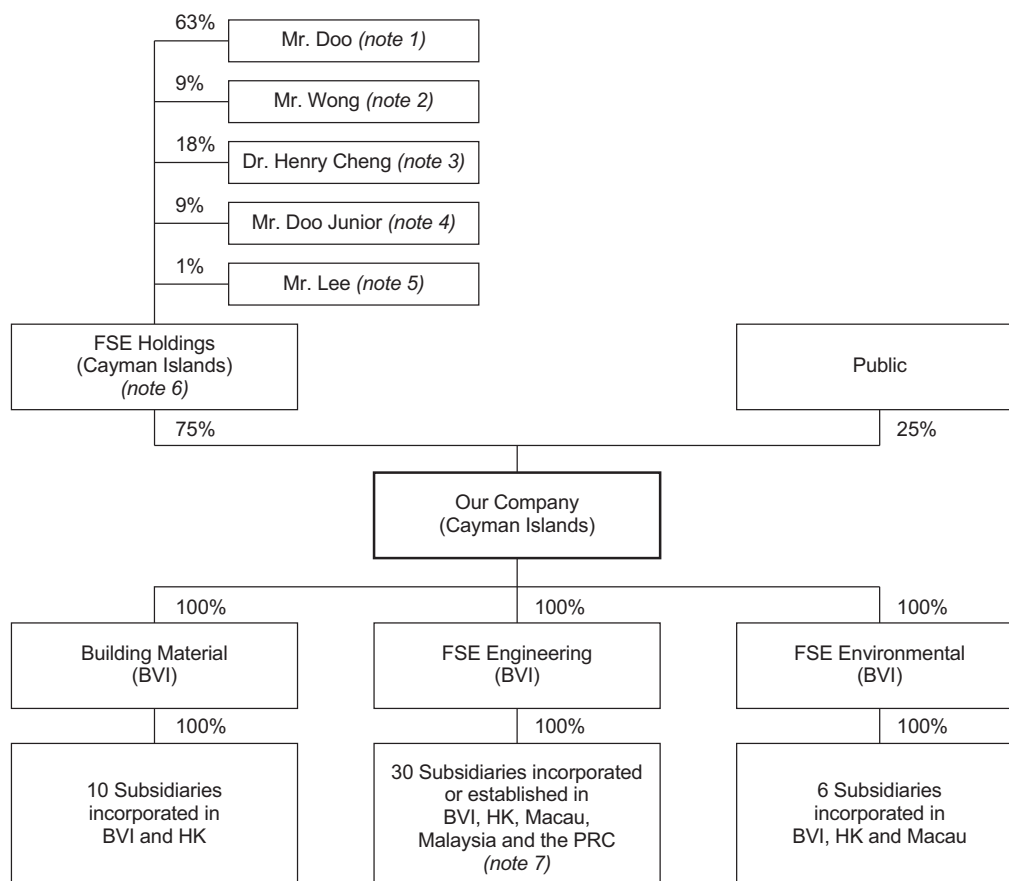
Notes:

1. Mr. Doo's interest is held through Sino Spring Global, the entire issued share of which is registered in the name of Mr. Doo.
2. Mr. Wong's interest is held through Frontier Star, the entire issued share of which is registered in the name of Mr. Wong.
3. Dr. Henry Cheng's interest is held through CTF Nominee. The 18% interest was transferred from Sino Spring Global on 23 June 2015.
4. Mr. Doo Junior's interest is held through Master Empire Group (5%) and Supreme Win Enterprises (4%), the entire issued share of each of which is registered in the name of Mr. Doo Junior. The 9% interest was transferred from Sino Spring Global on 23 June 2015 by way of gift as part of, and solely for, family arrangement.
5. Mr. Lee's interest is held through Lagoon Treasure, the entire issued share of which is registered in the name of Mr. Lee. The 1% interest was transferred from Frontier Star on 23 June 2015.

HISTORY AND DEVELOPMENT

6. FSE Holdings is also holding the Non-listing Group through FSE Management and another wholly-owned subsidiary of FSE Holdings.
7. We do not have any business operations in Malaysia during the Track Record Period and up to the Latest Practicable Date.

The chart below sets out the simplified corporate structure of our Group immediately **after** completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and the options as may be granted under the Share Option Scheme are not exercised):



Notes:

1. Mr. Doo's interest is held through Sino Spring Global, the entire issued share of which is registered in the name of Mr. Doo.
2. Mr. Wong's interest is held through Frontier Star, the entire issued share of which is registered in the name of Mr. Wong.
3. Dr. Henry Cheng's interest is held through CTF Nominee. The 18% interest was transferred from Sino Spring Global on 23 June 2015.
4. Mr. Doo Junior's interest is held through Master Empire Group (5%) and Supreme Win Enterprises (4%), the entire issued share of each of which is registered in the name of Mr. Doo Junior. The 9% interest was transferred from Sino Spring Global on 23 June 2015 by way of gift as part of, and solely for, family arrangement.
5. Mr. Lee's interest is held through Lagoon Treasure, the entire issued share of which is registered in the name of Mr. Lee. The 1% interest was transferred from Frontier Star on 23 June 2015.

HISTORY AND DEVELOPMENT

6. FSE Holdings is also holding the Non-listing Group through FSE Management and another wholly-owned subsidiary of FSE Holdings.
7. We do not have any business operations in Malaysia during the Track Record Period and up to the Latest Practicable Date.

A list of our Group's principal subsidiaries and joint operations/ventures is set out in the Accountant's Report in Appendix I to this prospectus.

THE OTHER BUSINESSES OF FSE HOLDINGS

FSE Holdings is interested in other businesses which do not form part of our Group through members of the Non-listing Group.

The table below sets out the further details of the principal businesses of the Non-listing Group which were in operation as at the Latest Practicable Date:

<u>Business</u>	<u>Principal services provided</u>	<u>Principal region of operation</u>
1. Cleaning	<ul style="list-style-type: none"> ● General cleaning and waste management and disposal ● External wall and window cleaning ● Pest control ● Clinical waste management ● Hotel housekeeping services and office support services 	Hong Kong
2. Insurance consultancy and brokerage	<ul style="list-style-type: none"> ● International risk and insurance management consultancy services ● Reinsurance brokerage 	Hong Kong, Macau and the PRC
3. Landscaping	<ul style="list-style-type: none"> ● Landscape design, construction and maintenance ● Sale and rental of plants and maintenance for landscaping and decoration use 	Hong Kong and the PRC
4. Laundry	<ul style="list-style-type: none"> ● Laundry, dry cleaning and linen management 	Hong Kong
5. Property and facility management services	<ul style="list-style-type: none"> ● Property management ● Facility management 	Hong Kong
6. Security and guarding services	<ul style="list-style-type: none"> ● Security guarding ● Escort & surveillance security ● Design, installation, maintenance and repairing of security device and security system 	Hong Kong

The principal businesses of the Non-listing Group in operation as at the Latest Practicable Date were profit making businesses and had made profit throughout the Track Record Period.

HISTORY AND DEVELOPMENT

As none of the principal businesses of the Non-listing Group is the same as or ancillary to or otherwise in competition with those of our Group, they are not included as part of our Group in order for our Group to focus on our principal businesses. FSE Holdings has no plan to inject any of the above businesses into our Group after Listing. In the event that there is any injection of the above businesses into our Group after Listing, it will constitute connected transaction for our Company and we will comply with the relevant requirements under the Listing Rules in this regard.

OVERVIEW

We are one of the leading E&M engineering companies in Hong Kong, providing a comprehensive range of E&M engineering and environmental engineering services, and we also have well-established E&M engineering operations in the PRC and Macau. We were the second largest E&M engineering service provider for two consecutive years in Hong Kong and in Macau, with market share of approximately 4.3% and 8.0% respectively in 2013, and approximately 4.9% and 3.8% respectively in 2014, in terms of sales revenue, according to the Frost & Sullivan Report. With over 40 years of operating history, we have developed substantial expertise as an E&M engineering service provider, and we have built up a strong network with well-established clients and main contractors who are often engaged in large-scale projects of major property developers and other blue-chip companies in Hong Kong. Through our consistent efforts, we have gained strong market recognition, which is illustrated by the numerous awards we have received over the years, as set out in the sub-section “Certifications, Awards and Recognitions” below.

During the Track Record Period and up to Latest Practicable Date, we have undertaken over 10,000 E&M engineering projects in Hong Kong, Macau and the PRC, 38 of which were Major Projects with contract sum over HK\$100 million. The 38 Major Projects we undertook during the Track Record Period include 27, 4 and 7 Major Projects in Hong Kong, Macau and the PRC, respectively. As at the Latest Practicable Date, we had over 3,000 E&M engineering projects on hand, with an estimated total outstanding contract value of approximately HK\$5,500 million (of which approximately HK\$4,100 million was attributable to Major Projects and the rest was attributable to other projects on hand). Examples of the Major Projects that we have undertaken during the Track Record Period and up to the Latest Practicable Date include: (1) in Hong Kong: (i) the design, installation and operation of a district cooling system in Kai Tak supplying chilled water to premises, (ii) installation of electrical, fire services, air-conditioning and central chiller plant systems for a redevelopment project of a complex comprising hotel, serviced apartment, shopping arcade and offices in Tsim Sha Tsui, (iii) installation of E&M system for a new 500-bed private hospital in Wong Chuk Hang; (2) in Macau: (i) installation of a central chiller plant and building energy management, dry fire and air-conditioning systems for a luxury integrated resort with 1,700 rooms, (ii) installation of electrical system of an entertainment and hotel complex; and (3) in the PRC: (i) installation of E&M system for mixed used commercial blocks with a GFA of over 450,000m² in Shanghai Jing An district, and (ii) installation of E&M system for a 5-star hotel with 450 rooms in Nanjing. Our other projects encompass a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centres, banks, hotels, residential properties, universities, hospitals, and public transportation facility buildings. During the Track Record Period, we had generally focused on E&M projects in the private sector, and have undertaken relatively few public sector projects in Hong Kong, which mainly involve electrical system installation works.

Our E&M engineering services include installation works for construction projects as well as maintenance services for completed buildings and facilities. We provide a comprehensive range of E&M engineering services, under the trade names of “Far East Engineering”, “Young’s Engineering” and “Majestic Engineering” in Hong Kong and Macau and “新創機電” and “景福工程(上海)” in the PRC, which include design, contracting and installation, testing and commissioning as well as operation and maintenance of (i) air-conditioning and mechanical ventilation system, (ii) fire service system, (iii) plumbing and drainage system; and (iv) electrical and ELV system.

As a comprehensive, multi-disciplinary E&M engineering service provider, we believe we possess all the professional skills and licenses necessary to smoothly and efficiently execute large-scale projects on time and on budget from inception to completion, to our customers’ requirements and satisfaction. We possess value engineering capability, which involves examining the function of an intended project, identifying any opportunities to reduce unnecessary elements in the design, and choosing the most cost-effective means to deliver the desired result.

BUSINESS

In addition to E&M engineering services, we are also engaged in the provision of environmental engineering services and products, and the trading and retail sales of building materials, which we consider as complementary to our E&M engineering services, providing us with further growth opportunities. We believe that all of our operations are underpinned and supported by an integrated management and control system, strong networks of well-established customers and suppliers and an experienced and well-trained workforce.

The following table sets forth a summary of our principal businesses.

Segments	Services	Major trade names	Geographical regions	Revenue contribution for year ended 30 June 2015
<i>E&M Engineering Segment</i>	<ul style="list-style-type: none"> ● E&M engineering design, contracting, installation services of air-conditioning and mechanical ventilation systems, fire alarms and fire safety and prevention systems, plumbing and drainage systems, electrical wiring and electricity supply systems ● E&M engineering maintenance services 	<ul style="list-style-type: none"> ● Far East Engineering ● Young's Engineering ● Majestic Engineering ● 新創機電 (NWS Engineering*) ● 景福工程(上海) (Young's Engineering (Shanghai)*) 	Hong Kong, Macau and the PRC	98.4%
	<ul style="list-style-type: none"> ● Distribution of building materials and retail sales of tiles 	<ul style="list-style-type: none"> ● Extensive Trading ● Carlos 	Hong Kong	
<i>Environmental Engineering Segment</i>	<ul style="list-style-type: none"> ● Distribution and sales of environmental pollution management equipment and provision of related services ● Provision of environmental assessment services ● Provision of sterilisation and disinfection services 	<ul style="list-style-type: none"> ● Environmental P&S ● Joneson 	Hong Kong	1.6%

OUR COMPETITIVE STRENGTHS

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

Vast industry experience and goodwill, and a strong customer network with leading companies

With over 40 years of operating history, we have gained vast experience in the E&M engineering industry and established a strong customer network with major companies in Hong Kong. We provide services to a broad spectrum of commercial, industrial and public sector customers, including leading developers in Hong Kong, premier international hotel chains, other blue-chip and listed companies, and departments of the Hong Kong Government responsible for housing and public construction and engineering works, with many of which we have over 15 years of business relationship.

We believe that we have built up excellent reputation in the industry with a proven track record of delivering our services on time and to the satisfaction of our customers. Because of our strong client relationships and goodwill, we are often invited to tender in major construction projects.

BUSINESS

For our E&M engineering operations in the PRC, our major customers are mainly Hong Kong-based property developers with whom we have well-established business relationship and share similar business values and mutual trust. We believe that our established reputation for quality, reliability and adherence to regulatory and industry standards are important factors that are taken into considerations when such customers select E&M engineering service providers.

Our leading position which enables us to capture growth opportunities

We were the second largest E&M engineering service provider in Hong Kong and in Macau for two consecutive years, with market share of approximately 4.3% and 8.0% respectively in 2013, and approximately 4.9% and 3.8% respectively in 2014, in terms of sales revenue according to the Frost & Sullivan Report. We possess all relevant licenses and qualifications necessary for engagement in E&M engineering projects of the largest scale in Hong Kong and are included in the approved contractor list of the leading main contractors and departments of the Hong Kong Government responsible for housing and public works by virtue of our track record, job references and financial conditions. FSEE is one of the few Hong Kong-based companies in the PRC which possesses the class I qualification, which is the top qualification, for E&M engineering general contractor, and also possesses 12 qualifications in different classes as specialist contractor.

For our Environmental Engineering Segment, we are a provider of comprehensive building environmental management services in Hong Kong and the sole supplier of certain widely used environmental engineering products for construction sites in Hong Kong, and a deodourisation system for refuse collection stations which is widely used in public housing in Hong Kong. We also have a substantial market share in the HVAC condensing and cooling water treatment, according to the Frost & Sullivan Report. We believe that our Environmental Engineering Segment has advantages in having deep experience and good reputation in the industry, major products that are widely-used, and development of new technology in collaboration with the relevant experts in the field.

As revenue from the construction, E&M engineering and environmental engineering industries in Hong Kong, Macau and the PRC are expected to maintain stable growth from 2015 to 2019, we believe we are well-positioned to capture opportunities in these growing markets and achieve further revenue growth.

Comprehensive E&M and environmental engineering services, with value engineering and integrated services capability

Leveraging on our experience in providing comprehensive E&M engineering services, including installation and maintenance of air-conditioning and ventilation, fire safety, plumbing and drainage and electrical systems, as well as our environmental engineering services, we are able to provide one-stop service to our customers and participate in large-scale projects. We are able to undertake project coordination and design management to meet the client's requirements under an integrated service contract, coordinating and liaising with various subcontractors, advising the client on the progress of the project, ensuring that variation orders are carried out properly and the project is completed on schedule. Our multiple specialists and integrated solutions enable our customers to save management and supervising time and costs and allow for better communication, collaborative management and more efficient problem-solving and dispute resolution.

Our E&M engineering services are supported by our value engineering capability. Value engineering is the process of examining the function of an intended project, identifying any value opportunities such as reducing unnecessary elements in the design and choosing the most cost-effective means of delivering the desired results. Based on our value engineering studies, we may be able to deliver alternative proposals for the client or main contractor in addition to a conforming tender bid.

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Given our comprehensive knowledge, expertise and experience in all relevant areas of E&M and environmental engineering services and the full range of the relevant licences we hold, we are able to secure integrated design and build contracts in both the private and public sectors.

Commitment to deliver quality works and services with stringent quality assurance

We are committed to provide high quality works and services, which are instrumental in fostering our leading position and reputation. We have adopted a set of stringent quality assurance measures which comprises of monitoring, verifying and validating the works and materials to ensure that high quality E&M and environmental engineering works and services are delivered to our customers. In recognition of the quality assurance procedures in place, our quality management system was accredited with the ISO 9001 certificate by HKQAA. Our market recognition is evidenced by the numerous awards we have received over the years, as set out in the sub-section “Certifications, Awards and Recognitions” below.

We have set up a comprehensive occupational health and safety management system to promote safe working practices among all employees and to prevent the occurrence of accidents through promoting safety awareness at the front line level. Furthermore, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from our works. As a result, our occupational health and safety management system has been certified to be in compliance with OHSAS 18001 by HKQAA and our environmental management system was accredited by HKQAA with ISO 14001 certification.

We believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to minimize costs and be better positioned to deliver quality works on time and within budget to customers and enhance our reputation as a quality and reliable E&M engineering services provider.

Efficient management and systematic tender review procedure supported by advanced information technology system

We consider efficient management and planning paramount to our success and we continuously develop and upgrade our information technology system for such purposes. Our comprehensive web-based enterprise system, developed by our in-house information technology application team and designed for compliance with ISO 20000:2001 requirements, automates and streamlines our business processes. It improves our efficiency in quotation and tendering, project planning, issuing purchase orders, work orders, payment certificates, debit notes and credit notes, and allows electronic approval of these processes and records the approval stages timely.

Our information systems also allow efficient online internal communication and access to information in relation to employee demographics and financial information such as the latest financial figures for our projects. We have an experienced team of information technology staff who maintains and continuously develops our systems.

We adopt a systematic tender review procedure to prepare and price our tenders and our tender department, project team, quantity surveyor department and risk management department work together under the coordination of a project director to ensure that we are able to submit a tender proposal at a competitive price with adequate estimated profit margin. Our tendering process is also supported by data stored in our information technology system which we have collected from the large number of projects which we have undertaken. We believe that our systematic tender review procedure will ensure that we have the relevant capability for the project, enable us to allocate manpower resources more efficiently, assess risk and manage costs effectively, select competent subcontractors and procure appropriate materials for the potential projects and thereby allowing us to submit competitive tender proposals.

Well-established relationship with our subcontractors and suppliers

We have long and well-established relationship with the majority of our major subcontractors and suppliers, including many with whom we have over 10 years of business relationship. We believe that our reputation in the industry and on-time settlement of accounts payable help us in building a stable network of quality suppliers and subcontractors in all relevant areas. Our close relationship with a stable list of reliable subcontractors and suppliers enables us to procure the necessary services and supplies when we require them, reducing the risk of shortage or delay in delivery of materials or services causing material disruption to our works. This in turn helps ensure that we are able to provide our customers with timely and quality services.

Experienced management team with expertise and proven track record

Most members of our existing senior management team have served our Group, or its subsidiaries, for over 20 years and possess in-depth knowledge and experience in the E&M engineering or environmental engineering businesses. In particular, our core management team, including our executive Directors and directors of our business units have been instrumental to our growth throughout the years. Two of our executive Directors, Mr. Poon Lock Kee, Rocky and Mr. Soon Kweong Wah, are fellows of the Hong Kong Institution of Engineers in Hong Kong and Chartered Institution of Building Services Engineers in the United Kingdom with over 30 years of experience in the construction and engineering industry. Both of them are active members of various academic institutions and associations in the E&M engineering industry in Hong Kong. Please see the section “Directors, Senior Management and Employees” for further details.

Our project management teams have extensive industry and technical knowledge in E&M engineering works and our engineers possess relevant professional qualifications as required for the engineering works and have well-developed practical skills and experience. As at the Latest Practicable Date, all of our project managers and engineering staff possess the relevant engineering licenses and/or academic qualifications to supervise E&M engineering works. The majority of these engineering staff have been working with us for over 10 years.

We consider our employees as our core assets and we dedicate significant resources to their development and management. We seek to provide career opportunities and continue to invest in the training of our employees.

OUR BUSINESS STRATEGIES

Our goal is to further enhance our performance as a leading E&M and environmental engineering service provider in Hong Kong and capitalise on expansion opportunities in Hong Kong, Macau and the PRC, with the following strategies.

Expand our E&M Engineering Business and Services

We plan to further strengthen our E&M Engineering Segment by expanding our capabilities in ELV system works and E&M project management operation in the PRC, and maintain our organic growth with additional human resources, focus on quality and large-scale project works and prudent financial management.

- ***Expand our capability in extra low voltage system works***

We are sometimes engaged in E&M engineering works involving installation of ELV systems, which mainly refer to computer cable network, security systems comprising burglar alarms and closed circuit television systems and broadcast reception systems, and we usually engage subcontractors for such works. In order to further enhance our comprehensive service, we plan to expand our capability

in the installation and maintenance of ELV systems by investment in, acquisition of, or forming strategic cooperation with, one or more companies in Hong Kong that is specialised in such works with proven track record, personnel with the relevant experience and expertise, established customer network, the necessary licenses and qualifications and work references. We consider that investing in, or co-operating with, an established company in the field is an efficient way to implement this strategy as it takes time for the personnel to acquire the relevant experience and expertise. Please see the section “Future Plans and Use of Proceeds” for further information. We have not commenced the process of identifying such a target company and have not entered into any agreement with any target company. According to the Frost & Sullivan Report, there is a growing trend in the use of intelligent building design and building automation systems in Hong Kong and these systems are ELV systems in nature. We believe that our ELV capability will create synergy with our other E&M engineering services and our building energy management services.

- ***Develop and expand our E&M engineering project management services in the PRC***

Building on the substantial experience that we have accumulated in providing E&M engineering services in the PRC and our well-established relationship with Hong Kong-based property developers in the PRC, we plan to expand our engineering team and capture greater market share in the project management services for E&M installation works in the PRC. We believe that foreign and Hong Kong-based developers of high-end projects in the PRC often approach us instead of local contractors for our strong E&M project management expertise and quality control, including integrated services coordination and production of coordinated services drawings, building information modelling technique, project planning, quality assurance, system testing and commissioning. We have been engaged for project management services in the PRC for an international exhibition centre development in Shenyang and two high-rise building complexes in Tianjin and Guangzhou, and we have gained market recognition in the field. We consider that such project management services provide us with an additional stable source of business.

- ***Maintain our growth with additional human resources, focus on work quality and prudent financial management***

We believe that there is ample growth opportunities in E&M engineering works in Hong Kong, Macau and the PRC. The Hong Kong Government has adopted a total housing supply target of 480,000 private and public residential units for the 10-year period from 2015–16 to 2024–25. In addition, several mega-size construction projects have been proposed, such as the Kai Tak redevelopment plan, West Kowloon Cultural District and the construction and major renovation of public hospitals in Hong Kong. The Macau government has also commenced a number of mega infrastructure projects including the “New Landfill Urban” reclamation project, the Macau International Airport development project, and the construction of a new public hospital, which will continue to provide opportunities in the Macau market. It is also expected that hotels completed some years ago in Macau will need to undergo major renovation and retrofit works, and comprehensive maintenance of the E&M services in these hotels provide opportunities for experienced E&M contractors like us. Please see the section “Industry Overview” for further details. We believe that the housing supply target and potential mega-size projects will support the construction and engineering market in Hong Kong and Macau. In the PRC, it is expected that construction activities maintain a stable growth driven by the trend of urbanisation, and there will be increasing participation of Hong Kong-based property developers, which we expect will remain to be our major customers in the PRC.

In order to cater for our backlog and expected projects, we intend to recruit additional staff including approximately 100 engineering and technical staff in the next two years. We aim to maintain our work and service quality while our business continues to expand, with the assistance of our strong management and control system and focused training for our new and existing staff. Please see the section “Future Plans and Use of Proceeds” for further information.

We will also continue to closely monitor our capital and cash positions, particularly subcontracting fees, labour costs and material costs which have increased in recent years. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis, which are profitable and of high-profile in nature.

We will also ensure adequate cash flow through our internal control system for our ongoing capital requirements, aim to achieve cost savings by streamlining our operation processes, and remain prudent in our capital commitments.

Further Develop the Expertise and Services of our Environmental Engineering Segment

In line with the growing public awareness and increasing government spending on environmental protection and conservation, we believe there is a rising trend and ample market potentials for environmental management services and products. For the years ended 30 June 2013, 2014 and 2015, our Environmental Engineering Segment has generated revenue of HK\$43.0 million, HK\$53.6 million and HK\$54.2 million, respectively. We plan to further develop and enhance our offering of environmental engineering products and services by possible investment in, acquisition of, and/or formation of strategic cooperation with companies which operate environmental management business in our target business areas such as web-based building energy management system for enhancing energy efficiency optimisation in office buildings, such as advanced lighting solution product using wireless technology to achieve cost effectiveness and energy efficiency, and biotechnology of microalgae in waste-water treatment.

We also plan to employ additional staff for the expansion of our environmental consultancy services on energy audit, BEAM and LEED as it is expected that the mandatory energy audit for existing commercial and composite buildings and demand for energy efficiency solution for large commercial complexes and interest data centres will continue to provide business opportunities.

- ***Web-based building energy management system***

Our Environmental Engineering Segment currently provides energy audit for buildings and provides energy saving solutions to building owners. We have entered into a non-binding memorandum of understanding with a university-affiliated entity in Hong Kong to further develop a building energy management system with enhanced building automation technology for energy efficiency optimisation which can be controlled remotely by an online web-based platform. This system is developed based on local conditions and aims to enhance energy and cost saving, and mainly targets office buildings, hotels and shopping arcades.

According to the Frost & Sullivan Report, the size of the building energy management system market in Hong Kong is expected to grow with a CAGR of over 5% from 2015 to 2019. Leveraging on our experience, we intend to promote this web-based building energy management system to our well-established customers owning or managing office buildings, shopping arcades and hotels in Hong Kong, Macau and the PRC which may not be operating at optimal energy consumption efficiency, and we believe that there will be substantial market demand for such system. We intend to form a specialised team to engage in the installation and maintenance of this building energy management system and the provision of energy audit service, depending on the market response.

- ***Environmental testing laboratory***

We plan to enhance our air and water quality testing laboratory, employ additional testing personnel and purchase additional air and water quality testing equipment, to expand our air and water quality testing services and reduce reliance on external testing laboratories. Our laboratory is in the process of obtaining the relevant Hong Kong Laboratory Accreditation Scheme certification for

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environmental assessment and testing of air and water quality, in order to expand its scope of services. We expect substantial growth for such services based on the trend of tightening regulatory regime on environmental management.

- ***Waste water treatment technology using microalgae***

We are in discussion with an affiliated-entity of a local university to explore the opportunity of forming a joint venture to develop a microalgae-based process for waste water treatment without the need to use chemicals. As at the Latest Practicable Date, we have not entered into any agreement with the relevant party in this respect.

Further Strengthen the Efficiency and Control of our Operation

- ***Enhance our E&M engineering technical capability***

We will continue to upgrade and enhance the operation of our E&M engineering services. We plan to further develop our E&M design capability by purchasing software for producing enhanced three-dimensional combined services drawings, virtual programming and work sequence, virtual simulation of constructed space and related cost estimation, and employing additional designers and draftsmen for such purpose. We intend to purchase new hardware and technical software, including more advanced building information modelling (“**BIM**”) system, which generates digital representations of the physical and functional characteristics of buildings, and is used to support decision making to plan, design, construct, operate and maintain diverse buildings and facilities. BIM aims to enable successful and smooth project execution with tight budgets, limited manpower, accelerated schedules, and limited or conflicting information. This 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 and avoid stock-piled on-site. It could also prevent errors by enabling advance detection of conflict, clash or congestion areas during the construction processes.

- ***Further enhance work quality and project safety***

We believe that our success depends considerably on our ability to deliver works of high quality under a sound safety system. We consider that maintaining work quality and providing a safe and healthy working environment are of utmost importance to our ongoing development. In order to uphold the work quality of our Group and enhance our safety system, we plan to strengthen our quality assurance and safety team by hiring more qualified personnel and conducting more safety and quality trainings. Our management pays close attention to health and safety, a core part of our value proposition, and we have increasingly focused on establishing safer working environments that aim to reduce work-related injuries, manage lost time in our operations and mitigate risk for our customers.

E&M ENGINEERING SEGMENT

E&M engineering services is our principal business, contributing 98.4% of our revenue for the year ended 30 June 2015. During the Track Record Period and up to the Latest Practicable Date, we have undertaken more than 10,000 E&M engineering projects in Hong Kong, Macau and the PRC, 38 of which were Major Projects and the rest were projects with contract sum equal to or below HK\$100 million. As at the Latest Practicable Date, we had over 3,000 E&M engineering projects on hand, with a total estimated outstanding contract value of approximately HK\$5,500 million, of which approximately HK\$4,100 million was attributable to our Major Projects on hand and the rest was attributable to our other projects on hand.

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The table below shows a breakdown of the revenue of our E&M Engineering Segment by geographical segments for the periods indicated.

Revenue	For the year ended 30 June					
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	1,461,999	62.5	1,691,861	67.6	1,518,533	54.6
Macau	370,641	15.8	216,798	8.7	879,671	31.6
PRC	506,518	21.7	594,476	23.7	382,349	13.8
Total	<u>2,339,158</u>	<u>100.0</u>	<u>2,503,135</u>	<u>100.0</u>	<u>2,780,553</u>	<u>100.0</u>

During the Track Record Period, the majority of our E&M engineering projects came from the private sector, and we had undertaken relatively few public sector projects which were all in Hong Kong and were mainly electrical installation works. The table below sets out the proportion of the revenue of our E&M Engineering Segment from private sector projects and public sector projects for the periods indicated.

Revenue	For the year ended 30 June					
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	1,850,903	79.1	2,186,555	87.4	2,385,554	85.8
Public sector	488,255	20.9	316,580	12.6	394,999	14.2
Total	<u>2,339,158</u>	<u>100.0</u>	<u>2,503,135</u>	<u>100.0</u>	<u>2,780,553</u>	<u>100.0</u>

Our E&M Engineering Segment comprises the installation division and maintenance division. Our installation division provides supply and installation services for E&M engineering systems generally on a project basis. Our maintenance division provides maintenance services for existing systems, including the changing of parts, equipment upgrading, and system improvement for existing buildings. The following table shows the breakdown of our revenue from E&M Engineering Segment by division for the periods indicated:

Revenue	For the year ended 30 June					
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Installation division	1,910,997	81.7	2,032,856	81.2	2,279,642	81.9
Maintenance division	326,762	14.0	376,824	15.1	399,396	14.4
Others ⁽¹⁾	101,399	4.3	93,455	3.7	101,515	3.7
Total	<u>2,339,158</u>	<u>100.0</u>	<u>2,503,135</u>	<u>100.0</u>	<u>2,780,553</u>	<u>100.0</u>

Business Model of our E&M Engineering Segment

Our customers, who are mostly main contractors of construction projects, generally contract the E&M works to us on project basis. As an E&M engineering service subcontractor, we receive progress payments from our customers based on the site work done, pursuant to the tender

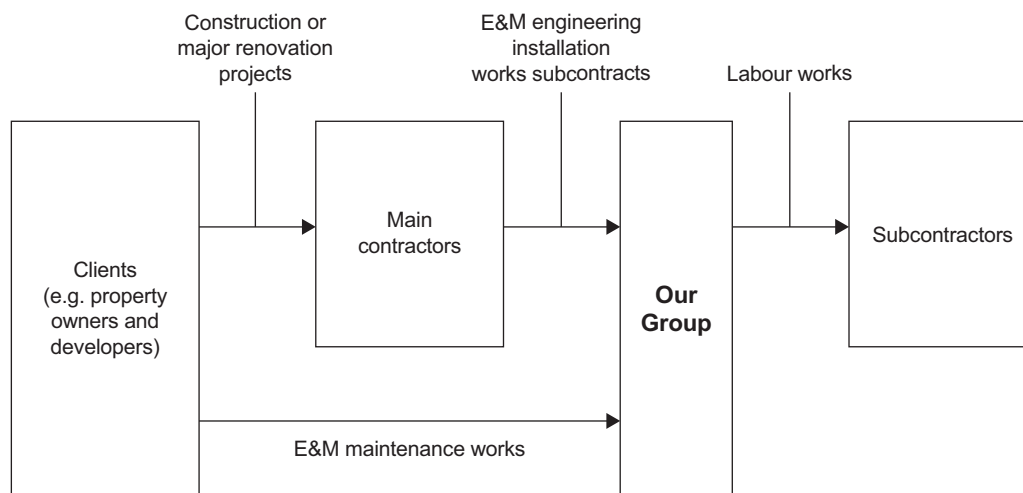
Note:

(1) "Others" comprise mainly revenue from our trading and retail sales of building materials.

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documents and contracts for the relevant projects. We are generally responsible for procuring and purchasing the equipment, materials and parts we use, and we subcontract labour works to subcontractors.

The diagram below illustrates the business model of the principal operations of our E&M Engineering Segment.



Principal Services of our E&M Engineering Segment Installation Division

Our E&M engineering installation services principally include supply and installation of electrical, air-conditioning and ventilation, fire services, and plumbing and drainage systems. These engineering services may be provided on a single service basis under which we are responsible for providing one specified type of E&M service in a project, while other types of engineering services are handled by other subcontractors, or on a multi-service or integrated service basis where we are engaged to provide more than one type of services under a contract.

Electrical system installation services

This type of services usually covers the supply and installation of power supply and distribution system, lighting system, and earthing and lightning system in a building or site in accordance with our customers' specifications and relevant safety standards. General electrical works include the installation of armoured cables, electrical wiring and trunking, supply and installation of switchboards, power outlets, lighting system, and related electrical equipment and accessories.

Since 1985, Majestic Engineering, our wholly-owned subsidiary, has been included in Group III (i.e. contracts of unlimited value) of the Hong Kong Government's list of approved specialist contractors for electrical installations.

Air-conditioning and ventilation system installation services

This covers the supply, installation and maintenance of air-conditioning, heating, mechanical ventilation and exhaust air systems within a building and includes the provision of all pipework, ductwork, air-conditioning units, ventilation fans and associated accessories.

According to our customers' requirements, we are capable of designing and installing systems which aims to reduce energy consumption by means of comprehensive selection and control of various quality components and equipment used in the air-conditioning system for minimising energy loss.

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Since 1976, Young's Engineering, our wholly-owned subsidiary, has been included in Group II (i.e. contracts of unlimited value) of the Hong Kong Government's list of approved specialist contractors of air-conditioning installation.

Fire service system installation services

This covers the supply, installation and maintenance of fire prevention, fire detection and fire suppression and extinguishing systems which include fire services control panel, fire detector and alarm system, sprinkler, fire hydrant and hose reel, smoke control, portable hand operated appliances and gas extinguishing systems, emergency lighting. In providing fire services in Hong Kong, we have to ensure that the fire prevention and fighting systems to be used meet the safety standards stipulated by the Fire Services Department.

Far East Engineering and Majestic Engineering, both our wholly-owned subsidiaries, have since 2007 and 2015, respectively, been included in Group II of the Hong Kong Government approved specialist contractors for fire services installations of unlimited contract value.

Plumbing and drainage system installation services

This covers the supply and installation of potable and flush water systems including pipes, pumps and tanks.

Majestic Engineering has been included in Group II (on probation) of the Hong Kong Government's approved specialist contractors for plumbing installations since the commencement of such approved list in 2014.

Other E&M engineering services

We also provide other related engineering services including installation of ELV systems, building management systems, energy centres and central battery systems, and project management services for large-scale E&M projects, principally in the PRC.

Integrated services contracts

Our E&M engineering services may also be provided on an integrated services basis. When we are engaged in an integrated services contract, we are responsible for providing a comprehensive range of services and have substantially more scope for undertaking project coordination and design management to meet the client's requirements. Under such contracts, we are generally responsible for coordinating and liaising with various subcontractors, advising the client on the progress of the project, and ensuring that any variation orders are carried out properly and the project is completed on schedule. We believe that our provision of multi-disciplinary integrated services generally results in less duplication of works and fewer disputes among different subcontractors for different services, and therefore result in cost-saving and more efficient and effective project coordination management by the clients or main contractors. Given our comprehensive knowledge, expertise and experience in E&M engineering services and the range of the relevant licences we hold, we are able to engage in integrated and design and build contracts and we consider this is one of our major competitive strengths.

E&M Engineering Maintenance Services

Our maintenance services mainly cover air-conditioning and ventilation, electrical, fire service, plumbing and drainage systems. We are also experienced in providing full operation and maintenance services for central air conditioning plants. We have been engaged in renovation projects for replacement of chiller units, upgrade of electrical supply system, modification and enhancement of

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fire services and plumbing and drainage system, hotel guest room E&M system renovation. For the years ended 30 June 2013, 2014 and 2015, the provision of E&M engineering maintenance services accounted for 14.0%, 15.1% and 14.4% of the revenue of our E&M Engineering Segment.

We provide E&M engineering maintenance services to our customers in Hong Kong, including large-scale shopping arcades, internationally renowned hotel groups, universities, government departments responsible for public construction and engineering works, public utility companies and mass transit companies, and major property developers and to customers in Macau and the PRC, including casinos, hotels, fast food chains, and banks in Macau, offices and apartments in Beijing, and shopping arcades and commercial buildings in Shenyang.

E&M ENGINEERING PROJECTS

The engineering projects undertaken by us comprise mainly one-off projects (which are works relating to new building development and one-off renovation of existing buildings which we have to complete as set out in the contracts which contain the details of our scope of work) and retainer projects (which relates to existing building renovation for which engineering works are performed in accordance with work orders by the customer issued over a fixed contract period). Our projects encompass construction, development or renovation of a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centers, banks, hotels, residential properties, universities, hospitals, and public transportation systems. For certain large-scale E&M projects, we may form joint ventures with other companies to tender for and undertake the relevant works on a project-by-project basis. Please see note “1.2 Reorganisation” in Appendix I to the prospectus for further information about the principal joint ventures to which we have been or are a party.

During the Track Record Period, duration of our one-off projects generally ranged from two to four years, depending on the size of the contract and the complexity of the works undertaken, and the duration of our retainer contract generally ranged from one to three years. We divide our projects into two categories based on the stage that the project is in, namely (i) completed projects — referring to projects for which the relevant practical completion certificates have been issued; and (ii) projects on hand, which include projects in progress — referring to projects for which we have commenced work but have not been completed and projects which have been secured but yet to commence.

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Completed projects

During the Track Record Period and up to the Latest Practicable Date, we have undertaken more than 10,000 E&M engineering projects in Hong Kong, Macau and the PRC, 14 of which were Major Projects and the rest were projects with contract sum equal to or below HK\$100 million. The following table sets forth information about the 14 Major Projects that were practically completed during the Track Record Period and up to the Latest Practicable Date:

Particulars and location	Types of works (electrical, fire, plumbing and drainage, HVAC and/or others)	Project period (year/month)	Awarded contract sum ⁽³⁾ (HK\$'000)	Revenue recognised for the year ended 30 June			Total revenue recognised during the Track Record Period (HK\$'000)
				2013 (HK\$'000)	2014 (HK\$'000)	2015 (HK\$'000)	
Hong Kong							
A design-build-operate project for a district cooling system in Kai Tak, Kowloon ⁽¹⁾	Electrical, fire services, plumbing and drainage, MVAC, sea water pumps and sea water cooled chiller installation	2011/03–2014/09	459,941	143,094	106,391	73,217	322,702
A new hotel in San Po Kong, Kowloon ⁽²⁾	Electrical, fire services, plumbing and drainage and MVAC installation	2011/06–2013/06	205,000	105,860	44,545	—	150,405
A residential development in Lung Tin Tsuen, Yuen Long, the New Territories ⁽²⁾	Plumbing and drainage installation	2012/10–2015/03	113,230	24,871	85,187	13,367	123,425
A residential development in Tai Tao Tsuen, Yuen Long, the New Territories ⁽²⁾	Electrical, plumbing and drainage and MVAC installation	2012/04–2014/04	118,779	21,144	82,809	8,855	112,808
A construction of a public housing development in Hung Shui Kiu, the New Territories ⁽¹⁾	Electrical and fire services installation	2012/12–2015/05	100,030	—	19,574	69,570	89,144
A residential development at Che Kung Temple Station, the New Territories ⁽²⁾	Electrical, fire services, plumbing and drainage installation	2009/12–2013/04	199,530	41,930	13,007	454	55,391
An apron expansion at Hong Kong International Airport, Chek Lap Kok, Lantau	Electrical and MVAC installation	2012/08–2015/07	177,390	—	109,036	26,899	135,935
A commercial office development at Kwun Tong, Kowloon ⁽²⁾	Electrical installation	2013/09–2015/07	136,094	—	14,313	103,705	118,018
Macau							
A well-known hotel in Macau	Electrical and HVAC installation	2011/12–2013/01	311,912	241,405	2,489	—	243,894
A five star hotel and entertainment complex in Cotai, Macau	Electrical installation	2013/03–2015/08	629,000	—	197,515	411,179	608,694

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Particulars and location	Types of works (electrical, fire, plumbing and drainage, HVAC and/or others)	Project period (year/month)	Awarded contract sum ⁽³⁾ (HK\$'000)	Revenue recognised for the year ended 30 June			Total revenue recognised during the Track Record Period (HK\$'000)
				2013 (HK\$'000)	2014 (HK\$'000)	2015 (HK\$'000)	
PRC							
A mixed-used commercial building in Shanghai Jing An district, PRC	Electrical, fire services, plumbing and drainage and HVAC installation	2010/04–2013/05	611,817	102,119	25,217	12,865	140,201
A hotel development in Tianjin, PRC	Electrical, fire services and HVAC installation	2011/06–2014/07	195,294	57,879	86,988	16,232	161,099
An office building at Shanghai Jing An district, PRC ⁽⁴⁾	Electrical, fire services, plumbing and drainage and HVAC installation	2010/12–2012/12	234,444	39,656	(3,736)	7,474	43,394
A five star hotel in Nanjing, the PRC	E&M installation	2012/08–2013/11	323,555	—	191,729	63,804	255,533

Notes:

- (1) Public work projects
- (2) Projects for which our customer is a member of the NWS Group, a connected person of our Company
- (3) The awarded contract sum represents the contract sum stated in the original tender documents or contract, subject to adjustments due to variation orders and prolongation of the project period
- (4) The negative revenue recognised for the year ended 30 June 2014 is attributed to an adjustment on estimated income for variation works in view of slower than expected variation orders which were recognised for the year ended 30 June 2013 in accordance with the percentage of completion method.

Projects on hand

As at the Latest Practicable Date, we had 24 Major Projects on hand, a summary of which, based on information available as at the Latest Practicable Date, is set out below.

Particulars and location	Types of works (electrical, fire, plumbing and drainage, HVAC and/or others)	Estimated project period ⁽¹⁾ (year/month)	Awarded contract sum ⁽²⁾ (HK\$'000)	Revenue recognised for the year ended 30 June			Total revenue recognised during the Track Record Period (HK\$'000)	Outstanding contract sum as at the Latest Practicable Date ⁽³⁾ (HK\$'000)	Estimated revenue expected to be recognised for the year ending 30 June			Estimated revenue expected to be recognised after 30 June 2018 (HK\$'000)
				2013 (HK\$'000)	2014 (HK\$'000)	2015 (HK\$'000)			2016 (HK\$'000)	2017 (HK\$'000)	2018 (HK\$'000)	
Hong Kong												
A hotel, service apartments, office and shopping arcade complex at Tsim Sha Tsui, Kowloon ⁽⁵⁾	MVAC, central chiller plant, electrical, fire services and transformer installation	2013/12–2017/09	1,141,700	—	—	23,457	23,457	944,760	150,145	570,689	308,128	—
A private hospital in Wong Chuk Hang, Hong Kong ⁽⁵⁾	MVAC, fire services, plumbing and drainage and electrical installation	2014/11–2016/11	665,632	—	—	—	—	665,632	166,408	499,224	—	—
A residential development at West Rail Tsuen Wan West Station, the New Territories	Fire services, plumbing and drainage installation	2015/05–2017/10	290,540	—	—	—	—	290,815	—	177,315	108,833	—
A catering facility of an airline company in Chek Lap Kok, Lantau ⁽⁵⁾	MVAC, fire services and electrical installation	2014/11–2016/08	224,910	—	—	—	—	173,444	179,928	44,982	—	—
University complex and dormitory at Fortress Hill, Hong Kong ⁽⁵⁾	Design and build E&M installation	2014/02–2016/03	181,000	—	—	—	—	131,749	71,191	106,786	—	—
A residential development in Tuen Mun, the New Territories	Electrical installation	2014/12–2016/12	199,336	—	—	—	—	194,936	29,241	165,695	—	—

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Particulars and location	Types of works (electrical, fire, plumbing and drainage, HVAC and/or others)	Estimated project period ⁽¹⁾ (year/month)	Awarded contract sum ⁽²⁾ (HK\$'000)	Revenue recognised for the year ended 30 June			Total revenue recognised during the Track Record Period (HK\$'000)	Outstanding contract sum as at the Latest Practicable Date ⁽³⁾ (HK\$'000)	Estimated revenue expected to be recognised for the year ending 30 June			Estimated revenue expected to be recognised after 30 June 2018 (HK\$'000)
				2013	2014	2015			2016	2017	2018	
				(HK\$'000)	(HK\$'000)	(HK\$'000)			(HK\$'000)	(HK\$'000)	(HK\$'000)	
A hotel development in Hung Hom, Kowloon ⁽⁵⁾	Electrical installation	2014/11–2016/08	167,900	—	—	—	—	147,288	100,740	67,160	—	—
A residential development in Clear Water Bay, Sai Kung, the New Territories ⁽⁵⁾	Electrical and ELV installation	2013/12–2016/10	186,800	—	—	38,634	38,634	112,390	55,956	93,260	—	—
A public housing development in Sham Shui Po, Kowloon ⁽⁴⁾	Electrical installation	2015/06–2018/02	146,460	—	—	—	—	132,633	—	92,843	39,790	—
A public rental housing development in Sha Tin, the New Territories ⁽⁴⁾	Electrical installation	2013/04–2015/10	160,130	—	—	29,068	29,068	92,341	79,551	28,927	—	—
A public housing development at Sau Mau Ping, Kowloon ⁽⁴⁾	Electrical installation	2012/12–2015/11	154,490	—	—	57,649	57,649	62,953	50,885	42,404	—	—
A police station in Yau Ma Tei, Kowloon ⁽⁴⁾⁽⁵⁾	Design and construction for MVAC, fire services and plumbing and drainage installation	2013/06–2015/08	111,347	—	—	54,118	54,118	35,783	66,332	11,055	—	—
An office development at Hung Hom, Kowloon ⁽⁵⁾	MVAC installation	2014/03–2015/10	142,800	—	—	101,363	101,363	13,729	78,878	—	—	—
A logistic centre building at Tsing Yi, the New Territories ⁽⁵⁾	MVAC, fire services, plumbing and drainage installation	2013/04–2014/10	267,837	—	196,612	42,708	239,320	20,436	4,000	—	—	—
A residential development in Ma On Shan, Sai Kung, the New Territories	Plumbing and drainage installation	2012/03–2015/04	129,000	20,571	62,335	31,729	114,635	15,741	6,696	—	—	—
A residential development at Austin Station, Kowloon ⁽⁵⁾	Electrical Installation	2012/08–2014/07	115,669	—	41,740	55,030	96,770	10,730	17,251	—	—	—
A residential development at Austin Station, Kowloon ⁽⁵⁾	Electrical, plumbing and drainage installation	2012/06–2014/06	177,329	—	131,822	43,668	175,490	4,102	9,268	—	—	—
A residential development at So Kwun Wat, the New Territories	Electrical installation	2015/08–2017/03	126,428	—	—	—	—	121,828	30,457	67,005	24,366	—
A Residential & commercial development at Tseung Kwan O, the New Territories ⁽⁵⁾	Plumbing and drainage installation	2015/06–2017/02	108,400	—	—	—	—	108,400	78,000	20,000	10,400	—
Macau												
A five-star hotel and resort development in Cotai, Macau	HVAC, central chiller plant and site-wide BMS, and site-wide dry fire installation	2013/11–2010/01	653,231	—	—	356,762	356,762	299,058	282,982	69,369	—	—
A well-known hotel in Cotai, Macau	HVAC installation	2014/01–2015/09	293,478	—	—	85,176	85,176	134,871	135,992	67,996	—	—
PRC												
An office building development in Wuhan, the PRC ⁽⁶⁾	E&M installation	2014/11–2016/06	205,567	—	—	—	—	182,025	130,420	55,894	—	—
A five-star hotel at Tangshan, the PRC	HVAC, plumbing and drainage installation	2012/10–2015/06	172,335	—	57,858	91,580	149,438	34,835	18,604	—	—	—
A hotel development in Wuhan, the PRC ⁽⁶⁾	E&M installation	2015/08–2016/11	149,132	—	—	—	—	136,975	—	44,740	104,392	—

Notes:

- (1) The estimated project period is the period stated in the relevant contract, which is subject to variation.
- (2) The awarded contract sum represents the contract sum stated in the original tender documents or contract and is subject to adjustments due to variation orders and prolongation of the project period.
- (3) Outstanding contract sum as at the Latest Practicable Date is calculated by the awarded contract sum (with adjustment for variation orders) minus the revenue recognised as at the Latest Practicable Date.
- (4) Public work projects
- (5) Projects in which our customer is a member of the NWS Group, a connected person of our Company
- (6) Projects in which our customer is a member of the NWCL Group, a connected person of our Company

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Tenders and quotations submitted

From 1 July 2015 to the Latest Practicable Date, we have submitted approximately 221 tenders and quotations (with tender sum over HK\$1 million) for E&M engineering installation and maintenance contracts, and the results will generally be made known to us within approximately six months after our submission.

Tender success rate

The table below shows the approximate number and contract value of tenders for installation works (each with contract value over HK\$1 million) submitted by and contracts awarded to our Group (including projects in which we are a party to the joint venture) in respect of (i) customers which are connected persons of our Company (“connected customers”); (ii) customers which are not connected persons of our Company (“third-party customers”); and (iii) all customers for the periods indicated.

	For the year ended 30 June					
	2013		2014		2015	
	Contract value	Number	Contract value	Number	Contract value	Number
	<i>HK\$ (million)</i>		<i>HK\$ (million)</i>		<i>HK\$ (million)</i>	
Tenders submitted						
Connected customers	8,173	93	5,898	44	7,748	81
Third-party customers	13,484	137	14,122	133	8,420	104
Total	21,657	230	20,020	177	16,168	185
Contracts awarded						
Connected customers	693	23	1,386	26	2,097	19
Third-party customers	1,910	21	992	10	833	15
Total	2,603	44	2,378	36	2,930	34
Success rate^{(1),(2)}						
Connected customers	8.5%	24.7%	23.5%	59.1%	27.1%	23.5%
Third-party customers	14.2%	15.3%	7.0%	7.5%	9.9%	14.4%
Total	12.0%	19.1%	11.9%	20.3%	18.1%	18.4%

Notes:

- (1) The tender success rate in respect of (i) connected customers; (ii) third-party customers; and (iii) all customers, is an approximate percentage calculated for illustration purpose by dividing the relevant number or value of tenders awarded by the relevant number or value of the contracts submitted during the relevant year, as the contract for a tender submitted in a year may be awarded in the following year, and in some cases there may be substantial difference between the contract awarded and the tenders originally submitted.
- (2) The tender success rates for installation works from connected customers and all third-party customers respectively during the Track Record Period do not exhibit a significant discrepancy, save for the relatively higher tender success rate of 59.1% for installation works from connected customers in terms of the number of contracts tendered and awarded in the year ended 30 June 2014. As explained in note (1), the respective tender success rate is an approximate percentage calculated for illustration purpose. When translating such contracts into its value amount, the tender success rate of the respective year was approximately 23.5% which was not exceptional.

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The table below shows the number and contract value of tenders for maintenance works submitted by and contracts awarded to our Group (including projects which we are a party to the joint venture) in respect of (i) connected customers; (ii) third-party customers; and (iii) all customers for the periods indicated.

	For the year ended 30 June					
	2013		2014		2015	
	Contract value	Number	Contract value	Number	Contract value	Number
	<i>HK\$ (million)</i>		<i>HK\$ (million)</i>		<i>HK\$ (million)</i>	
Tenders submitted						
Connected customers	452	2,676	555	2,938	590	2,765
Third-party customers	2,224	6,057	1,527	6,355	1,939	8,089
Total	<u>2,676</u>	<u>8,733</u>	<u>2,082</u>	<u>9,293</u>	<u>2,529</u>	<u>10,854</u>
Contracts awarded						
Connected customers	111	1,273	149	1,403	172	1,255
Third-party customers	231	2,641	407	2,374	321	2,584
Total	<u>342</u>	<u>3,914</u>	<u>556</u>	<u>3,777</u>	<u>493</u>	<u>3,839</u>
Success rate^{(1),(2)}						
Connected customers	24.6%	47.6%	26.8%	47.8%	29.1%	45.4%
Third-party customers	10.4%	43.6%	26.6%	37.4%	16.6%	32.0%
Total	<u>12.8%</u>	<u>44.8%</u>	<u>26.7%</u>	<u>40.6%</u>	<u>19.5%</u>	<u>35.4%</u>

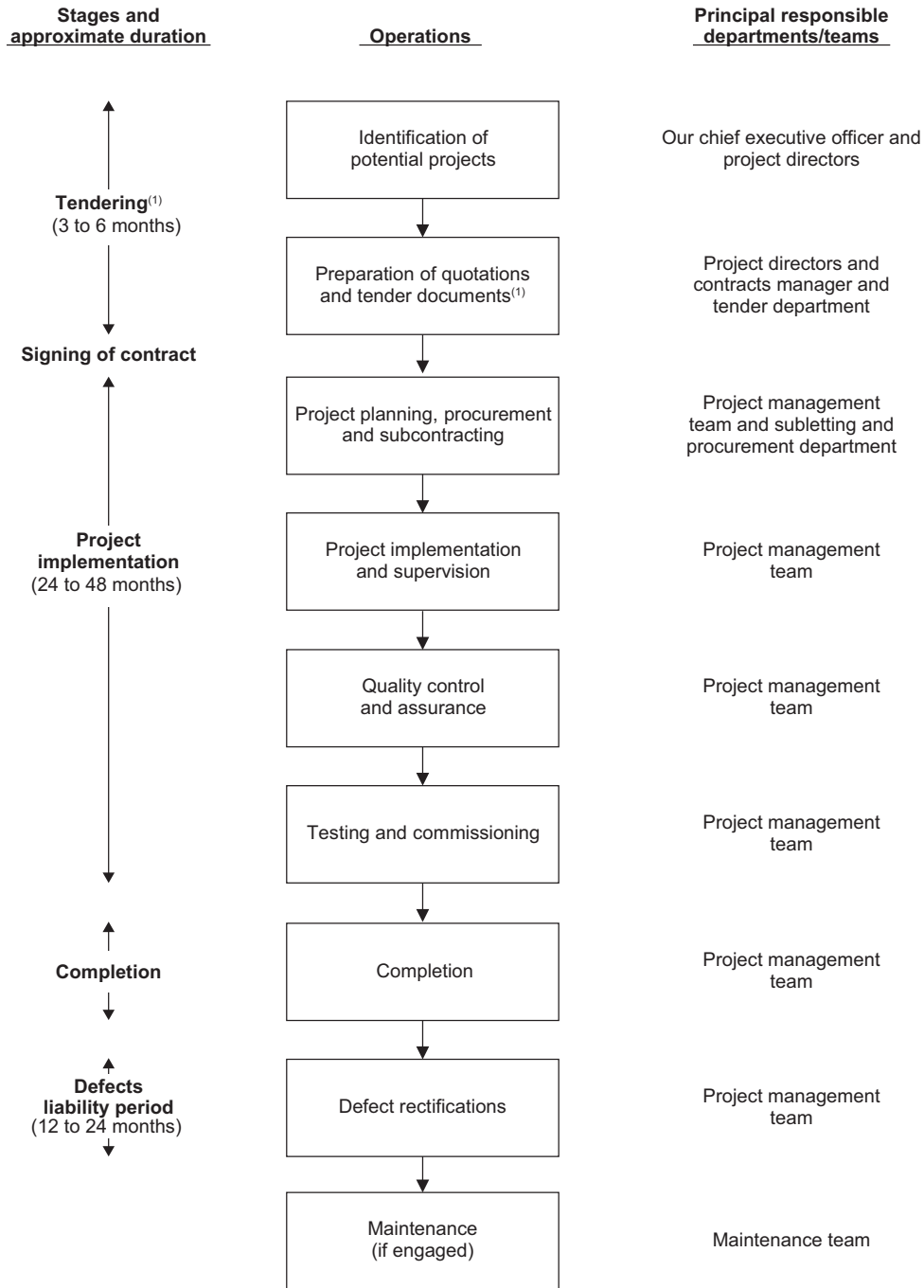
Notes:

- (1) The tender success rate in respect of (i) connected customers; (ii) third-party customers; and (iii) all customers, is an approximate percentage calculated for illustration purpose by dividing the relevant number or value of tenders awarded by the relevant number or value of the contracts submitted during the relevant year, as the contract for a tender submitted in a year may be awarded in the following year, and in some cases there may be substantial difference between the contract awarded and the tenders originally submitted.
- (2) The tender success rates for maintenance works from connected customers and all third-party customers respectively during the Track Record Period do not exhibit a significant discrepancy.

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Our E&M Engineering Operations

Our E&M engineering operations principally involve the processes set out in the diagram below.



Note:

(1) We may also undertake some projects for which the employer does not require tendering.

Identification of potential projects

Our E&M projects are generally initiated by invitation for tender from our customers, which are sent to a number of prequalified E&M engineering contractors on their list of approved contractors. Other than the tender invitations sent to us from private sector customers, projects are generally identified by the senior management of FSEE by keeping track of the published tender notices of our potential customers and reviewing the websites of the Hong Kong Government on which tender invitations are published. For substantial projects implemented by established organisations, such as public utilities companies and transportation companies, invitations to prequalification and tender are often given to well-established contractors and specialist contractors which are usually licensed by the government and have relevant job experience. We may also undertake some projects for which the employer does not require tendering.

Contracts in the public sector in Hong Kong are normally awarded through open and competitive tendering procedures. 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 invitations, which are sent by letter to some qualified contractors/suppliers on the relevant Contractor List or Specialist List as maintained by the WBDB for the purpose of selective tendering.

Preparation of quotations and tender documents

For each potential project, the tender information is submitted to our tender department for review. The preparation of tenders is a very important aspect of our E&M engineering operations and requires considerable experience in pricing the tender so that it is competitive while remaining profitable. The tender preparation process includes a thorough analysis of the project to be undertaken including contract requirements and possible risks, followed by the collection of cost data. Such data include quotations from suppliers for materials to be used in the project, estimates on management resources, and material and labour costs.

In pricing a tender, we also make references to recent job quotations, such as tender record, major material and equipment costs and subcontractor's labour costs, quotations, resources availability of our projects completed or in progress which are stored in our data system. In addition, related market information, such as material price trend and potential contract opportunities are also retrieved for reference. Before submission, each tender has to be reviewed by contract managers and approved by the project director in accordance with our pricing policy and limits of authority.

After our quotations and tender submission, our customers would decide whether to engage us as the E&M subcontractor based on the quotations we submitted. During the Track Record Period and up to the Latest Practicable Date, we have undertaken certain Major Projects in which the customer is a connected person of our Company ("**connected customer**"), as shown in the tables in the sub-section "E&M Engineering Projects" above, including in particular a main contractor in the NWS Group, which is a major main contractor in Hong Kong with an established market presence. Our Directors confirm that the quotations we submitted to our connected customer are fair and reasonable, and are on terms which are comparable to those we submit to customers which are Independent Third Parties. We believe, to the best of our Directors' knowledge, that our quotations are considered by our connected customers independently based on the terms in our quotations. Please see the sub-section "Other Information about our Business — Our Top Five Customers" below for further information.

Project planning, procurement and subcontracting

Once an E&M engineering contract has been awarded to us, a project management team will be formed, usually comprising a project director, a contract manager, a project manager and a team of engineering, quantity surveyor and safety staff, to hold objective meetings to identify and assess material project risks and cost control risks and to prepare a budget and work execution plan setting out the detailed forecast expenditures, delivery schedules and work schedules. The general responsibilities of our project management team mainly include (i) formulating detailed work programs; (ii) fine-tuning and finalising overall system designs based on the preliminary design drawings and project specifications received from our customers; (iii) procurement of materials; (iv) engaging and delegation of works to subcontractors; (v) coordinating with our customers, subcontractors and suppliers to complete the projects according to the work schedules; (vi) managing our respective engineering resources and subcontractors to complete projects on time; and (vii) ensuring work quality.

The project management team is generally supervised by an experienced contract manager who is responsible for the general and routine supervision of the project and regularly report the progress of the project to related parties, such as main contractor, architect, consultant, other contractors and the client representative. Planning on the allocation of human resources and procurement of requisite raw materials and equipment is carried out simultaneously.

When we are awarded a contract, purchase orders for the major materials and equipment required are planned and placed after the completion of the necessary internal procurement process and the submission approval by the client representative. We are responsible for completing material planning at the commencement of a project with the objectives of ensuring the materials are delivered ahead of time and material expenditure and wastage are under control. Our material plan generally includes details of the material suppliers, total quantities required and the schedule programme for delivery. Besides having to meet the specification requirement, we usually select our suppliers from our internal list of approved suppliers. We estimate the amount of materials to be ordered and we specify the location, delivery time and quantity to our suppliers on a project-by-project basis. Generally, we request our suppliers to provide quotations of materials for our internal material procurement process so as to select the best offer to suit our project needs.

We generally subcontract labour works to selected subcontractors based on the availability of resources, labour-intensiveness of the work involved and cost effectiveness. We generally do not directly carry out the labour works for installation or fitting out works and subcontract the labour works to one or more subcontractors depending on the size and nature of the project. We believe that the use of subcontractors is common industry practice and can enhance our flexibility and efficiency. Please see the sub-section "Subcontracting for E&M Engineering Segment" below for further details.

Project implementation and supervision

Our project management team is responsible for the implementation of the installation works and supervision of the works of our subcontractors. Some of the installation works may only be conducted by personnel with the relevant license under the regulatory requirements, for details of which please see the section "Regulatory Overview". Regular meetings among the project team members and subcontractors are held to review the work-in-progress and to ensure effective control of a project and efficient information flow. Frequent meetings with related project parties, such as main contractor, architect, consultant, other trades contractors and the client representative are also held to keep them informed of the progress of the project, to identify any actual or potential problems and to take corrective action promptly in order to ensure that the client's requirements are satisfied.

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Our project team are responsible for overseeing the materials on-site and ensuring the engineering installation works performed by our subcontractors meet technical requirements and are tested properly.

Computerised management information system is used by us to facilitate effective management of a project, communication and coordination among various departments. Regular reports and meetings are available to facilitate us in resources scheduling, planning on materials procurement, cost control for each category of materials, subcontracting and other expenses, cash flow analysis and the overall project monitoring.

We established centralised technical support centres to assist in our projects. We have a support centre in Fanling, Hong Kong, which is mainly for material and equipment storage and off-site fabrication to enable more efficient installation on-site and quality control. For our PRC operation, we operate centralised and well-established local technical support centres in Beijing and Shanghai which are mainly responsible for technical drawing.

Quality control and assurance

In order to achieve a consistent standard in our performance, we have adopted a stringent control and assurance system for monitoring the quality of materials used and the project implementation process.

Our site engineers are responsible for quality assurance and ensuring that the requirements of our quality management system are complied with. At the commencement of a project, our contract manager will work closely with (i) the project team to prepare the project quality plan; (ii) our safety officer to assess the safety risks of the project; with the use of the integrated management system (“IMS”) to assess the environmental impacts of the project. During the course of the project, the schedule and requirements set out in the project IMS plan are discussed and reviewed regularly by engineers, project managers, contract managers and safety officer. We conduct inspection on all projects on a regular basis to ensure that the works performed by us comply with the requirements as set out in the relevant contract and all relevant regulations. Where any work fails to pass our inspection, the project manager will determine a disposition and rectification actions.

Our quality management system is established in accordance with the requirements of ISO 9001: 2008. To ensure that our works are completed to the required standards and satisfaction of our customers, we normally assign at least one experienced engineering staff to each project as the first line of monitoring of the quality of installation works. Our project managers are responsible for the overall monitoring of the work quality and project progress and ensuring that engineering works are completed according to schedule.

The major equipment, materials and parts used by us and our subcontractors (except some sundry items used by our subcontractors) are generally purchased by us from suppliers which are on the approved suppliers list of the customer or its consultant. We select such items based on the applicable regulatory requirements, industry standards or other requirements specified under the relevant contract, if any. The relevant information or samples of such items, including sundry items purchased by our subcontractors, generally have to be submitted and approved by the main contractor or its consultant as required under the contract. Where there is any applicable regulatory or contractual requirement for certification of the items, we will require the supplier to provide the relevant certificates issued by the relevant testing laboratory, authority or the approval issued by local government authority, which will be provided to the main contractors and/or its consultant for approval. Once the equipment, material or part is approved, and we will place the relevant purchase orders.

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The incoming equipment, materials or parts delivered to the site are inspected by the site engineer or another personnel appointed by the project manager as well as the consultant or personnel appointed by the customer. The site engineer is responsible for ensuring that the items meet the specified requirements in the contract, and if such items fail to pass the inspection, they will be returned to the suppliers.

We also see the sub-section “Subcontracting for E&M Engineering Segment” below for further information on our selection criteria for subcontractors and our monitoring procedures for the works of our subcontractors.

On-site inspections are conducted from time to time by our engineer and the customer’s consultant during the work period for quality assurance. We carry out construction audit on each of the project sites to ensure that the quality of works satisfies contract requirements and our standards. The construction audit system consists of three to four stages of site audit, depending on the size of the project. Stages one, three and four audits are conducted by the contract/project manager and/or senior engineer of another project team, while stage two audit is performed by the senior management or experienced senior staff assigned by the management. These construction audits aim to remind all project teams to maintain a high quality works standard, and allow our senior management to have an independent and second opinion on the work quality performed on the project site in addition to the reports made by the relevant project team. The contract manager of the audited project will be fully responsible to the senior management on the rectification of defects found, and quality scoring mark will also be ranked on the individual projects.

Testing and commissioning

Before completion of a project, the project manager will ensure that all specified inspections, testing and commissioning have been carried out and that the relevant data meets the specified requirements under the contract. We will also conduct relevant quality and safety tests during the testing and commissioning stage in accordance with our ISO 9001 manual before completion and handover to our customer. In the event that the test results do not meet the requirements specified in the contract or regulatory standards, rectification works and/or re-commissioning works will be carried out in order that the requirements are met. Inspections and testing by an independent party may sometimes be required under the relevant regulatory or contractual requirements. For public projects, acceptance inspection by the relevant authority may also be required.

Completion

Handover of the work will then be arranged with the client’s representatives and the practical completion certificate of the project will be issued by the relevant architect engaged by the client, which marks the completion of the relevant project. Practical completion means that the works to be completed under the contract have been substantially completed, and there is no major outstanding works. It also marks the beginning of the defects liability period.

Sales and Customers of our E&M Engineering Segment

Marketing

In the E&M engineering industry, referrals to tender for projects often come from word-of-mouth referral, based on reputation and established track record rather than advertising and promotion. For public sector projects, it is necessary for the contractor to be listed in the relevant list of contractors of the government departments, and tenders have to be issued in accordance with the requirements as stipulated. We do not incur material spending on advertising and promotion but instead focus on our execution of projects, and maintenance of relationships with our customers by our senior management.

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Customers of E&M engineering service

Customers for our E&M engineering service comprise mainly of major main contractors in Hong Kong, which are generally engaged in projects of major property developers, and departments of the Hong Kong Government responsible for housing and public works, and construction companies in Hong Kong, Macau and the PRC. Please see the sub-section “Other Information about our Business — Our Top Five Customers” below for further information.

Credit management

Our operation department, quantity surveyor department and finance department closely monitor the payments from our customers pursuant to the terms of the relevant contract. We take into account the length of business relationship, reputation, financial strength and repayment history of the customer to follow up on the payments and decide on the appropriate actions.

Key Terms of our E&M Engineering Contracts

The contracts for our E&M engineering services generally contain terms relating to the contract price, scope of work, payment terms, retention money, defect liability period, variation orders, performance bonds, insurance and termination.

Price

The contracts usually state an agreed contract sum on a fixed lump sum basis (which in certain public works is subject to fluctuation adjustment). The lump sum price is usually determined based on factors including project requirements and estimated costs of materials, labour and time required for the completion of the project.

Some government contracts contain cost-fluctuation clauses which provide for adjustments in labour and material costs to be made by reference to selected material and labour index. Contracts for private projects generally do not contain such cost fluctuation clause. In the case of tender on a fixed price basis with no provisions for cost adjustment, contingencies for cost fluctuation are usually built into the tender price.

Progress payments and certification

Our E&M engineering service contracts usually provide for progress payments to be made on a monthly basis by the customers. We make monthly progress claims to our customers in respect of the value of the works we have performed and materials delivered to project site in the preceding month, and we will proceed to issue the invoices or submit payment application for the customer's assessment. Upon submission of a payment application by us, the surveyor or architect appointed by the customer will inspect and certify the amount of work done and the value of materials on site. Generally, the authorised person employed by the customer will issue a payment certificate certifying the work done. It typically takes about 14 to 21 days for such certificates to be issued. The customer will then make payment with reference to such certificates, generally around 28 to 40 days after the issuance of the payment certificate.

Retention money

The contracts usually contain a term for the customers to require retention money be held up by them from the progress payments. The retention money is typically 10% of the value of works completed and materials delivered to site, and is typically limited to 5% of the total awarded contract sum. Half of the retention money is generally released to us upon practical completion of the project, and the remaining half upon expiry of the defects liability period (generally one year upon completion

of the project for Hong Kong and Macau projects and two years for PRC projects) subject to the customers' satisfaction of the rectification of defects pursuant to the contracts and issuance of the certificate of making good defects.

Defects liability period

Our contracts typically include a defects liability period, during which we are responsible for rectifying the works defects. The defects 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 PRC projects. If the materials used are defective, we will replace them during the defects liability period or request our suppliers or subcontractors to do so. Cost incurred by us to rectify defective works or products during the Track Record Period was immaterial.

Variation orders

Pursuant to a typical contract, we may be given variation orders where our customers amend the specifications and scope of works from that originally contracted. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. The value for the variation order will be agreed between our customer and us. The rights and obligations under the variation order will generally be same as that under the original contract.

Performance bonds

For certain of our contracts, we are required to provide stipulated value of performance bonds with a financial institution made in favour to our customer, which will remain in effect until the return of the performance bond or upon expiry of the bond, which is generally upon completion of the project. The customer may utilise the performance bond to make good any loss or damages sustained as a result of any breach of the contract with them due to us, including any liquidated damages. There was no claim by customer against our performance bonds during the Track Record Period.

Insurance

Generally, pursuant to the contract between our customers and us, the main contractors or employers are generally responsible for purchasing third-party liabilities insurance and contractor's all risks insurance for the relevant projects, which cover liabilities arising from accidents or acts of the main contractors and its subcontractors (including us and our subcontractors). In the case where we are nominated subcontractors of the main contractors or a direct contractor of the client, the employees' compensation insurance will usually be purchased by us.

Termination

Our contracts can typically be terminated, inter alia, if our performance is found to be unsatisfactory, if we become bankrupt or insolvent, or if for any reason the main contract for the project has been terminated. During the Track Record Period, there has been no contract which is material to our Group that has been terminated for such reasons.

Supply for our E&M Engineering Segment

The principal materials and equipment used by our E&M engineering business include cables, switchboards, generators, pumps, pipes, lighting devices, fire protection equipment, air handling units, fan coils, chillers and various mechanical equipment. During the Track Record Period, most of these materials and equipment are sourced from local suppliers or imported mainly from Europe, United Kingdom, Japan, Southeast Asia, Korea and the PRC.

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To ensure consistency in quality, purchase orders are only placed with suppliers which are on our list of approved material and equipment suppliers or that of our customer. We have an extensive network of suppliers on our supplier list which can provide competitive quotations promptly and deliver the materials and equipment on schedule. In selecting a supplier, we take into account a number of criteria, including: (i) its track record; and (ii) quality of materials (if applicable). As at the Latest Practicable Date, there were over 1,000 suppliers on our list of approved suppliers. We have built up business relationships with some of our major suppliers for more than ten years. We do not anticipate any difficulty in sourcing the required materials and equipment in the future. During the Track Record Period, we have not experienced any significant shortage nor delay in delivery of materials by our suppliers causing material disruption to our works.

We usually enter into supply contracts with our material suppliers on a project basis, based on the requirements of each project and the contract period for the relevant project. For supply contract for electrical services and air-conditioning, heating and ventilation services with a contract sum over HK\$1.0 million and supply contract for fire services and plumbing and drainage services with a contract sum over HK\$0.5 million, we generally select the supplier with a tender process for which price quotations from at least three potential suppliers will be sourced and we consider the price quotations and quality and performance records of the potential suppliers. The selection process will be carried out under the supervision of a procurement and subletting committee, and for certain large projects, the final selection will have to be approved by the committee.

In general, we order materials approximately four to six months in advance based on the project's progress. Materials purchased by us are normally settled by cheque. Our suppliers normally grant credit period of 45 to 60 days from the invoice date of the relevant purchases to us.

For the years ended 30 June 2013, 2014 and 2015, purchases from the five largest suppliers for our E&M Engineering Segment were HK\$99.6 million, HK\$203.1 million and HK\$289.2 million, and accounted for 19.9%, 26.3% and 31.8%, respectively, of the total purchases of the E&M Engineering Segment.

Subcontracting for E&M Engineering Segment

For complementing different needs of our projects and flexibility in our resources deployment, we procure certain services from third-party service providers for some of our works, such as some design works for design and build projects, installation works for ELV systems and certain works which require special equipment, or works for which we consider more cost-effective to deploy third-party service providers. Our subcontractors may procure and purchase sundry items that they use, which generally have to comply with our customer's or our specifications and requirements for such materials.

Also, as our E&M Engineering Segment generally does not employ labour to carry out the installation and fitting out works directly, we engage subcontractors for such manual labour works. Our Directors believe that this is in accordance with the industry practice.

For the years ended 30 June 2013, 2014 and 2015, the subcontracting payments to the five largest subcontractors made by our E&M engineering business amounted to HK\$122.5 million, HK\$155.7 million and HK\$262.4 million, respectively, representing 10.5%, 14.3% and 23.4% of the total subcontracting cost in the respective periods.

Our subcontractors

During the Track Record Period, our E&M Engineering Segment has maintained business relationship with over 350 subcontractors who have undertaken engineering works with us as subcontractors and are approved by us in accordance with ISO 9001 requirements relating to the selection of subcontractors. The majority of our top five subcontractors during the Track Record Period have been working with us as subcontractors for over ten years. When we select a subcontractor, we generally consider a number of criteria, including (i) its financial condition; (ii) its experience, performance, safety and conviction record; and (iii) quality of workmanship. Selection of subcontracts for contracts with value over HK\$1 million are generally made through tendering process. For Hong Kong Government projects, only subcontractors which are registered under the Sub-contractor Registration Scheme maintained by the Construction Industry Council can be engaged. Please see the section “Regulatory Overview” for further information.

To avoid over-reliance on a few subcontractors, we typically maintain a list of subcontractors and with multiple subcontractors for each particular expertise. During the Track Record Period, there has been no material non-performance by our subcontractors.

Principal terms of subcontracting agreements

The subcontracts between us and our subcontractors typically contain the following principal terms.

- The payment term typically sets out monthly progress claim to be certified and paid by us within 30 to 45 days from the subcontractor’s payment application, with a retention of 5% to 10% of the subcontract sum.

We normally pay our subcontractors on a monthly basis with reference to the value of the works done. Each of our subcontractors is required to submit a payment application to us by the end of each month. Once we have verified the subcontractor’s application against the actual works done as certified by our customer, we will release the relevant proportion of the subcontracting amounts after holding up retention money, if any. Payments are generally made within 30 to 45 days after the subcontractor’s application. The amount of retention money we withhold from our subcontractors is generally 10%, and is typically limited at 5% of the awarded subcontract sum.

- Subcontractors are prohibited from hiring illegal immigrant.
- The construction period in the subcontract is usually determined in accordance with the project schedule set by the main contractor.
- The subcontractor is restricted from further assignment or subcontracting of works without our prior permission.
- We may terminate the subcontracting agreement usually if (i) the subcontractor abandons or suspends carrying out of the works without reasonable cause; or (ii) the subcontractor repeatedly fails to comply with the subcontract terms and relevant laws, rules and regulations.
- Our subcontracting agreements typically provide for a retention sum of 10% with each progress payment, up to a maximum of 5% to 10% of the contract value. Typically, 50% of this retention sum shall be released upon the receipt of the practical completion certificate, and the balance amount shall be released upon the receipt of the certificate of making good defects, which is usually issued after the end of the defects liability period. Our

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subcontracting agreements generally include a defect liability period of 12 months for Hong Kong and Macau projects and 24 months for PRC projects, based on the period in our contract with our customer, during which the subcontractors are responsible to rectify works defects.

- We require our subcontractors to submit evidences of timely payment of wages to their employees before we make progress payments to such subcontractors.
- The subcontractor has to undertake to indemnify us against any loss, expense or claim arising from the negligence, misconduct, or failure to comply with subcontracting agreement by the subcontractor and/or its employees; and if workers employed by subcontractors fail to follow reasonable instruction as to safety at work, they may be prevented from re-entry the site by discharging his working permit.
- In general, we are liable to our customers for the performance of our subcontractors including but not limited to defects, delay in the project schedule and violation of rules or regulations. We request our subcontractors to ensure that all works performed must satisfy the requirements as imposed by our customers. Further, the material terms of the subcontracting agreements entered into between us and the subcontractors reflect the terms of the main contracts entered into between us and our customers, and such subcontracting agreements also explicitly state that the subcontractors are required to observe all the requirements and provisions of the relevant main contracts entered into between us and our customers or have provisions to a similar effect.

The subcontracting fees are determined by comparison of fees obtained from various subcontractors through competitive tendering, with reference to estimate of market rate for comparable projects, taking into account their scope, size, complexity and contract value. If our customer defaults in making payment, we remain liable to settle the subcontractors fees if the subcontracting works had already been performed. During the Track Record Period, there has been no default in making payment by our customer to us in relation to the works performed by our subcontractors. Payments to our subcontractors are assessed by our project team based on the site work done.

For those subcontractors who are required to source and supply for materials as part of their subcontract services, we generally provide specifications for these materials. Should the subcontractors request us to procure these materials on their behalf, the relevant costs of the materials and equipment will be reimbursed by our subcontractors to us and be deducted accordingly from the subcontracting fees in accordance with the subcontracting agreements.

Our subcontractors are neither our employees nor agents and we are not a party to the employment arrangement between our subcontractors and their employees. As the subcontractors are responsible for providing the required workers, relevant labour costs are borne by our subcontractors.

Monitoring the works of 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 injuries claims made by the employees of our subcontractors arising from work injuries as may happen from time to time. Therefore, we carry out regular assessment of our subcontractors during the course of a project to ensure quality and safety of their works. Our engineering staff will make regular site visits to ensure general compliance by our subcontractors in all respects particularly regarding safety requirements.

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The performance of subcontractors is closely monitored by our project managers who regularly report to contract managers on the subcontractors' performance. In order to monitor our subcontractors, we generally:

- request that our subcontractors ensure that their workmen follow strictly to the main contractor's workplace safety enforcement on site, and have to use workers who possess relevant licenses;
- require that safety equipment such as safety helmets, safety boots and safety belts shall be provided by the subcontractor, and workers must be equipped with suitable personal protective equipment prior to permit to work at site;
- closely coordinate and monitor the works of our subcontractor by our on-site project team;
- hold meetings or communicate from time to time between our project-in-charge and the subcontractors to ensure their understanding of our requirements and concerns;
- review the report of the construction site audit conducted by another project team of our Group;
- review performance and works of the subcontractor every six months; and
- inspect and test the subcontractors' works.

Contractual liability of our Group for actual or alleged defects caused by our subcontractors

Despite the fact that, the contractual responsibilities and liabilities of the main contractors and the subcontractors depend on the contractual terms, where claims arise out of any defects caused by our Group or our subcontractors, we are generally liable to our customers.

If defects are found to be caused by our Group, we will be responsible for rectifying the defects pursuant to the contract with our customers. If such defects are caused by our subcontractors, we will require them to make rectifications and compensate our Group for any liability and bear the costs and expenses incurred based on the corresponding provisions in the subcontracts.

Quality control on the materials and equipment used in our projects

We maintain a register of approved suppliers of our Group (the "Approved Suppliers List"), and assessments and evaluation will be performed by our Group to consider whether a supplier is eligible for inclusion in our Approved Suppliers List. When assessing the suitability of our suppliers, we take into account factors such as their industry qualification, ISO certification, job and project reference, business scale, financial stability and compliant history.

For projects in which we engage subcontractors and to limit the exposure to liability, we are responsible for purchasing all major equipment and materials to be used by our subcontractors and our subcontractors are sometimes responsible for purchasing sundry items such as angle irons, screws and nails for our projects.

All equipment and materials (including sundry items such as soldering and silver brazing materials) purchased by us and our subcontractors are required to be selected according to the specifications set out by our customers or their consultants in the relevant contracts and in compliance with all applicable regulatory requirements issued by relevant government authorities. Apart from setting specifications for equipment and materials to be used in the relevant project, our customers or their consultants will generally specify a number of their approved suppliers from which

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such equipment and materials could be purchased. We will compare the list of approved suppliers provided by our customers or their consultants against our Approved Suppliers List, and if a supplier is not on our Approved Suppliers List, we will conduct assessment on such supplier and decide whether or not it could be admitted into our Approved Suppliers List according to our assessment criteria. Upon admission to our Approved Suppliers List, we or our subcontractors (as applicable) may purchase such selected equipment and materials only from such supplier in our Approved Suppliers List.

Upon identification of the selected equipment and materials and its relevant supplier as required by a contract, we will submit the relevant information or certificates (where required) of the same (including information or certificates in relation to sundry items purchased by our subcontractors) to our customers or their consultant for review and approval. Once we obtained approval from our customers or their consultant, we or our subcontractors will place the purchase orders accordingly.

The incoming equipment or materials delivered to the site are inspected by the site engineer appointed by the project manager as well as the consultant or personnel appointed by the customer. The site engineer is responsible for conducting visual checking and ensuring that the items purchased meet the specified requirements in the contract, and if such items fail to pass such inspection, they will be returned to the suppliers.

During the Track Record Period, over 80% of soldering materials were purchased by us and the remaining were purchased by our subcontractors. Since July 2015, despite there were no reported case in which drinking water samples of projects in which we were involved had exceeded the permitted level under the WSD Circular Letter no. 1/2015 (as defined below), as a precautionary measure, we have decided that all soldering and silver brazing materials shall only be purchased by us but not by our subcontractors. In light of such enhanced practise, we have updated our control and compliance manual of materials for soldering and silver brazing of copper pipe and fitting in July 2015 by including the following additional control measures:

- (1) All Soldering and Silver Brazing ("S&B") materials shall be bulk purchased by our Group;
- (2) S&B materials delivered to site and soldering joints after welding should be sample tested to ensure the compositions of delivered S&B materials are same as the manufacturer catalogue/certification;
- (3) Trained welders will be employed, and the soldering materials and welder's works carried out on site are to be traceable and recorded; and
- (4) Water sample test shall be conducted in conformity with the requirement under the WSD Circular Letter no. 1/2015.

Recent new reports on lead-containing water supply system parts

As reported in the media recently, there were a number of buildings or properties in Hong Kong purported to be having a lead content exceeding the provisional guideline value for lead of 10 micrograms per litre recommended in the World Health Organization Guidelines for Drinking-water Quality in their drinking water samples (the "Affected Properties"). According to various media reports, it was believed that the high level of lead in water samples was alleged to be caused by the use of certain substandard soldering materials.

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In response to the incidences of lead contamination on drinking water being reported, the Water Supplies Department issued the circular letter no. 1/2015 on 13 July 2015 (the “**WSD Circular Letter no. 1/2015**”) to set out additional drinking water test parameters to be required from relevant subsequent plumbing and drainage system projects. The additional tests on four types of heavy metals and their respective thresholds are set out as below:

Test parameters	Acceptance Criteria
Lead (μ g/l)	≤ 10
Cadmium (μ g/l)	≤ 3
Chromium (μ g/l)	≤ 50
Nickel (μ g/l)	≤ 70

Based on the public media reports appeared in Hong Kong’s news media and the updates published by the relevant government authorities during the period from early July 2015 up to the date of this submission, so far the Group was aware of (the “Aware Media Reports”) and to the best of our Director’s knowledge, our Group was involved by providing plumbing and drainage system works in 7 projects that were reported in the Aware Media Reports, 3 of which were public housings and the remaining 4 were private residential properties (the “7 Relevant Properties”). According to various Aware Media Reports, water sample tests on these 7 Relevant Properties were subsequently conducted by government authorities or independent third parties and the published results showed that water samples in all 7 Relevant Properties complied with the criteria on lead concentration recently laid down by the WSD Circular Letter no. 1/2015.

Our Directors confirmed that, as at the Latest Practicable Date, our Group was not a contractor engaged in the plumbing and drainage works for any of the Affected Properties referred to in the Aware Media Reports as having a lead content exceeding the acceptable standard as required under the WSD Circular Letter no. 1/2015 in the drinking water samples.

Further, our Directors confirmed that, as at the Latest Practicable Date, our Group was not subject to any claims or complaints in respect of the quality of its delivered works on installation and maintenance of plumbing and drainage systems.

Inventory Management

It is the practice of our E&M engineering operation to maintain a minimal inventory level to prevent any diminution in inventory value. The contract manager is responsible for the overall scheduling of orders and deliveries of the materials, so as to match material deliveries with the project’s requirements. Purchase orders issued to suppliers would indicate the different tentative delivery dates that match with the project schedule. However, we do carry a certain level of commonly used materials in our warehouse such as boards, water pipes and tubes, maintained for wear and tear during the defects liability period.

Research and Development

The nature of our E&M engineering business does not require us to carry out any material research and development activities.

Market and Competition for our E&M Engineering Segment

The E&M engineering industry in Hong Kong is highly competitive and is characterized by a small number of large local companies with high level of subcontracting and business relationship with several major Hong Kong-based property developers as well as the Hong Kong Government. We were the second largest E&M engineering service provider in Hong Kong for two consecutive years,

with market share of approximately 4.3% in 2013 and approximately 4.9% in 2014, in terms of sales revenue, according to the Frost & Sullivan Report. We believe that competition between our Group and other E&M engineering services companies exists but is not severe because the volume of work available is sufficient for the relatively small number of major E&M engineering services companies in Hong Kong which meet the licensing/approval requirements of government authorities for performing public sector works, and a large group of small to medium E&M engineering services companies are active in the market but do not pose any serious competition to us due to licensing and financial requirements for public works and large projects in the private sector.

The Macau E&M engineering market has competitive landscape that is very similar to that in Hong Kong, with the top players taking up leading presence in the market. Hong Kong-based companies dominate the market, and they transfer proven technologies and successful experience in Hong Kong to Macau with low cost and well-recognized quality performance. We were the second largest E&M engineering service provider in Macau for two consecutive years, with market share of approximately 8.0% in 2013 and approximately 3.8% in 2014, in terms of sales revenue, according to the Frost & Sullivan Report.

The building E&M engineering market in the PRC is a relatively fragmented market with thousands of players. Majority of top players are stated-owned enterprises, and private players account for a quantitative majority but with small market share in terms of construction settlement income. FSEE is one of a few Hong Kong-based companies in the PRC to possess the top qualification of class I for E&M engineering general contractor, and FSEE also possesses 12 qualifications of different grades of specialist contractor in the PRC.

We believe that the large number and diverse nature of projects undertaken by us have enabled our management and staff to acquire a high degree of expertise in and experience of both public and private sector building service works, thus enhancing our competitive position.

Please see the section “Industry Overview” for further information on the market and competition for our E&M Engineering Segment.

Ancillary Building Materials Trading and Retail Business

Ancillary to our E&M engineering services, we are also engaged in retail sales of European tiles and trading of other building materials. Our building materials trading and retail business generated revenues of HK\$101.4 million, HK\$93.5 million and HK\$101.5 million for the years ended 30 June 2013, 2014 and 2015, representing 4.3%, 3.7% and 3.6% of our total revenue, respectively.

Products, customers and sales of our building materials business

We provide our customers with a wide variety of products set out below, and also provide ancillary engineering and expertise support on product installation and maintenance.

Retail sales of European tiles — We sell tiles imported from Europe to retail customers at our four retail stores located in Hong Kong.

Trading of other building materials — We supply E&M engineering equipment and materials and other building materials in Hong Kong and Macau, mainly to property developers, architects and contractors, with many of whom we have developed long-term relationships. The E&M engineering equipment and products include pipes, pumps, accessory valves and fittings, building automation system, heating, ventilation and air-conditioning parts, fire services products, indoor air quality control products such as air cleaners, filters and smoke and gas sensors. The other products include

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ceramics tiles, sanitary wares and fittings such as water closet, wash basin, faucet, bathroom accessories, ironmongery such as security and door control system, architectural door, electronic locksets related smart card technology and bathroom television.

We have not engaged any distributor or agent for sales of our building material products. For supply of building materials for construction projects, we generally have to submit tenders to the potential customers, specifying the price and quantity of the materials. We generally price our products based on our purchase price with the addition of a reasonable mark-up. Warranty for construction materials are generally provided by the relevant suppliers. For tile retail business, we generally accept return of defective and unused materials from customers, which is also backed up by the relevant suppliers. During the Track Record Period, we had not experienced any material claim by customers which did not covered by its relevant suppliers.

Supplies and procurement for our building materials business

We purchase building materials from a large number of suppliers located in Europe, the US, South East Asia and the PRC, generally in accordance with the relevant distribution agreement or purchase order we entered into with the suppliers. We generally do not enter into any long-term purchase agreement or commitment with such suppliers. During the Track Record Period, we had not experienced any major shortage or delay in the delivery of products by our suppliers nor any disputes with our suppliers. Upon receipt of the materials and products from our suppliers, we will inspect them in order to ensure the quality of products comply with the agreed specifications.

Inventory control and provisions for building materials

Inventory of our building materials business mainly comprises building materials and related products for trading purposes. We monitor our inventory with established internal inventory management system, based on projected sales volume and consideration of other external market factor. For the years ended 30 June 2013, 2014 and 2015, the average inventory turnover days before provision of Extensive Trading, our subsidiary which is engaged in this segment, were approximately 140 days, 147 days and 135 days, respectively. Our inventories are recorded at HK\$15.9 million as at 30 June 2015, after taking into account the market condition and the historical experience of selling similar products. Full provision will be made on stock with aging over one year at year end. For each of the years ended 30 June 2013, 2014 and 2015, the inventory provisions amounted to HK\$6.4 million, HK\$6.2 million and HK\$5.6 million respectively.

ENVIRONMENTAL ENGINEERING SEGMENT

Building on the established clientele and management system of our E&M engineering operations, we provide a wide range of construction and building-related environmental engineering services and products, including construction waste water management systems, seawater and freshwater treatment, odour abatement services, environmental assessment and consultancy services, and sales of environmental pollution management equipment.

While our Environmental Engineering Segment leverages on the central data base and cross-marketing opportunities with our E&M Engineering Segment, we believe that our brands Joneson and EPSL, with over 20 years of operation in the industry, are also well-recognised in the industry for their quality services and products, and have established their own customer network. We have established vast industry experience and developed a management and workforce with the relevant expertise, including qualifications for Registered Energy Assessors (“**REA**”) and BEAM. We also own and operate a laboratory, which is principally engaged in water quality testing and assessment and is in the process of obtaining the relevant Hong Kong Laboratory Accreditation Scheme (“**HOKLAS**”) certification for microbiology testing.

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In line with the growing public concern on environmental protection and increasing government spending on environmental conservation, there has been a rising trend and market potentials for provision of environmental engineering services and products. For the years ended 30 June 2013, 2014 and 2015, sales of environmental services and products generated sales of HK\$43.0 million, HK\$53.6 million and HK\$54.2 million, respectively.

The following table shows the breakdown of our segmental revenue from our Environmental Engineering Segment during the Track Record Period:

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Environmental engineering and waste water treatment system installation and maintenance services	31,030	40,242	46,620
Others — including sale of environmental equipment and audit and consultancy services	11,980	13,339	7,582
Total	43,010	53,581	54,202

Environmental Engineering Products and Services

Equipment and products

Our major environmental engineering services and products are set out below.

Building services water treatment — We, through our subsidiary, Joneson, provide installation and maintenance services for a range of treatment systems such as water treatment services for HVAC chilled water, condensing water, sea water cooling, potable water, such as “Chloropac” electrochlorination system, and fresh water for cooling tower.

Odour abatement products — We provide installation and maintenance services for odour abatement systems designed to solve indoor air quality and odour problems (“BioTech” System) at refuse collection stations in the vast majority of public housing estates in Hong Kong.

Construction site environmental equipment — We provide construction site wastewater management and treatment systems (“AquaSed” system), automatic high performance machine for cleaning wheels of construction vehicles (“EnviroWash”) and sanitary sewage treatment system (“STS”) for treating toilet wastewater which are specially designed for construction sites. We purchased the patent and design for the “AquaSed” system and the STS sewage treatment system from the Hong Kong Productivity Council, and are the sole supplier of these systems in Hong Kong.

Environmental assessment and consultancy services

Our principal environmental quality and assessment services include the following.

Energy audit — We provide energy audit report under the Buildings Energy Efficiency Ordinance (Cap. 610) which requires commercial buildings and commercial portions of composite buildings to carry out energy audit for central building services installation by a registered energy assessor according to the Code of Practice for Building Energy Audit in every ten years.

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Carbon audit — We are registered qualified service provider for the Carbon Smart Programme and “Carbon Less” Certificate Scheme, to provide third party verification services for the organization on carbon reduction achievement.

Building environmental assessment and consultancy services — We provide environmental management plan and waste management plan of projects under BEAM and LEED, baseline and impact monitoring with respect to the requirement of environmental management and assessment, BEAM and LEED assessment, independent commissioning authority to lead, review and oversee the completion of all commissioning process activities to ensure the installations are constructed and calibrated to operate as intended.

Indoor air quality assessment — We provide services on air sampling and air quality parameters measurement for building owners/property management agents and application of the Indoor Air Quality Certificate Scheme implemented by the Hong Kong Government.

Water quality assessment — We assist the owners, operators and building management agents to conduct self-assessments on the plumbing system to identify areas for necessary maintenance and improvement under the Quality Water Recognition Scheme for Buildings launched by the Water Supplies Department, and provide water sampling and testing for Legionnaires’ disease, and provide services as registered professional engineer for the annual independent audit under Fresh Water Cooling Tower Scheme launched by the Hong Kong Government.

Other services — We also provide other water treatment and analysis services, including comprehensive water treatment service for HVAC system, system cooling tower sterilisation service, disinfection service of potable water system, laboratory water analysis service and “Industry processing water system” cleaning and replacement service.

Operations

The typical operation processes of our environmental engineering system installation and maintenance services generally, depending on the requirements of the relevant projects and customers, include (i) preparation of proposal or tender by our marketing and sales department; (ii) site visits, preparation of designs and costing by engineering and services department; (iii) preparation of quotations by operation department; (iv) preparation of project plan and schedule and submission to client for approval; (v) procuring supplies for project and subcontractors; (vi) installation, subcontracting and supervision of the works of our subcontractors; (vii) quality control and assurance; (viii) final inspection and defect rectification (if any); (ix) completion and rectifications during defect liability period; and (x) maintenance service (if included in project or otherwise retained by customers).

Sales and Customers

The major customers of our Environmental Engineering Segment include mainly property developers and property managers, public utility companies, construction and engineering companies, public transportation companies and departments of the Hong Kong Government responsible for public construction and engineering works. The marketing and sales team of our Environmental Engineering Segment prepares and issues promotional materials to potential customers, organises promotional events, participates in trade exhibitions and keeps abreast of development in environmental regulations to assess whether there are growth opportunities in our services.

Supplies

Our seawater and freshwater treatment equipment are mainly sourced from suppliers in Europe and the US, with the majority of which we have over 18 years of business relationship. Our "AquaSed" system for construction waste water treatment are produced by a supplier in the PRC on an OEM basis.

We have entered into an exclusive distribution agreement for a new lighting control system which is capable of enhancing the lighting control for buildings by wireless control. Except for the above, we generally do not enter into long term agreement with suppliers of our Environmental Engineering Segment.

Subcontracting

We engage certain third party service providers for some of our environmental engineering projects which require special certification such as HOKLAS accreditation for certain testing services or projects that we consider more cost-effective to deploy third party service providers, as we generally do not employ labour to carry out the installation work directly. Our Directors believe that this is in accordance with the industry practice. We select our subcontractors generally based on its financial condition and performance track record, and the performance of subcontractors is closely monitored by our engineering staff.

Quality Control

Our quality management system is established in accordance with the requirements of ISO 9001: 2008. Our service managers are responsible for monitoring overall work quality and ensuring that our works are completed according to our customers' requirements and schedule.

Research and Development

During the Track Record Period, our Environmental Engineering Segment had been collaborated with local universities or their affiliated organisations or professors to jointly undertake research on environmental engineering products, services, and systems, to develop such technology and to apply them commercially, including a web-based building energy management system and a microalgae-based process for waste water treatment.

Market and Competition

The environmental engineering market generally includes products and services for (i) water conservation and pollution control; (ii) air and odour pollution control; (iii) energy conservation; (iv) waste treatment, disposal and recycling; (v) noise control and mitigation; and (vi) environmental consulting.

It is believed that the environmental engineering market in Hong Kong and Macau will maintain a stable growth because of government promotion on environmental protection and increasing public awareness; cost-saving by building energy management; trend of retrofitting older buildings with environmental engineering systems; and stricter requirements for solid waste and waste water disposal.

We believe that we have advantages in having deep experience and good reputation in the industry, products that are widely-accepted and development of new technology in collaboration with the relevant experts in universities.

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OTHER INFORMATION ABOUT OUR BUSINESS

Our Top Five Subcontractors

For the years ended 30 June 2013, 2014 and 2015, our five largest subcontractors, each an Independent Third Party, which were subcontractors for labour works for E&M services in Hong Kong and Macau, accounted for 5.8%, 7.0% and 10.5% of our total costs of sales, respectively, and our single largest subcontractor accounted for 1.4%, 1.7% and 5.1% of our total costs of sales during the same periods, respectively.

The table below sets out information on our top five subcontractors for each year during the Track Record Period:

<u>Subcontractors</u>	<u>Amount of purchase (HK\$ million)</u>	<u>% of our total cost of sales</u>	<u>Principal business</u>	<u>Business with us</u>	<u>Years of business relationship with us</u>	<u>Credit terms and payment method</u>
For the year ended 30 June 2015						
Subcontractor A	126.1	5.1%	Subcontractor for electrical works	Labour subcontractor	11	45 days Cheque payment
Subcontractor B	38.0	1.5%	Subcontractor for MVAC works	Labour subcontractor	Over 7	45 days Cheque payment
Subcontractor C	36.1	1.4%	Subcontractor for MVAC works	Labour subcontractor	Over 2	45 days Cheque payment
Subcontractor D	31.2	1.3%	Subcontractor for MVAC works	Labour subcontractor	Over 10	30 days Telegraphic Transfer
Subcontractor E	31.0	1.2%	Subcontractor for electrical works	Labour subcontractor	9	45–60 days Cheque payment
For the year ended 30 June 2014						
Subcontractor F	37.7	1.7%	Subcontractor for plumbing works	Labour subcontractor	Over 25	30–45 days Cheque payment
Subcontractor G	34.2	1.5%	Subcontractor for MVAC works	Labour subcontractor	Over 13	45 days Cheque payment
Subcontractor H	31.3	1.4%	Subcontractor for plumbing works	Labour subcontractor	Over 25	45 days Cheque payment
Subcontractor I	28.4	1.3%	Subcontractor for electrical works	Labour subcontractor	Over 13	30 days Cheque payment
Subcontractor J	24.9	1.1%	Subcontractor for MVAC works	Labour subcontractor	Over 5	30–45 days Cheque payment

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<u>Subcontractors</u>	<u>Amount of purchase (HK\$ million)</u>	<u>% of our total cost of sales</u>	<u>Principal business</u>	<u>Business with us</u>	<u>Years of business relationship with us</u>	<u>Credit terms and payment method</u>
For the year ended 30 June 2013						
Subcontractor G	28.4	1.4%	Subcontractor for MVAC works	Labour subcontractor	Over 13	45 days Cheque payment
Subcontractor H	25.4	1.2%	Subcontractor for plumbing works	Labour subcontractor	Over 25	45 days Cheque payment
Subcontractor I	22.8	1.1%	Subcontractor for electrical works	Labour subcontractor	Over 13	30 days Cheque payment
Subcontractor K	24.3	1.2%	Subcontractor for MVAC works	Labour subcontractor	Over 25	45 days Cheque payment
Subcontractor F	21.6	1.0%	Subcontractor for plumbing works	Labour subcontractor	Over 25	30–45 days Cheque payment

For our E&M Engineering Segment, we enter into subcontract agreements on project basis, generally depending on the duration of the contract that we enter into with our customers, which are generally the main contractors for the relevant construction projects, and many such subcontract agreements have term over one year.

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.

Our Top Five Suppliers

For the years ended 30 June 2013, 2014 and 2015, our five largest suppliers, accounted for 4.7%, 9.1% and 11.7% of our total costs of sales, respectively, and our single largest supplier accounted for 1.2%, 4.0% and 3.3% of our total costs of sales during the same periods, respectively.

Our five largest suppliers for the years ended 30 June 2013, 2014 and 2015 include principally suppliers for E&M materials or products for our E&M Engineering Segment, each of which is an Independent Third Party. We have not entered into long term agreement with our major suppliers during the Track Record Period.

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The table below sets out information on our top five suppliers for the periods indicated:

Suppliers	Amount of purchase (HK\$ million)	% of our total cost of sales	Principal business	Business with us	Years of business relationship with us	Credit terms and payment method
For the year ended 30 June 2015						
Supplier A	81.6	3.3%	Supply of cable	Supply of electric cable	9	60 days Cheque payment
Supplier B	67.3	2.7%	Supply of cable	Supply of cables	12	60 days Cheque payment
Supplier C	57.3	2.3%	Supply of cable	Supply of cable	Over 25	60 days Cheque payment
Supplier D	43.9	1.8%	Supply of E&M equipment	Supply of E&M products	10	30 days Cheque payment
Supplier E	40.9	1.6%	Supply of E&M equipment	Supply of E&M products	Over 9	30 days Letter of credit
For the year ended 30 June 2014						
Supplier C	88.6	4.0%	Supply of cable	Supply of cable	Over 25	60 days Cheque payment
Supplier F	54.2	2.4%	Supply of pipes	Supply of metal pipes	Over 25	60 days Cheque payment
Supplier G	20.7	0.9%	Supply of electric cable and wire	Supply of electric cable and wire	Over 7	45 days Cheque payment
Supplier H	20.7	0.9%	Manufacturing of valves and pressure fittings for drinking water and gas supply, and pipes and fittings for drainage systems	Supply of pipes and fittings	Over 15	120 days Letter of credit or telegraphic transfer
Supplier I	18.8	0.8%	Supply of electric cable and wire	Supply of electric cable and wire	10	45 days Telegraphic transfer
For the year ended 30 June 2013						
Supplier J	24.8	1.2%	Supply of copper pipes	Supply of copper pipes	8	30-60 days Cheque payment
Supplier F	24.5	1.2%	Supply of pipes	Supply of metal pipes	Over 25	60 days Cheque payment
Supplier H	20.9	1.0%	Manufacturing of valves and pressure fittings for drinking water and gas supply, and pipes and fittings for drainage systems	Supply of pipes and fittings	Over 15	120 days Letter of credit or telegraphic transfer
Supplier B	15.2	0.7%	Supply of cable	Supply of cable	12	60 days Cheque payment
Supplier G	14.2	0.7%	Supply of Electric cable and wire	Supply of electric cable and wire	7	45 days Cheque payment

Save as disclosed 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 suppliers during the Track Record Period.

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Our Top Five Customers

For the years ended 30 June 2013, 2014 and 2015, our five largest customers accounted for 60.3%, 58.8% and 58.6% of our revenue, respectively, and our single largest customer accounted for 25.1%, 28.9% and 21.2% of our revenue for the corresponding periods. Except for NWS Group, which is our Company's connected persons, all of our five largest customers for years ended 30 June 2013, 2014 and 2015 are Independent Third Parties.

The table below sets out information on our top five customers for the periods indicated:

Customers	Revenue contribution (HK\$ million)	% of our total revenue	Principal business	Business with us	Years of business relationship with us	Credit terms and payment method
For the year ended 30 June 2015						
NWS Group ⁽¹⁾	599.9	21.2%	Management contractor or main contractor for building construction	E&M installation services, supply of tiles, ironmongery, sanitary wares, and mechanical products	Over 8	30–60 days Cheque payment
Customer A	411.2	14.6%	Main contractor in building construction projects	E&M installation services	4	28 days Cheque payment
Customer B	357.5	12.7%	Main contractor in building and infrastructure construction	E&M installation services	2	39 days Cheque payment
Customer C	155.4	5.5%	Hotel construction and management and property development	E&M installation services	12	21–30 days Telegraphic transfer
Customer D	132.3	4.7%	Main contractor in building and infrastructure construction	MVAC installation services	10	28 days Cheque payment
For the year ended 30 June 2014						
NWS Group ⁽¹⁾	739.4	28.9%	Management contractor or main contractor for building construction	E&M installation services, supply of tiles, ironmongery, sanitary wares, and mechanical products	Over 8	30–60 days Cheque payment
Customer C	252.3	9.9%	Hotel construction and management and property development	E&M installation services	12	21–30 days Telegraphic transfer
Customer A	197.5	7.7%	Main contractor in building construction projects	E&M installation services	4	28 days Cheque payment
Customer E	166.8	6.5%	Property development	E&M installation services	7	30–56 days Telegraphic transfer
Customer F	146.9	5.8%	Government	E&M installation services	14	21 days Cheque payment

Note:

⁽¹⁾ Connected person of our Company

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<u>Customers</u>	<u>Revenue contribution (HK\$ million)</u>	<u>% of our total revenue</u>	<u>Principal business</u>	<u>Business with us</u>	<u>Years of business relationship with us</u>	<u>Credit terms and payment method</u>
For the year ended 30 June 2013						
NWS Group ⁽¹⁾	596.6	25.1%	Management contractor or main contractor for building construction	E&M installation services, supply of tiles, ironmongery, sanitary wares, and mechanical products	Over 8	30–60 days Cheque payment
Customer G	285.4	12.0%	Owner and developer of hotel and resort	MVAC installation services	9	14 days Cheque payment
Customer E	249.4	10.5%	Property development	E&M installation services	7	30-56 days Telegraphic transfer
Customer F	194.8	8.2%	Government	E&M installation services	14	21 days Cheque payment
Customer H ⁽²⁾	109.4	4.6%	Property development	MVAC installation services	7	30 days Autopay

Note:

(1) Connected person of our Company

(2) Customer H was a connected person of our Company which was indirectly partially owned by Mr. Doo. Customer H ceased to be a connected person of our Company on 17 July 2013.

For our E&M Engineering Segment, we enter into agreements with our customers, which are generally main contractors, on project basis, and the majority of such contracts have term over one year.

Except for NWS Group, which is our Company's connected person, 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.

The NWS Group has been our largest customer in each of the three years during the Track Record Period as we have undertaken a number of Major Projects, as shown in the tables in the sub-section "E&M Engineering Projects" above, in which the customer is a main contractor in the NWS Group, which is a major main contractor in Hong Kong with an established market presence. These projects include some projects in which we were selected by the employer as an E&M subcontractor, and the connected customer was independently selected by the employer as the main contractor, and as a result, we entered into the relevant E&M subcontract with the main contractor, which became our customer contractually based on the relevant subcontract. We expect that our revenue attributable to projects with the NWS Group in the next few years may further increase due to the size of the relevant Major Projects on hand, as shown in the table "Projects on hand" in the sub-section "E&M Engineering Projects" above. Please also see the section "Connected Transactions — Non-exempt CCTS Requiring Independent Approval — B1. The NWS CCTs — NWS Master Services Agreement" for further information. Our Directors confirm that the terms of the contracts we entered into with our connected customers are fair and reasonable, and are on terms which are comparable to those with our customers which are Independent Third Parties. Furthermore, we believe, to the best of our Directors' knowledge, that our quotations are considered by our connected customers independently based on the terms and merits of our quotations and tenders submitted to them. Based on the foregoing, we do not consider that there is any over-reliance on customers which are connected persons of our Company.

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Seasonality

Due to the nature of our business which is project-based, we do not have any significant seasonal trends during the Track Record Period, and we believe that there is no apparent seasonality factor affecting the construction and engineering industry.

CERTIFICATIONS, AWARDS AND RECOGNITIONS

Certifications

The following table sets out the major certifications which we have received:

Nature	Certification	Awarding organisation or authority	Business segment	Recipient	Period of validity
Quality Management System	ISO/IEC 20000-1:2011	HKQAA	E&M Engineering Segment	FSEE	25/2/2009 to 24/2/2018
Quality Management System	ISO 9001:2008	HKQAA	E&M Engineering Segment	Majestic Engineering Majestic Plumbing Engineers Young's Engineering FE	Majestic Engineering — 21/10/1994 to 6/6/2016 MPE — 25/4/2000 to 24/4/2018 Young's Engineering — 5/9/1996 to 8/3/2016 FE — 27/11/1997 to 26/11/2015
Quality Management System	OHSAS 18001:2007	HKQAA	E&M Engineering Segment	Majestic Engineering Young's Engineering FE	Majestic Engineering — 2/3/2005 to 6/6/2016 Young's Engineering — 31/1/2005 to 8/3/2016 FE — 28/4/2005 to 26/11/2015
Environmental Management System	ISO 14001:2004	HKQAA	E&M Engineering Segment	Majestic Engineering Young's Engineering FE	Majestic Engineering — 7/6/2004 to 6/6/2016 Young's Engineering — 9/3/2001 to 8/3/2016 FE — 1/2/2006 to 26/11/2015
Quality Management System (質量管理體系認證書)	GB/T19001-2008/ISO9001:2008; GB/T50430-2007	北京中建協認證中心有限公司 (Beijing Zhong Jian Xie Certification Center Co., Ltd.*)	E&M Engineering Segment	PRC Engine	27/8/2013 – 26/8/2016

The ISO accreditations demonstrate that we have achieved an international standard of quality construction management in an environmentally friendly manner. We actively implement our commitment to ISO 9001 (Quality Management), ISO 14001 (Environmental Stewardship) and OHSAS 18001 (Occupational Safety and Health) standards, setting internal targets and guidelines that align to stringent performance indicators.

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Awards and Recognitions

Over the past years, our Group has received recognition from various organisations. The table below sets out the significant awards and recognitions which we received:

Award	Year	Issuer of award	Business segment	Recipient
The Fourth Hong Kong Outstanding Corporate Citizenship Scheme 2014 — Enterprise Category (第四屆香港企業公民計劃2014 — 企業組別)	2014–2015	Hong Kong Productivity Council and Committee on the Promotion of Civic Education (香港生產力促進局(生產力局)及公民教育委員會主辦)	E&M Engineering Segment	FSEE
Partner Employer Award (友商有良企業嘉許狀)	2012–2015	The Hong Kong General Chamber of Small and Medium Business (香港中小型企業總商會)	E&M Engineering Segment	FSEE/EPS
Partner Employer Excellence Award (友商有良卓越企業嘉許狀)	2012–2015	The Hong Kong General Chamber of Small and Medium Business (香港中小型企業總商會)	E&M Engineering Segment	MEC/YEC/FE
Wastewi\$e Label “Class of Excellence” — HK Awards for Environmental Excellence	2012–2015	Environmental Campaign Committee	E&M Engineering Segment	FSEE
Manpower Developer 1st	2010–2015	Employees Retraining Board (僱員再培訓局)	E&M Engineering Segment	FSEE
Caring Company Award (「商界展關懷」標誌)	2006–2015	Hong Kong Council of Social Service	E&M Engineering Segment	FSEE
Gold award for volunteer service (義務工作嘉許金狀)	2012–2014	Social Welfare Department (社會福利署)	E&M Engineering Segment	FSEE
The Best Safety Performance Sub-contractor Award (Mar–Jun 2014)	2014	HK International Airport	E&M Engineering Segment	MEC
Certificate of Appreciation — Kai Tak District Cooling Facility site visit	2014	Chun Wo Development Holdings Ltd	E&M Engineering Segment	YEC
Construction Safety Awards Scheme 2013/2014 Worksites Subcontractor of Building Construction “Copper award” (建築業安全獎勵計劃2013/2014樓宇建造地盤一次承判商『銅獎』)	2014	Hong Kong Construction Industry Employees General Union (香港建造業總工會)	E&M Engineering Segment	MEC
Happy Company Award (開心工作間)	2014	Promoting Happiness Index Foundation (香港提升快樂指數基金)	E&M Engineering Segment	FSEE
Honorary Certificate — 2014 Excellence Subcontractor — Far East Hubei (榮譽證書 — 2014年度優秀合作夥伴 — 湖北遠東)	2014	New World (Shenyang) Property Development Limited (新世界(瀋陽)房地產開發有限公司)	E&M Engineering Segment	Far East Hubei
The Best Safety Performance Sub-contractor Award (Jan–Mar 2013)	2013	HK International Airport	E&M Engineering Segment	MEC
The Best Safety Performance Sub-contractor Award (Jul–Sep 2013)	2013	HK International Airport	E&M Engineering Segment	MEC
FutureArc Green Leadership Award 2013 — Citation	2013	BCI Asia/Hong Kong Housing Authority	E&M Engineering Segment	MEC

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Award	Year	Issuer of award	Business segment	Recipient
"Zero" Injury Performance Subcontractor (「零」意外安全表現承判商嘉許狀)	2012	Shui On Building Contractors Limited (瑞安建業)	E&M Engineering Segment	MEC
Shanghai Construction Projects "Yulan Magnolia" Award (Construction Excellence) 上海市建設工程“白玉蘭”獎 (市優質工程)	2011	Shanghai Construction Trade Association (上海市建築施工行業協會)	E&M Engineering Segment	PRC Engine

CUSTOMER FEEDBACK

We consider customer feedbacks a valuable tool for improving our service. We take customer suggestions seriously and have established a set of procedures for handling customer suggestions. Our operation management department is responsible to handle customer suggestions and answer any question in relation to our products to ensure timely responses to customers' enquiry. During the Track Record Period and up to the Latest Practicable Date, we have not received any material complaint from customers or the Consumer Council.

EMPLOYEES

We had a total of 1,443, 1,486, 1,553 and 1,603 employees as at 30 June 2013, 2014 and 2015 and the Latest Practicable Date, respectively. The following table sets forth a breakdown of the number of our employees by function and geographical location as at the Latest Practicable Date.

Number of employees by business segments and location	Hong Kong	Macau	PRC	Total
Senior management	19	0	2	21
Finance	20	4	15	39
Office administration, human resources, secretarial support and information technology	99	21	85	205
Tender, subcontracting and procurement	23	0	32	55
Quantity surveyor and cost control and contract legal support	21	5	18	44
Quality and safety assurance	20	7	3	30
Operation — E&M project	326	56	269	651
Operation — E&M maintenance	394	38	34	466
Operation — Environmental engineering	72	0	0	72
Operation — Building materials trading and retail	20	0	0	20
Total	1,014	131	458	1,603

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including managers and staff. We believe high-quality customer service is a key attribute of our success.

We place significant emphasis on internal promotion as a means of offering 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.

We have established a system to identify and promote talented employees by comprehensive evaluation, such as training results, business and technical skills and customer satisfaction.

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We offer attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses. Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation. To maintain consistent service quality, we conduct site visits.

Our staff costs include all salaries and benefits payable to all our employees and staff, including our executive Directors, managers and general staff. Our staff costs during the Track Record Period and represented 14.5%, 16.2% and 14.9% of our revenue for the years ended 30 June 2013, 2014 and 2015, 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 been generally increasing in recent years. We expect our staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up wages. As at 30 June 2015, all of our employees are paid higher than the statutory minimum wage, and we believe that the expected raise in the statutory minimum wage should not have material adverse impact on our operation or financial results.

In respect of our operations in the PRC, we have made the required contributions to the social security funds for our PRC employees. To streamline our operations and reduce our administrative burden in the PRC, we have worked, and expect to continue working, with seven independent third-party employment agencies in the PRC. The agencies are generally responsible for handling the relevant social security and housing funds arrangements and we pay social security and housing fund contributions of the staff into the accounts of the relevant staff directly or accounts designated by our agencies. In addition, we remain primarily responsible for supervising and managing the staff, as well as providing the training required by our staff to perform their work.

During the Track Record Period, we did not receive or experience material labour disputes with our employees.

We strive to provide a safe working environment to our employees. We have implemented work safety guidelines for all our employees which set out our work safety policies and promote safety on work sites.

Training Programs

We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels and to secure a stable supply of future generations of management personnel, we have set up the training committee to organise and oversee a comprehensive training program for our employees. The goal of the training programs is to train our employees and to identify talent, with the aim of providing upward mobility within our Company, fostering employee loyalty and incorporating customized mentoring, coaching and training. We continuously provide tailored trainings and career guidance to our incoming and existing employees on general and technical knowledge and skills including first aid, safety, integrated management system, risk assessment, cost control, project management, project experience sharing, green and environmental protection and latest legal compliances and requirements and specialised knowledge in their respective service segments.

We believe our training programs also help to promote internal upward mobility, which not only increases employee retention rates, but also produces the type and quality of management personnel needed for our expanding business.

Recruitment

Recruitment in the service industry is highly competitive, especially with respect to recruitment of operation staff. We believe we are hiring high-quality employees in the market by offering competitive wages and benefits, focused training and internal promotion opportunities. We have adopted a variety of initiatives to facilitate recruitment of our staff, such as recruitment fair, advertisement in newspaper, internet website, career talks in Vocational Training Council and universities, recruitment agencies and internal referrals. We believe our continuous efforts will help us attract suitable personnel.

INTELLECTUAL PROPERTY RIGHTS

We rely on our trademarks and other intellectual property rights, including trade names, website, service marks, domain names which are either owned and registered by us. As at the Latest Practicable Date, we were the registered owner of five trademarks, including “AquaSed”, “MicroGreen”, “NWS Engineering Ltd”, “FirmCMMS” and “CS Collection” that are relevant to the ordinary course of our business operations.

Among the intellectual properties we registered, our Directors consider that our “AquaSed”, “MicroGreen” and “NWS Engineering Ltd” trademarks registered under class 5 and 11 in Goods and class 37 in Services under which our products of construction site waste water treatment and air deodorising and services for installation and maintenance of MVAC, lighting, sanitary wares and computer hardwares systems to be operative in the PRC are provided are the most important intellectual properties to our business and operations. Details of our intellectual property rights, which are material to our business and operations, are more particularly set out under the section headed “Appendix IV — Statutory and General Information — Further information about the business of our Company — Intellectual property rights of our Group” in 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 on our intellectual property rights.

PROPERTIES

Based on our latest audited consolidated balance sheets as at 30 June 2015, we have no single property interest with a carrying amount of 15% or more of our total assets. We are therefore not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report on our property interests. Pursuant 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 which require a valuation report with respect to all our Group’s interests in land or buildings.

Owned properties

As at the Latest Practicable Date, we owned:

- 4 properties in Hong Kong with an aggregate GFA of approximately 2,800 sq.m., which are used (or if under renovation, to be used) as our workshops and ancillary offices;
- 3 properties in Macau with an aggregate GFA of approximately 500 sq.m., which are used as our offices and staff quarters; and

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- 17 properties in the PRC with an aggregate GFA of approximately 2,100 sq.m., which are used as our offices, staff quarters and documents warehouse. As advised by our PRC Legal Advisers, we have valid legal title to each of the properties.

Leased properties

As at the Latest Practicable Date, we leased:

- 29 properties in Hong Kong with an aggregate GFA of approximately 10,800 sq.m., which are used as our offices, workshops, warehouses, retail shops and carparks, of which 12 were leased from the fellow subsidiaries of FSE Holdings, which are our connected persons, for use as our warehouses and ancillary offices. The paragraph headed “A3. The Property Leasing CCTs — Property Leasing Master Services Agreement” in the section headed “Connected Transactions” of this prospectus provides you with further information on these connected transactions;
- 20 properties in Macau with an aggregate GFA of approximately 1,370 sq.m., which are used as our staff quarters and car park; and
- 24 properties in the PRC with an aggregate GFA of approximately 3,840 sq.m., which are used as our offices, staff quarters, a car park space and warehouse, of which one was leased from a member of the NWDS Group, which is our connected person, for use as our office. The paragraph headed “A1. The NWDS CCTs — NWDS Master Services Agreement” in the section headed “Connected Transactions” of this prospectus provides you with further information on this connected transaction.

Our property rentals and related expenses in relation to the properties leased were HK\$25.5 million, HK\$28.6 million and HK\$35.2 million for years ended 30 June 2013, 2014 and 2015, respectively.

To cope with our business growth and to facilitate centralisation of our management, we propose to relocate to and lease office premises from the Non-Listing Group in stages commencing from December 2015 at the earliest. The proposed leasing will constitute continuing connected transaction for our Company. Further details of the continuing connected transaction are set out in the paragraph headed “A2. The Doo’s Associates Group CCTS — Doo’s Associates Group Master Services Agreement” in the section headed “Connected Transactions” in this prospectus.

Despite our effort in seeking to obtain proof from the lessors of our leased properties in the PRC, we do not have proof that the lessors of two leased properties are in fact the owners and that the lessor of one leased property can sublet the relevant property to us. These properties are used as our staff quarter, offices and warehouse. If any of these lessors do not have the right to let, we are advised by our PRC Legal Advisers that we as tenant may be required to move out from the relevant property. Our Directors are of the view that none of these leased properties is material to our operations in the PRC and we do not have any difficulty in relocating to alternative premises if needed.

As at the Latest Practicable Date, we had secured registration of fourteen of our leased properties in the PRC with the relevant municipal land and real estate administration bureau as required by the Administrative Measures for Commodity Housing Leasing. The lease agreement in respect of the car park space is not required to be registered. Despite our effort in procuring registration of the lease agreements in respect of our remaining leased properties in the PRC by the lessors or requesting the lessors to assist us in getting the lease agreements registered, we are unable to secure registration of nine of the lease agreements, five of them were by reason of the relevant lessors refusing to deal with our request or cannot be reached and for the other two lease

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agreements, we are given to understand that the relevant authorities would no longer process such lease registration. As to the remaining two lease agreements, we are in the course of procuring their registration with the assistance of the relevant lessors. As advised by our PRC Legal Advisers, non-registration of such lease agreements in respect of these properties will not affect their legality and validity but the lessors and we as lessee could be liable to a fine ranging from RMB1,000 to RMB10,000 in respect of each lease agreement that is not registered in case we should fail to effect registration of the lease agreements upon request by the relevant municipal land and real estate administration bureau. As at the Latest Practicable Date, we had not received any such request by the relevant municipal land and real estate administration bureau. We will not continue leasing those properties in the PRC upon expiration of their lease terms in case we fail to secure registration of their lease agreements. Our Directors are of the view that none of these leased properties the lease agreements of which have not yet been registered are material to our operations in the PRC as they are only used as our offices, staff quarters and warehouse and we do not have any difficulty in relocating to alternative premises if needed.

FSE Holdings has provided us with an indemnity to indemnify us for all loss, cost, expenses, damages or other liabilities as may be incurred by us arising from or in connection with the lack of title or authority of the lessors to lease us the leased properties in the PRC or non-registration of the lease agreements of the leased properties in the PRC. Please refer to Appendix IV “Statutory and General Information — 16. Estate duty, tax and other indemnities” for further details of the indemnity.

INSURANCE

In Hong Kong, we generally maintain (i) insurance for employees’ compensation insurance policy, covering the liability to make any payment in respect of the death, injury or disability of our employees under relevant employment laws in Hong Kong, (ii) contractor’s all risk insurance policy covering public liability of bodily injury or property damage claim arising from or related to the provision of services and caused by our negligent acts or omissions, its employees, and (iii) property all risk insurance and business interruption insurance policy covering physical loss or damage of our office content and stock and additional expenditure incurred resulting from business interruption as a result of loss of or damage to property insured, (iv) commercial vehicle insurance policy covering the third party legal liabilities. In the PRC, all our local staff are insured under the social security system and thus we primarily maintain for our Hong Kong staff (i) employer’s liability Insurance covering the liability to make any payment in respect of body injuries occurred during working. For our properties in the PRC, we have maintained (i) property all risk insurance, (ii) public liability insurance and (iii) general cash insurance, and (iv) commercial vehicle insurance. Moreover, we procure contractor all risk and third parties liabilities insurance for tenant works or contracts where required. In Macau, all our local staff are insured under the social security system and we generally maintain (i) employee’s compensation insurance policy, (ii) office insurance & (iii) commercial vehicle insurance.

In addition, to cover more specific risks in respect of our service business segments, we maintain the following insurance policies.

<u>Business segment</u>	<u>Insurance policy</u>	<u>Major risks covered</u>
E&M Engineering Segment	(1) Property all risk (2) Marine and in-land transit (3) Employees’ compensation	(1) Risks taken place inside our premises, especially our workshop (2) Risks of damage of goods/products during transportation (3) Risk of bodily injury of subcontractor’s workers
Environmental Engineering Segment	Property all risk	Risks taken place inside our premises, workshop, plant and warehouse

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Some of our customers require us to enter into, in the name of the particular customers and us, some of the above insurance policies pursuant to the services contracts with the customers. We enter into the above insurance policies either in our own name or in joint names with some particular customers as required.

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established comprehensive risk management systems and internal control procedures to reduce risks arising from our operations, including the following.

Safety and Health

Our safety and health policy

Due to the nature of our industry, incidents at the worksites may have detrimental effects on the health and safety of our workers, and our workers are valuable to our Group and to the successful execution of the E&M engineering projects. We endeavor to comply with all relevant laws and regulations on labour, health and safety by routine evaluation of the hazards of our projects and work out feasible working procedures in a way convenient and effective to operators which are reviewed and updated periodically to maintain its effectiveness.

Generally, the main contractors of construction projects will have established the workplace safety and health procedures which all their subcontractors, including us and our subcontractors, are required to comply with on-site. For every project, our on-site safety officer/safety supervisor will ensure that work place safety procedures are adhered to by our employees and by the employees of our subcontractors in conjunction with the safety officers of the main contractors.

Safety management system

We have established and maintained a customized safety management system which emphasizes participation of personnel at all tiers at project level in safety planning and self-monitoring. Every safety plan is tailor-made for the characteristic of the specific project. Safety measures including training and inspections are carried out in accordance with actual progress of works. Our management asserts that it is the top priority to ensure the highest standards of safety and health for all its employees, subcontractors and the public.

We formulate our set of occupational, health and safety policies with the objectives of:

- prevention of accidents, incidents, ill health, occupational diseases, OHS hazards and related risks;
- compliance of applicable laws, regulations, standards and practices governing OHS;
- continual improvement and prevention of accidents/incidents; and
- promotion of awareness amongst employees, suppliers and contractors through education, training and publicity program on environment.

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Overall, although certain standard method statements, procedures and rules are well established, it is not merely a copying work by compiling these rules, standards into the plans. It is for the members of the safety department to review the nature and progress of work with the project team from time to time for individual project to identify significant aspects of the three systems and to select appropriate method statements for the plans.

The safety and health management committee includes, for each project, the safety officers and the safety supervisors, the project manager, the supervisors from each subcontractor. The safety and health management committee is responsible for:

- establishing and continually reviewing our safety and health policy and assessing how well it is being implemented;
- implementing procedures and systems whereby our safety and health policy is put into effect;
- reviewing reports of major accidents and incidents and statistics to identify trends and monitoring safety performance;
- reviewing arrangement, adequacy and effectiveness of safety training;
- reviewing the latest legislation and regulation changes on safety issues; and
- establishing safety audits and reviewing safety audit reports.

The safety officer at the work site is required to ensure that the site personnel receive the relevant safety training and undergo the induction course provided by the main contractor such that the site personnel become familiar with the specific conditions of the job site. In addition, the safety officer has to ensure that all personnel wear necessary protective equipment at the job site, evaluate the job site for any unsafe conditions and take appropriate steps to eliminate exposure to hazard our conditions at the job site. Our occupational health and safety management system currently in place has been certified in compliance with OHSAS 18001 by HKQAA.

To demonstrate our recognition of the importance of safety and to avoid accidents in construction sites, we manage our project using our safety and health system which governs our practice to deal with a wide range of potential hazards that may occur on our work locations. The safety plans are reviewed from time to time to ensure they can effectively assist us in avoiding accidents. For each of our projects, a safety inspection programme will be drawn up in which our project manager is required to arrange for the appointment of competent persons to conduct site safety inspections for the project at least once a month.

Moreover, preventive measures such as risk assessment have been conducted on each of our projects at the outset to identify the risks associated with such project to determine and subsequently implement certain precautionary measures to develop safe working procedures for the identified job hazards. The risk assessment is required to update regularly to reflect current site conditions. The personal protection programme in the IMS plan will be followed when the risk assessment identifies the need for personal protective equipment, such as eye protector, hearing protector and respiratory protector. The site safety induction training consists of the use of safety helmet, dust respirator, goggles, safety belt and ear protective equipment. Special training will be arranged separately for any other specific equipment.

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Lastly, to ensure our projects are undertaken in a safe manner, we regularly communicate with our subcontractors as to the hazards they currently confronted and the associated preventive measures. During the contract period, our safety manager arranges regular meetings with our subcontractors to discuss a variety of matters including the health and safety aspects of the project, so that our subcontractors understand such aspects of the project as well as our safety rules and procedures. We also assign safety officer(s) to each of the projects to monitor the daily safety matters and provide health and safety guidance to the subcontractors' employees. Our subcontractors are required to report to us if any accidents occur in the construction sites. We keep records of all accidents and report the same to our insurers accordingly.

In order to determine the compliance of implementation of our safety management system and its effectiveness in meeting our policy and objectives, safety audits and reviews are carried out at least once every six months in compliance with the Factory and Industrial Undertaking (Safety Management) Regulation. Such safety audits and reviews are conducted on (i) our principal subsidiaries which provide E&M engineering services, namely Far East Engineering, Majestic Engineering, Young's Engineering and Majestic Plumbing Engineers Limited; (ii) individual projects with a contract value of HK\$100 million or more; and (iii) individual projects having an aggregate of 100 or more workers working in a single construction site in a day. Our safety audits and reviews will examine our compliance with our safety plan and the statutory requirements. Recommendations were made to improve safety management, safety inspection and training programs which our Group has adopted and implemented for all subsidiaries of our Group.

We adopt well-documented safety plan and have qualified safety supervisors to monitor and implement the safety plan to ensure work safety of our staff and subcontractors' technicians. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues. Our safety manual adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at project sites.

Generally, the safety officer of the main contractor is responsible to (i) prepare and submit investigation report of any occupational accident happened at project site to Labour Department and the project employer; (ii) carry out safety review and improve safety measures, if necessary, to prevent similar accidents; and (iii) update the record of accident rate of the main contractor.

During the Track Record Period and up to the Latest Practicable Date, in relation to one fatal construction accident on construction site which took place on 11 October 2011, one of our subsidiaries, Majestic Engineering, had its registration status in the Primary Register of the Subcontractor Registration Scheme suspended for 3 months from 2 April 2013 and was also requested by the WBDB to voluntarily refrain from tendering public works for half year starting from 27 May 2013. Following the incident, we engaged an independent accredited safety auditor to conduct an independent safety audit for Majestic Engineering on 6 and 7 November 2013. An audit report was issued by the accredited safety auditor which concluded that the overall safety performance of Majestic Engineering was satisfactory. Several recommendations were made to us to improve the safety management system and site safety conditions which we have adopted and implemented. The sanction has been lifted and Majestic Engineering's tendering capacity for public works has been resumed since 27 November 2013.

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The table below shows the approximate number and contract value of tenders for public installation works (each with contract value over HK\$1 million) and public maintenance works, submitted by and contracts awarded to our Group, since the lifting of the tendering restriction on 27 November 2013 up to the Latest Practicable Date:

	Contract Value	Number
	<i>HK\$ (million)</i>	
Tenders submitted		
Public installation works	2,101	22
Public maintenance works	1,052	2,316
Total	3,153	2,338
Contracts awarded		
Public installation works	164	2
Public maintenance works	54	219
Total	218	221
Success rate (note)		
Public installation works	7.8%	9.1%
Public maintenance works	5.1%	9.5%
Total	6.9%	9.5%

Note: The tender success rate in respect of (i) public installation works; (ii) public maintenance works; and (iii) all public works, is an approximate percentage calculated by dividing the relevant number or value of tenders awarded by the relevant number or value of the contracts submitted during the relevant period.

Save as this suspension, we have not suffered from any removal, downgrading or demotion of our qualifications or licenses. The personal injury claim in respect of the fatal construction accident as mentioned above has been settled as at the Latest Practicable Date. Other than the fatal accident discussed above, there had been four incidents of non-compliance involving work safety during the Track Record Period, for which we were fined HK\$44,000 in aggregate during the Track Record Period. No accident had occurred in respect of such non-compliance incidents. One of such non-compliance incident occurred in August 2014 (subsequent to the implementation of the recommendations of the safety audit conducted in November 2013 by the Group) which involved Majestic Engineering failing to provide adequate steps to prevent person from falling from a height of 2 meters or more contrary to the Construction Site (Safety) Regulations (the “**2014 Incident**”). Our employees or the employees of our Group’s sub-contractors may be involved in accidents caused by common workplace issues resulting in injuries from time to time given the nature of our operations.

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During the Track Record Period, we had certain workplace accidents which resulted in injuries. During the years ended 30 June 2013, 2014 and 2015, we have recorded 16, 29 and 32 accidents, which involved our employees or our subcontractors' employees. The causes of the 77 accidents are as follow:

Cause of accident	Number of accidents
Burned by fire	1
Contact with moving machinery or object being machined	3
Contact with sharp object	4
Contact with stationary object	6
Debris entered into eye	4
Electrocuted	3
Fell from height	8
Injured while lifting or carrying	12
Lost balance and fell	9
Slipped and fell	12
Struck by object	8
Others	7
	77

In relation to the 77 accidents that took place during the Track Record Period, as at the Latest Practicable Date, to the best of the Directors' knowledge, there were eight litigation claims against us, which involved our employees or our subcontractors' employees, of which two were settled for a total amount of approximately HK\$0.8 million and six cases are currently outstanding. Of the six outstanding cases, there are (i) two personal injury claims with a total claim amount against us of approximately HK\$9.0 million; and (ii) four employees' compensation claims in which the total amount being claimed have yet to be assessed as they are at the initial stage, but each is subject to the jurisdiction of the District Court of HK\$1,000,000. The two personal injury claims with a total claim amount against us of approximately HK\$9.0 million involved personal injuries resulting in (i) neck and back injuries, suffered from a fall from structural steels; and (ii) burn injury over face, neck and bilateral upper limb and post-traumatic stress disorder with depression, suffered from an explosion which occurred during concrete excavation using an electric concrete breaker.

All claims (including both personal injury and employees' compensation), settled or outstanding as at the Latest Practicable Date, were or would be covered by insurance. The relevant personal injury claims against the Group under the common law in respect of the four employees' compensation claims have not been commenced. Therefore, those incidents may turn into common law personal injuries claims against the Group. Our Directors confirm that save as the accidents giving rise to the eight litigation claims as disclosed above, 35 potential claims have been settled at an amount of approximately HK\$2.6 million and all other accidents are either in pre-action negotiation stage or have not commenced negotiations. Nonetheless, our Directors confirm that such potential claims would be covered by our insurance policies and will be dealt with and handled by the insurers and their solicitors. Our Directors believe that we would not need to incur any unforeseeable additional material expenses associated with such potential claims.

For the years ended 30 June 2013, 2014 and 2015, our accident rates per 1,000 workers are 16.5, 21.9 and 25.5 and the fatality rates for each of the respective periods are nil. Our Group has not encountered any fatal construction accidents after the Track Record Period and up to the Latest

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Practicable Date. The accident rates per 1,000 workers of our Group as compared to the construction industry average in accordance with the Labour Department of the Hong Kong Government for the years ended 31 December 2012, 2013 and 2014 are as follow:

	For the year ended 31 December		
	2012	2013	2014
Accident rate of our Group	15.9	24.3	21.7
Accident rate of the construction industry	44.3	40.8	41.9

For the years ended 30 June 2013, 2014 and 2015, the lost-time injury frequency rate, which refers to the rate of workplace incidents resulting in an employee's inability to work the next full day, are 0.7, 0.9 and 1.1, respectively. Such lost-time injury frequency rate is calculated by the total number of accidents divided by the total working hours of the year and multiply by 100,000, where the total working hours for the year is calculated by the average number of workers multiplied by 8 hours, multiplied by 25 days and multiplied by 12 months. The increase in lost-time injury frequency rate during the Track Record Period is in line with the increase in accident rates per 1,000 workers as disclosed above. Having considered that our accident rates per 1,000 workers are lower than the industry average of approximately 41.9 in 2014, our Directors are of the view that our occupational health and safety management system is effective.

To maintain and improve the safety standard and reduce the re-occurrence of workplace accidents for our projects, we have taken or reinforced the following measures:

1. our safety supervisors have been communicating closely with the main contractors for the purposes of delivering 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 have performed regular site visits to project sites to ensure that all installation works are carried out in a safe manner;
4. our safety supervisors are responsible for monitoring work safety and they will report any accident to the main contractors;
5. our project management teams have distributed updated safety guidelines to our subcontractors in relation to the proper use of equipment and maintenance of safe workplaces; and
6. we have engaged independent safety consultants to carry out independent safety and health audits to examine previously established procedures on a regular basis to ensure that effective and adequate measures are taken to improve safety standard in order to reduce re-occurrence of workplace accidents.

Our Directors and the Sole Sponsor confirm that the construction accidents and the related claims as disclosed above would not have a material adverse impact on our operational and financial position as (i) all lawful compensations and relevant legal expenses arising out of the potential and actual claims would be covered by our insurance policies; and (ii) we have continuously improved our safety standards to reduce the re-occurrence of workplace accidents in relation to our projects.

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In relation to the 2014 Incident, taking into account that (i) our safety supervisors have performed regular site visits to ensure implementation of recommendations from the independent safety audits; (ii) our senior management regularly perform site safety inspections to enhance safety awareness of our workers in construction sites; (iii) the above incident occurred as a result of non-compliance by a construction worker who deviated from the nature of works specified in our established safety management system; (iv) our accident rate remained below the industry average for the two years ended 31 December 2014; and (v) we have not encountered any fatal construction accidents subsequent to November 2013 and up to the Latest Practicable Date, our Directors are of the view, and the Sole Sponsor concurs, that the safety measures adopted by us to improve the safety standard and reduce the re-occurrence of workplace accidents for our projects are adequate.

Anti-corruption compliance system

We have established and maintained an anti-corruption system through the implementation of various policies against corruption and fraudulent activities, including measures against receiving bribes and kickbacks. We have gradually and continuously enhanced and implemented policies and procedures designed to prevent corruption activities in our Group, which are set out as follows:

- We have adopted an anti-fraud and whistle-blowing policy and implemented procedures to handle complaints. We accept both named and anonymous complaints regarding corrupt and fraudulent business activities through our designated email and letter inbox which is only accessible by our internal audit department. Details of such policies are circulated to all internal parties such as our Directors, senior management and employees, and all external interested parties such as customers, suppliers and parties involved in the tendering process. If concerns regarding corrupt activities are raised, we will conduct investigations accordingly;
- To ensure a fair and transparent subletting process, all final tender awards are reviewed and confirmed by a subletting committee comprising of (i) Mr. Poon Lock Kee, Rocky, our chief executive officer and executive Director; (ii) Mr. Chan Ju Wai, our chief financial officer; (iii) Mr. Franki Mak, the deputy general manager of FSE Engineering; and (iv) the manager of the internal audit department of FSE Engineering, which are all parties independent of the project teams in charge of the tendering process and have no direct contact with suppliers and subcontractors;
- We have provided and will continue to provide anti-corruption compliance training periodically to our Directors, senior management and employees;
- To prevent our Directors, senior management or employees from engaging in bribery activities, we have also adopted financial internal controls to regulate the issue of cheques in an amount greater than HK\$200,000 which will require the approval of (i) Mr. Chan Ju Wai, our chief financial officer; and (ii) Ms. Leung Kit Ping Teresa, the deputy general manager of the finance department of FSE Engineering and director of Extensive Limited;
- We have adopted an internal code of conduct on the prevention of bribery and reminder notices are circulated to our senior management and employees.

Our Directors confirm that they are not aware of any corruption practice in relation to our Group and our Group was not involved in any bribery activities during the Track Record Period up to the Latest Practicable Date.

Illegal workers

We have established internal controls to prevent the employment of illegal workers in 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 permit issued by the main contractor and details of the relevant certificate issued upon completion of safety training courses required under the Factories and Industrial Undertakings Ordinance).
- Such work permit and certificate as described above 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 as described in the section headed “Business — E&M Engineering Projects — Subcontracting for E&M Engineering Segment — Principal terms of subcontracting agreements” include a term which states that subcontractors are prohibited from hiring illegal immigrants.

Our Directors confirm that they are not aware of any hiring of illegal workers in relation to our construction sites during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION MEASURES

In delivering our E&M engineering works, we aim to ensure that all services are conducted in an environmentally responsible manner. We believe that a successful environment management is important for us to meet customers’ demand in environment protection and to ensure healthy growth and sustainable development of our business. In this connection, we have set up environmental management system to promote environmental awareness and to prevent pollution of the environment.

Our environmental management system currently in place was accredited by HKQAA with ISO14001 certification. Some of our environmental protection measures include:

- determining what activities may result in significant impact to the environment and ensure that those significant environmental aspects are taken into account in establishing, implementing and maintaining our environmental management system;
- ensuring that we are committed to regulatory compliance and comply with industry best practices from an environmental perspective in undertaking our activities; and
- taking into consideration the legal and other requirements, the significant environmental aspects, technological, financial, operational and other business requirements when establishing and reviewing our environmental objectives so that they are consistent with a commitment to pollution prevention.

Our quality and safety department is responsible to ensure that our environmental management system is established, implemented and maintained. We also ensure that our subcontractors and their workers comply with our environmental protection policy on the basis of appropriate education, training and/or experience. In particular, we hold regular meetings with them to discuss environmental related issues during the course of a project. Further, environmental management system, operational

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control and compliance training are provided for our employees performing activities which can cause significant environmental impact so as to ensure compliance with the regulatory and internal requirements and to enhance their competencies.

In addition, we continuously observe the laws and regulations in relation to environmental protection in Hong Kong, Macau and the PRC. Prior to the commencement of work, we will assess the implications and requirements of the aforesaid ordinances and apply for necessary permits (if applicable) to conduct its work. During the Track Record Period and as at the Latest Practicable Date, there have been no material violations of applicable environmental laws and regulations.

LEGAL COMPLIANCE AND LITIGATION

As at the Latest Practicable Date, we have been in compliance in all material aspects with the applicable laws and regulations in all jurisdictions where we operate business and have obtained all necessary approvals, permits license, approvals and certificates that are material to our business operations from the relevant government authorities.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incident which is either a material impact non-compliance or systemic non-compliance in accordance with the interpretation of the Stock Exchange's Guidance Letter HKEx-GL63-13 as considered by the Directors. Please refer to the section headed "Business — Safety and Health" in this prospectus for certain incidents of non-compliance involving work safety by our Group during the Track Record Period.

Licences, Permits, Qualifications and Registrations

The following table sets forth details of our major licences, permits, qualifications and registrations:

<u>Licence/permit/ certifications</u>	<u>Granting/registration authority</u>	<u>Holding subsidiary</u>	<u>Major works permitted</u>	<u>Date of grant/ registration/certificate</u>	<u>Expiry date (where applicable)</u>
A. Hong Kong					
1. Registered Fire Service Installation Contractor (Class 1)	Fire Services Department	(1) Far East Engineering (2) Majestic Engineering (3) Tridant Engineering (4) Young's Engineering	Install, maintain, repair and inspect fire service installation or equipment which contains an electrical circuit or apparatus for detecting and warning of smoke or fire	Date of registration: (1) 8 September 1992 (2) 19 January 2004 (3) 3 September 1981 (4) 20 February 2001	Not applicable
2. Registered Fire Service Installation Contractor (Class 2)	Fire Services Department	(1) Far East Engineering (2) Majestic Engineering (3) Tridant Engineering (4) Young's Engineering	Install, maintain, repair and inspect fire service installation or equipment which contains pipes and fittings for carrying fire extinguishing medium or electrical apparatuses	Date of registration: (1) 5 March 1990 (2) 19 January 2004 (3) 3 September 1981 (4) 7 June 1976	Not applicable
3. Registered Fire Service Installation Contractor (Class 3)	Fire Services Department	(1) Far East Engineering <i>(Note 1)</i> (2) Majestic Engineering <i>(Note 1)</i>	Maintain, repair and inspect portable equipments for extinguishing, attacking, preventing or limiting fires	Date of registration: (1) 2 July 2002 (2) 23 August 2005	Not applicable
4. Registered Specialist Contractor (Sub-register of Ventilation Works Category)	Buildings Department	(1) Far East Engineering (2) Young's Engineering	Ventilating system works such as installation, inspection and testing of air-conditioning systems	Date of current certificate: (1) 6 August 2014 (2) 18 December 2014	(1) 18 August 2017 (2) 9 February 2018

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Licence/permit/ certifications	Granting/registration authority	Holding subsidiary	Major works permitted	Date of grant/ registration/certificate	Expiry date (where applicable)
5. Registered Minor Works Contractor	Buildings Department	(1) Far East Engineering (Type A: Class I, II & III, Type D: Class II & III; Type E: Class I, II & III) (2) Young's Engineering (Type A Class II & III; Type D Class II & III; Type E Class I, II & III)	Type A: Alteration and addition works such as erecting, altering and removing structures for air-conditioning units, water cooling towers and solar water heating systems, and repair of structural elements in accordance with their original design Type D: Drainage works such as addition, alteration, repair and/or removal of underground and aboveground drains, and replacement or removal of water tanks on building roofs Type E: Works relating to Structures for amenities such as erecting, altering and removing structures for air-conditioning units, water cooling towers and solar water heating systems	Date of current registration: (1) 5 July 2015 (2) 21 September 2015	(1) 5 July 2018 (2) 21 September 2018
6. Registered Electrical Contractor	Electrical and Mechanical Services Department	(1) Far East Engineering (2) Majestic Engineering (3) Tridant Engineering (4) Young's Engineering (5) Joneson (6) Environmental P&S	Works in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation	Date of current registration: (1) 18 April 2013 (2) 2 May 2013 (3) 18 April 2013 (4) 19 March 2013 (5) 2 September 2013 (6) 17 April 2013	(1) 17 May 2016 (2) 3 May 2016 (3) 30 May 2016 (4) 11 May 2016 (5) 22 September 2016 (6) 28 April 2016
7. Radioactive Substances License	Radiation Board	Far East Engineering	Import, convey and sell specified radioactive substances (i.e. Americium-241) in quantities not exceeding the levels as stated in the licence for sale to persons holding valid licences or exemption notifications for the possession of such radioactive substances	Date of current certificate: 8 July 2015	12 August 2016
8. Specialist Contractor for Air Conditioning Installation	WBDB	(1) Far East Engineering (Group I) (2) Young's Engineering (Group II)	Tendering and carrying out of public works contracts for the supply, installation and maintenance of air-conditioning installation, each with a contract value of up to HK\$5.7 million for Group I and with an unlimited contract value for Group II	Date of registration: (1) 13 October 1998 (2) 4 June 1976	Not applicable
9. Specialist Contractor for Electrical Installation	WBDB	(1) Far East Engineering (Group II — on probation (Note 2)) (2) Majestic Engineering (Group III)	Tendering and carrying out of public works contracts for the supply, installation and maintenance of low voltage electrical installation (comprising, among others, electricity distribution system and lighting fittings), each with a contract value of up to HK\$5.7 million for Group II (Note 2) and with an unlimited contract value for Group III	Date of registration: (1) 30 November 2004 (2) 25 June 1985	Not applicable

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<u>Licence/permit/ certifications</u>	<u>Granting/registration authority</u>	<u>Holding subsidiary</u>	<u>Major works permitted</u>	<u>Date of grant/ registration/certificate</u>	<u>Expiry date (where applicable)</u>
10. Specialist Contractor for Fire Service Installation	WBDB	(1) Far East Engineering (Group II) (2) Majestic Engineering (Group II)	Tendering and carrying out of public works contracts for the supply, installation and maintenance of fire services installation (comprising, among others, sprinkler system and fire alarm system), each with an unlimited contract value for Group II	Date of registration: (1) 8 May 2007 (2) 10 June 2015	Not applicable
11. Specialist Contractor for Fountain Installation	WBDB	Joneson	Tendering and carrying out of public works contracts for the installation and maintenance of equipment, piping and fittings for water treatment for fountain pool	Date of registration: 12 November 1998	Not applicable
12. Specialist Contractor for Industrial Type Electrical Installation	WBDB	Majestic Engineering	Tendering and carrying out of public works contracts for the supply, installation and maintenance of electrical installations that are of high voltage or in specialised locations (such as airport, highway, subway, sewage treatment plant and in industrial environment)	Date of registration: 9 February 2015	Not applicable
13. Specialist Contractor for Plumbing Installation	WBDB	Majestic Engineering (Group II — on probation (Note 3))	Tendering and carrying out of public works contracts for the construction, repair and maintenance of plumbing installations (such as installation of fresh and flush water pumps and pipework, water supply system for different applications, and fountain and swimming pool installation) each with an unlimited contract value for Group II (Note 3)	Date of registration: 14 November 2013	Not applicable
14. Specialist Contractor for Steam and Compressed Air Installation	WBDB	Young's Engineering	Tendering and carrying out of public works contracts for the supply, installation and maintenance of steam and compressed air installation (such as laundry equipment, boiler and steam distribution system)	Date of registration: 21 April 2006	Not applicable
15. Specialist Contractor for Supply and Installation of Pumpsets and Associated Pipework	WBDB	Young's Engineering	Tendering and carrying out of public works contracts for the supply, fabrication, installation and testing of pumpsets and associated pipeworks	Date of registration: 16 August 1991	Not applicable
16. Specialist Contractor for Supply and Installation of Water Treatment Plant	WBDB	Young's Engineering	Tendering and carrying out of public works contracts for 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	Date of registration: 30 December 1991	Not applicable

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<u>Licence/permit/ certifications</u>	<u>Granting/registration authority</u>	<u>Holding subsidiary</u>	<u>Major works permitted</u>	<u>Date of grant/ registration/certificate</u>	<u>Expiry date (where applicable)</u>
17. Listed Electrical Contractor of Housing Authority	Housing Authority	Majestic Engineering	Tendering/nomination and carrying out of the Housing Authority's work contracts/sub-contracts with unlimited contract value for the supply, installation and maintenance of electrical systems in residential, commercial and institutional buildings	Date of registration: 12 June 1996	Not applicable
18. Listed Fire Services and Water Pump Contractor of Housing Authority	Housing Authority	Far East Engineering	Tendering/nomination and carrying out of the Housing Authority's work contracts/sub-contracts with unlimited contract value for the supply, installation and maintenance of fire services and water pump systems	Date of registration: 12 January 2010	Not applicable
19. Registered Subcontractor	Construction Industry Council	Far East Engineering	Tendering and carrying out of public works sub-contracts under trade specialties encompassing electrical works, fire services installation works, HVAC works and other E&M works	Date of current registration: 21 July 2014	20 July 2016
20. Registered Subcontractor	Construction Industry Council	Majestic Engineering	Tendering and carrying out of public works sub-contracts under trade specialties encompassing electrical works, fire services installation works, water treatment works, plumbing and drainage works and other E&M works	Date of current registration: 21 July 2014	20 July 2016
21. Registered Subcontractor	Construction Industry Council	Young's Engineering	Tendering and carrying out of public works sub-contracts under trade specialties encompassing specified electrical works, fire services installation works, ventilation works, water treatment works and plumbing and drainage works	Date of current registration: 21 July 2014	20 July 2016
22. Registered Subcontractor	Construction Industry Council	Majestic Plumbing Engineers Limited	Tendering and carrying out of public works sub-contracts under trade specialties encompassing road drainage and sewer, plumbing and supply and installation of pumpsets and associated equipment	Date of current registration: 13 January 2015	12 January 2017
23. Registered Subcontractor	Construction Industry Council	Joneson	Tendering and carrying out of public works sub-contracts under trade specialties encompassing specified electrical works, plumbing and drainage works and water treatment works	Date of current registration: 12 August 2014	11 August 2016
24. Registered Subcontractor	Construction Industry Council	Environmental P&S	Tendering and carrying out of public works sub-contracts under the trade specialty encompassing waste water treatment works	Date of current registration: 3 May 2014	2 May 2016
25. Registered Waste Producer	Environmental Protection Department	Majestic Engineering	Production of spent mineral oil, waste containing chemicals, surplus paint and spent lubricating oil	Date of registration: 10 April 2014	Registration is an one-off requirement and not subject to renewal

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Licence/permit/ certifications	Granting/registration authority	Holding subsidiary	Major works permitted	Date of grant/ registration/certificate	Expiry date (where applicable)
26. Registered Waste Producer	Environmental Protection Department	Joneson	Production of spent lubricating oil	Date of registration: 24 October 2011	Registration is an one-off requirement and not subject to renewal
27. Licence to discharge industrial trade effluent	Environmental Protection Department	Joneson	Discharge of industrial trade effluent into communal foul sewer in the course of preparing chemicals	Date of current grant: 20 January 2012	30 November 2016
B. Macau					
28. Registered Contractor for Execution of Construction Works* (實施工程註冊)	Land, Public Works and Transport Bureau (DSSOPT)	(1) Far East Macao (2) Majestic Macao (3) Young's Macao	Execution of construction works in respect of licensed and approved projects	Date of current grant: (1) 27 January 2015 (2) 27 January 2015 (3) 27 January 2015	(1) 31 December 2015 (2) 31 December 2015 (3) 31 December 2015
29. Registered Contractor for Execution of Installation and Maintenance of Fire Preventive Systems* (實施防火安全系統工程註冊)	Land, Public Works and Transport Bureau (DSSOPT)	(1) Far East Macao (2) Majestic Macao	Execution of construction works to install and maintain fire preventive systems	Date of current grant: (1) 27 January 2015 (2) 27 January 2015	(1) 31 December 2015 (2) 31 December 2015
C. The PRC					
30. General Contracting Certificate for E&M Installation* (建築業企業資質證書 — 機電安裝工程施工總承包)	PRC Ministry of Construction (中華人民共和國建設部)	PRC Engine (Class I (壹級))	Execution of all kinds of E&M installation works for industrial applications, public utilities and public infrastructure (Note 4)	Date of current grant: 14 October 2014	Please see Note 5
31. Special Contracting Certificate for E&M Equipment Installation* (建築業企業資質證書 — 機電設備安裝工程專業承包)	(1) PRC Engine : PRC Ministry of Construction* (中華人民共和國建設部) (2) Young's Shanghai : Shanghai Urban-Rural Construction and Management Committee* (上海市城鄉建設和管理委員會) (3) Far East Hubei : Department of Housing and Urban-Rural Development of Hubei Province* (湖北省住房和城鄉建設廳)	(1) PRC Engine (Class I (壹級)) (2) Young's Shanghai (Class II (貳級)) (3) Far East Hubei (Class II (貳級))	Class I: Installation of equipment, wiring and piping for industrial, public and civil engineering projects; construction works for electricity transformer and distribution system not exceeding 35 kilovolts; and manufacture and installation of non-standard steel structures (Note 4) Class II: Installation of equipment, wiring and piping for industrial, public and civil engineering projects with contract value not exceeding RMB15 million each; construction works for electricity transformer and distribution system not exceeding 10 kilovolts; and manufacture and installation of non-standard steel structures (Note 4)	Date of current grant: (1) 14 October 2014 (2) 23 September 2013 (3) 24 February 2009	Please see Note 5

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Licence/permit/ certifications	Granting/registration authority	Holding subsidiary	Major works permitted	Date of grant/ registration/certificate	Expiry date (where applicable)
32. Special Contracting Certificate for Fire Safety Equipment Engineering Works* (建築業企業資質證書 — 消防設施工程專業承包)	(1) PRC Engine : PRC Ministry of Construction* (中華人民共和國建設部) (2) Young's Shanghai : Shanghai Urban-Rural Construction and Management Committee* (上海市城鄉建設和管理委員會) (3) Far East Hubei : Department of Housing and Urban-Rural Development of Hubei Province* (湖北省住房和城鄉建設廳)	(1) PRC Engine (Class I (壹級)) (2) Young's Shanghai (Class III (三級)) (3) Far East Hubei (Class III (三級))	Class I: Execution of all kinds of fire services system works (Note 4) Class III: Execution of fire services system works of housing construction with height not exceeding 24 metres and area not exceeding 25,000 sq.m. (Note 4)	Date of current grant: (1) 14 October 2014 (2) 14 May 2013 (3) 24 February 2009	Please see Note 5
33. Safety Production Permit (安全生產許可證)	(1) Beijing Committee for Housing and Urban-Rural Development* (北京市住房和城鄉建設委員會) (2) Shanghai Committee for Housing and Urban-Rural Development* (上海市城鄉建設和交通委員會) (3) Hubei Committee for Housing and Urban-Rural Development* (湖北省住房和城鄉建設廳)	(1) PRC Engine (2) Young's Shanghai (3) Far East Hubei	Execution of construction works	Date of current grant: (1) 30 December 2013 (2) 5 June 2014 (3) 20 October 2014	(1) 29 December 2016 (2) 4 June 2017 (3) 22 September 2017

Notes:

- (1) Only an individual may register as a Fire Service Installation Contractor in Class 3. As at the Latest Practicable Date, 1 employee of Far East Engineering and 1 employee of Majestic Engineering were Registered Fire Service Installation Contractor (Class 3).
- (2) Specialist Contractors for Electrical Installation on probation to Group II are eligible for the award of any number of Group I contracts/subcontracts (the contract sum of each not exceeding HK\$2.3 million) and a maximum of two Group II contracts/subcontracts.
- (3) Specialist Contractors for Plumbing Installation on probation to Group II are eligible for the award of any number of Group I contracts/subcontracts (the contract sum of each not exceeding HK\$2.3 million) and a maximum of two Group II contracts/subcontracts the total value of which not exceeding HK\$8.2 million.
- (4) Under Article 15 of the Regulations for the Administration of Foreign-funded Construction Enterprises* (外商投資建築業企業管理規定) issued in 2002 and as supplemented by the Supplementary Provisions of the Provisions on the Administration of Foreign-funded Construction Enterprises (《外商投資建築業企業管理規定》的補充規定) issued in 2003, each of PRC Engine, Far East Hubei and Young's Shanghai, as a wholly foreign-owned construction enterprise* (外資建築業企業), shall only contract for works permitted under the corresponding class of its qualification certificate in (a) construction projects invested exclusively by foreign investments and/or foreign grants; (b) construction projects financed by international financial institutions and awarded through international bidding (carried out in accordance with the terms of the corresponding loan financing); (c) sino-foreign joint construction projects (i) with not less than 50% foreign investment; or (ii) with less than 50% foreign investment that could not be independently implemented by domestic-

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invested construction enterprises due to technical difficulties and approved by the relevant PRC construction department; and (d) construction projects funded by PRC investments but could not be independently carried out by domestic-invested construction enterprises due to technological difficulties.

- (5) Pursuant to the Implementation Opinions on Administration Rules on Certification of Construction Enterprises and Standard for Certification* (《建築業企業資質管理規定和資質標準實施意見》) effective since March 2015 and the Notice on Problems relating to the Certification of Construction Enterprises issued by the Ministry of Housing and Urban-Rural Development of the PRC* (《住房城鄉建設部關於建築業企業資質管理有關問題的通知》) effective since 9 October 2015, holders of existing construction enterprise certificates shall apply for and obtain new-version qualification certificates prior to 30 June 2016. Existing qualification certificates shall become ineffective from 1 July 2016. Please refer to the paragraph headed “People’s Republic of China — Laws and Regulations relating to the Industry” in the “Regulatory Overview” for further information.

In relation to our licences, permits, qualifications and registrations that are subject to periodic review and renewal, each of our respective holding subsidiaries maintained a list recording details of such licences, permits, qualifications and registrations obtained, including their expiry dates and renewal requirements. Administrative staff had also been assigned to attend to and inform our management in a timely manner of any amendments to renewal requirements as notified by relevant granting or registration authorities. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any refusal of renewal of our licences, permits, qualifications and registrations that are necessary for our business operations.

Employees’ certificates and licences

Some of our employees possess the Certificate for Mandatory Basic Safety Training Course for Construction Industry (commonly known as the “Green Card”), Certificate for Person Working on Suspended Working Platform, Certificate of Certified Worker for Working in Confined Space, for certain types of work as required under the Factories and Industrial Undertakings Ordinance. As for the first three licences mentioned above, the licence holder may renew his licence by submitting a form and pay a renewal fee if the licence is due to expire within the next 6 months or has expired within the past 3 months. The applicant will also be required to take a one day course and an exam. Upon passing the exam, the relevant institution will issue the relevant renewed licence to the applicant.

To comply with the Minor Works Regulation, as at the Latest Practicable Date, details of our technical directors (“TD”) and authorised signatory (“AS”) were as follows:

Registered minor contractor	No. of TD		
Far East Engineering			1
Young’s Engineering			1
Far East Engineering:			
	No. of AS (note)		
	Class I	Class II	Class III
Type A	2	6	6
Type D		6	6
Type E	2	6	6

Note: Far East Engineering has altogether 6 AS appointed by us. The numbers above are the number of persons out of the 6 AS appointed.

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Young's Engineering:

	No. of AS <i>(note)</i>		
	Class I	Class II	Class III
Type A		4	4
Type D		4	4
Type E	2	4	4

Note: Young's Engineering has altogether 4 AS appointed by us. The numbers above are the number of persons out of the 4 AS appointed.

Legal Proceedings

From time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business that are common for our service industry. In carrying out its ordinary course of business, the Group is 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 the legal proceedings initiated against our Group generally include (i) claims for employees' compensation by the Group's employees; (ii) claims for personal injury caused by the negligence of the Group and (iii) claims for arrears of wages payable by our sub-contractors to workers employed by them and claims for arrears of interim payment claimed by our subcontractors due to dispute in valuation of works.

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations and, so far as the Directors are aware, no such litigation, arbitration or claim is pending or threatened against any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Their identities

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the following persons are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company and are therefore regarded as our Controlling Shareholders:

<u>Name</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares (Note 1)</u>	<u>Approximate percentage of shareholding</u>
FSE Holdings	Beneficial owner (Note 1)	337,500,000	75%
Sino Spring Global	Interest of controlled corporation (Note 1 and 2)	337,500,000	75%
Mr. Doo	Interest of controlled corporation (Note 1 and 2)	337,500,000	75%

Notes:

- (1) These Shares are registered in the name of FSE Holdings, an investment holding company incorporated in the Cayman Islands which is beneficially owned as to 63% by Sino Spring Global, 9% by Frontier Star, 5% by Master Empire Group, 4% by Supreme Win Enterprises, 18% by Dr. Henry Cheng (through CTF Nominee) and 1% by Lagoon Treasure. By virtue of the SFO, Sino Spring Global is deemed to be interested in all Shares held by FSE Holdings.
- (2) Sino Spring Global is an investment holding company incorporated on 3 January 2014 in the BVI with limited liability and is wholly owned by Mr. Doo. By virtue of the SFO, Mr. Doo is deemed to be interested in the Shares in which Sino Spring Global is interested.

Their background

Sino Spring Global is an investment vehicle of Mr. Doo solely for the purpose of holding shares in FSE Holdings and does not have any business operation.

FSE Holdings is an investment holding company with various businesses conducted through the Non-listing Group.

Mr. Doo is the chairman of Fung Seng Enterprises Holdings Limited. He is also appointed as the vice-chairman and non-executive director of New World Development Company Limited in July 2013. Mr. Doo is a non-executive director of Lifestyle International Holdings Limited and an independent non-executive director of The Bank of East Asia, Limited and Shanghai Industrial Urban Development Group Limited, all being listed public companies in Hong Kong. Mr. Doo was the vice-chairman and non-executive director of New World China Land Limited and the deputy chairman and non-executive director of NWS Holdings Limited up to his resignation on 1 July 2013. Mr. Doo is a Justice of the Peace appointed by the Hong Kong Government. He is also a National Committee Member of the Twelfth Chinese People's Political Consultative Conference of the PRC, the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau, and a Governor of the Canadian Chamber of Commerce in Hong Kong. He was awarded the Chevalier de la Légion d'Honneur by the Republic of France in 2008. He is the father of Mr. Doo Junior, our executive Director and the brother-in-law of Dr. Henry Cheng, our chairman and non-executive Director. Mr. Doo's spouse is a cousin of the spouse of Mr. Poon Lock Kee, Rocky, our chief executive officer and executive Director.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, the principal businesses carried on by the Non-listing Group and other companies of Mr. Doo were as follows:

Non-listing Group

<u>Business</u>	<u>Principal businesses</u>	<u>Principal region of operation</u>
1. Cleaning	<ul style="list-style-type: none"> ● General cleaning and waste management and disposal ● External wall and window cleaning ● Pest control ● Clinical waste management ● Hotel housekeeping services and office support services 	Hong Kong
2. Insurance consultancy and brokerage	<ul style="list-style-type: none"> ● International risk and insurance management consultancy services ● Reinsurance brokerage 	Hong Kong, Macau and the PRC
3. Landscaping	<ul style="list-style-type: none"> ● Landscape design, construction and maintenance ● Sale and rental of plants and maintenance for landscaping and decoration use 	Hong Kong and the PRC
4. Laundry	<ul style="list-style-type: none"> ● Laundry, dry cleaning and linen management 	Hong Kong
5. Property and facility management services	<ul style="list-style-type: none"> ● Property management ● Facility management 	Hong Kong
6. Security and guarding services	<ul style="list-style-type: none"> ● Security guarding ● Escort & surveillance security ● Design, installation, maintenance and repairing of security device and security system 	Hong Kong

Other companies of Mr. Doo

7. Property investment	<ul style="list-style-type: none"> ● Property investment and management ● Business management ● Consultancy services 	Hong Kong and overseas
8. Rental services	<ul style="list-style-type: none"> ● Providing rental services 	Hong Kong
9. Hotel investment	<ul style="list-style-type: none"> ● Investment in and operation of hotels and hotels related businesses 	Overseas
10. Jewellery	<ul style="list-style-type: none"> ● Retail of jewellery 	Overseas

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

The section headed “Connected transactions” of this prospectus sets out details of certain connected transactions that we have entered and will continue to enter into with the Non-listing Group and other companies in which Mr. Doo has interest respectively.

Having considered the following factors, our Directors consider that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates following the Listing:

Clear delineation of our businesses

We are principally engaged in the businesses of E&M Engineering services and environmental engineering services. Our businesses are distinctly different from the businesses carried on by our Controlling Shareholders and their respective close associates as disclosed above and do not compete with each other.

Operational independence

We are operating our businesses independently of our Controlling Shareholders and their respective close associates as:

- our major operating subsidiaries have obtained all relevant licences that are necessary for their operations in their own names;
- our Company has its own management team which is independent of our Controlling Shareholders. Please refer to the sub-paragraph headed “Management independence” below in this section for further elaboration on this factor;
- we have our own divisional and functional teams and facilities for each of our operating business segments, and each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our businesses; and
- we have independent access to our major suppliers and none of our Controlling Shareholders and their respective close associates are major suppliers or intermediaries for our Group’s supplies.

Financial independence

Our Board believes that our Group is able to operate financially independently from our Controlling Shareholders and their respective close associates as:

- as at the Latest Practicable Date, we had no amounts due to or from, and we have no borrowed moneys which were secured by securities and/or guarantees provided by our Controlling Shareholders and their respective close associates;
- we have our own accounting and financial department and independent financial system and make our financial decisions independently according to our own business and operation needs;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- our finance operations are handled by our finance department, which operates independently from our Controlling Shareholders and their respective close associates, and does not share any other functions or resources with our Controlling Shareholders or their associates;
- we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; as at the Latest Practicable Date, none of our bank loans were guaranteed by our Controlling Shareholders or their respective close associates (excluding our Group); and
- we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their respective close associates.

Management independence

The table below sets out the positions held by our Directors in our Controlling Shareholders and their respective close associates:

<u>Name</u>	<u>Sino Spring Global</u>	<u>FSE Holdings</u>	<u>Other members of the Non- listing Group</u>	<u>Other companies in which Mr. Doo has interest (excluding our Group and the Non-listing Group)</u>
Our executive Directors				
Mr. Doo Junior	X	Director	Director	Director
Mr. Wong	X	Director	Director	X
Mr. Poon Lock Kee, Rocky	X	X	Director	X
Mr. Lee	X	X	Director	X
Mr. Soon Kweong Wah	X	X	X	X
Our non-executive Director				
Dr. Henry Cheng	X	X	X	X

Note: the sign "x" means no directorship

Our independent non-executive Directors and senior management do not hold any positions in our Controlling Shareholders or their respective close associates.

Despite disclosed above, we have management independence from our Controlling Shareholders and their respective close associates as:

- the positions held by Mr. Doo Junior, Mr. Wong, Mr. Poon Lock Kee, Rocky and Mr. Lee in our Controlling Shareholders and their respective close associates do not require them to devote substantial time and attention but only to provide and give strategic advice and planning as and when needed and therefore will not affect the proper discharge and performance of their functions and duties towards our Group;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- our Board comprises nine Directors, of whom five are executive Directors, one is non-executive Director and three are independent non-executive Directors. With the appointment of independent non-executive Directors to our Board, we maintain and will continue to maintain a balanced composition of executive and non-executive Directors with diversified expertise and experience, so that a strong independent element is present to effectively exercise independent judgment on the corporate actions of our Company and make decisions after due consideration of independent and impartial opinions and views of our independent non-executive Directors;
- our Board is assisted and supported by our senior management in the discharge of its role. Our senior management comprises seven members, and they are independent from our Controlling Shareholders and their respective close associates. Our senior management is responsible for the daily management and operations of our Group and the implementation of our business plan and strategy as laid down by our Board. The day-to-day management and operations of our Group are managed and operated independently from our Controlling Shareholders and their respective close associates;
- the management, operation and affairs of our Group are headed, managed and supervised independently by our Board and not by any individual Director. Our Board acts collectively by a majority decision according to the Articles, and no individual Director is allowed to transact or can alone make any decision on behalf of our Company unless authorised by our Board or in accordance with the provisions of the Articles and the Companies Law. Any view of a Director will be checked and balanced by the view of other members of our Board;
- our Directors are under fiduciary duties to act for the benefit and in the best interests of our Company and not for their personal interest, and no individual Director can alone transact or make any decision for and on behalf of our Company for his personal interest;
- pursuant to the terms of the service contracts entered into between our Company and our executive Directors, every executive Director is required to devote sufficient time, attention and abilities during normal business hours and such additional time as may reasonably be requisite to our Group;
- in the event that a Director has a conflict of interest in or arising out of any transaction to be considered and approved by our Board, the interested Director must abstain from voting at the relevant meeting of our Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the Listing Rules. The independence of our Board's decisions in respect of any matters in which any of our Directors has a potential conflict of interest is and can be ensured;
- our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Each of our Directors is fully aware of his fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the Articles and/or the Listing Rules; and
- under the Articles and the Listing Rules, our Directors must abstain from voting on any resolutions of our Board in respect of any contracts or arrangements or proposal in which they or any of their respective close associates have a material interest and shall not be counted towards the quorum of such Board meeting. The independence of our Board's decisions in respect of any matters in which any of our Directors has a material interest is and can be ensured.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

On the basis of the aforesaid, our Directors believe that we operate independently of our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the corporate governance measures with the following principles to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on the decision-making process of our Board and provide independent advice to our Shareholders;
- our Controlling Shareholders have undertaken to provide all information necessary to our Company for the annual review by our independent non-executive Directors;
- our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests and shall not be counted towards the quorum for voting pursuant to the Articles and/or the Listing Rules.

COMPETITION

Undertakings given by our Controlling Shareholders

Each of our Controlling Shareholders has confirmed that none of them or their respective close associates is engaged in, or interested in any businesses (other than those of our Group) which, directly or indirectly, compete or may compete with our businesses. To protect our Group from any potential competition, our Controlling Shareholders (collectively, the “**Covenantors**”) have given non-compete undertakings (the “**Non-Compete Undertakings**”) in favour of our Company pursuant to which the Covenantors have, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the businesses currently and from time to time engaged by our Group (including the provision of E&M engineering services and ancillary building materials trading and retail, and environmental engineering services) in Hong Kong and/or Macau and/or the PRC or any other country or jurisdiction in or to which our Group carries on business mentioned above from time to time (the “**Restricted Activity**”);
- (ii) not solicit any then existing employee of our Group for employment by it/him or its/his close associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the businesses of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vi) procure its/his close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i), (v) and (vi) are subject to the exception that any of the close associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors (“INEDs”)) without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The Non-Compete Undertakings will become effective conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which the Covenantors and their close associates (whether individually or taken as a whole) cease to own 30% or more of the then issued share capital of our Company (whether directly or indirectly) or cease to be considered as our Controlling Shareholders; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

Each of the Covenantors has undertaken in favour of our Company under the Non-Compete Undertakings that it or he shall provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Compete Undertakings by the Covenantors.

The independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Non-Compete Undertakings (in particular, the right of first refusal relating to any new business opportunity that relates to the Restricted Activity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with the enforcement of Non-Compete Undertakings in our annual report or by way of announcement to the public.

CONNECTED TRANSACTIONS

OUR CONNECTED PERSONS

Dr. Henry Cheng, our chairman, is also our non-executive Director and is therefore our connected person. Dr. Henry Cheng is also the brother-in-law of Mr. Doo (one of our Controlling Shareholders), the uncle of Mr. Doo Junior (our executive Director) and is also the cousin of the spouse of Mr. Poon Lock Kee, Rocky (our chief executive officer and executive Director). The NWD Group, the NWS Group, the NWDS Group, the NWCL Group and the CTF Jewellery Group, our long standing customers, are the family businesses of Dr. Henry Cheng. To echo the policy of the Stock Exchange to enhance minority shareholders' protection, we have treated members of each of these groups of companies as our connected persons.

The Doo's Associates Group are companies, other than members of our Group and the Fung Seng Group, in which Mr. Doo, his "immediate family members" and "family members" (as defined in the Listing Rules), individually or together, are entitled to exercise or control the exercise of 30% or more of the voting power at their respective general meetings or to control the composition of a majority of their respective boards of directors and the subsidiaries of such companies, including the Non-listing Group ("**Doo's Associates Group**"). Members of the Doo's Associates Group are therefore our connected persons.

The Fung Seng Group comprises Fung Seng Enterprises Limited ("**Fung Seng**") and its subsidiaries from time to time ("**Fung Seng Group**"). Fung Seng is a company wholly-owned by Mr. Doo indirectly. Members of the Fung Seng Group are therefore our connected persons.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately following the Listing, we will have certain ongoing transactions with our connected persons which can be classified into the following two broad categories of non-exempt continuing connected transactions (collectively, the "**Non-exempt CCTs**"):

1. those that are exempt from independent shareholders' approval requirement but subject to the reporting, announcement and annual review requirements as "de minimis transactions" under Rule 14A.76(2) of the Listing Rules (the "**Non-exempt CCTs Not Requiring Independent Approval**"); and
2. those that are subject to the reporting, announcement, annual review and independent shareholders' approval requirements of Chapter 14A of the Listing Rules (the "**Non-exempt CCTs Requiring Independent Approval**").

The Non-exempt CCTs are mainly related to the provision of our services to our connected persons and our leasing of premises from our connected persons.

During the Track Record Period, our gross profit margins in respect of the Non-exempt CCTs in relation to the provision of our services to our connected persons were comparable to those in respect of projects undertaken by us for customers, who are Independent Third Parties.

CONNECTED TRANSACTIONS

Non-exempt CCTs Not Requiring Independent Approval

<u>Counterparty</u>	<u>NWDS Group</u>		<u>Doo's Associates Group</u>		<u>Fung Seng Group</u>	
Master services agreement date	20 November 2015		20 November 2015		20 November 2015	
Main types of our services provided or to be provided to the counterparty	<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) 		<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) ● Environmental services 		<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) 	
Main types of services provided or to be provided by the counterparty	<ul style="list-style-type: none"> ● Property leasing services 		<ul style="list-style-type: none"> ● Property leasing services ● Sundry services including cleaning and landscaping, laundry, property and facility management, security and guarding 		<ul style="list-style-type: none"> ● Property leasing services 	
Historical annual transaction amounts (HK\$ million) (note)	Paid to us	Paid by us	Paid to us	Paid by us	Paid to us	Paid by us
FY 2013	Nil	Nil	149.79	0.02	Nil	Nil
FY 2014	Nil	0.08	59.80	0.03	Nil	Nil
FY 2015	26.23	0.19	37.87	0.02	0.10	4.44
Annual caps (HK\$ million) (note)	Paid to us	Paid by us	Paid to us	Paid by us	Paid to us	Paid by us
FY 2016	30.00	0.20	50.00	3.00	Nil	4.44
FY 2017	20.00	0.20	60.00	5.00	Nil	5.00
FY 2018	na	na	53.00	5.00	Nil	5.00

Bases of the annual caps We determined the above annual caps based on the following major factors and assumptions:

In relation to our services to each of the counterparties:

- the existing projects in progress;
- the potential projects that we may be undertaking assuming that we are able to secure them;

We have set out the amounts of contracts on hand and potential contracts for each Non-exempt CCT in the paragraphs headed "NON-EXEMPT CCTS NOT REQUIRING INDEPENDENT APPROVAL" and "NON-EXEMPT CCTS REQUIRING INDEPENDENT APPROVAL" of this section to provide you with further details of the justifications on which we set the proposed annual caps to each Non-exempt CCT in relation to services provided by us to the counterparties.

- the historical annual amount;
- our business growth;
- the estimated future demand of the counterparty for our services based on the outlook of the business sectors in which it is engaged; and
- the expected increase in our costs taking into account various factors like inflation and expected costs increase.

In relation to services from the counterparties:

- property leasing services by the counterparties: the existing rentals paid by us under the existing lease agreements, the expected rentals as may be paid by us at the time of entering into new lease agreements or renewing existing lease agreements taking into account the current rentals and expected market rentals of similar properties, and our demand in floor spaces for our offices, warehouses, car parking spaces and other business uses to cope with our business growth;
- sundry services: the historical annual amount, our expected quantity of such services to cope with our business need and growth, and the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation; and

Waiver sought Announcement requirement under Rule 14A.35 of the Listing Rules

Note: To the nearest two decimal places.

CONNECTED TRANSACTIONS

Non-exempt CCTs Requiring Independent Approval

Counterparty	NWS Group		NWCL Group		CTF Jewellery Group		NWD Group	
Master services agreement date	20 November 2015		20 November 2015		20 November 2015		20 November 2015	
Main types of our services provided or to be provided to the counterparty	<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) ● Environmental services 		<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) 		<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) 		<ul style="list-style-type: none"> ● E&M engineering services (including supply of building materials) ● Environmental services 	
Main types of services provided or to be provided by the counterparty	<ul style="list-style-type: none"> ● Builder's work services 		<ul style="list-style-type: none"> ● property leasing services 		<ul style="list-style-type: none"> ● None 		<ul style="list-style-type: none"> ● Property leasing services 	
Historical annual transaction amounts (HK\$ million) (note)	Paid to us	Paid by us	Paid to us	Paid by us	Paid to us	Paid by us	Paid to us	Paid by us
FY 2013	596.56	5.87	54.60	0.17	5.97	Nil	74.51	0.02
FY 2014	739.35	2.30	70.63	0.12	1.53	Nil	94.54	0.01
FY 2015	599.92	2.06	28.69	Nil	7.00	Nil	50.19	Nil
Annual caps (HK\$ million) (note)	Paid to us	Paid by us	Paid to us	Paid by us	Paid to us	Paid by us	Paid to us	Paid by us
FY 2016	1,400.00	Nil	210.00	0.80	75.00	Nil	57.00	0.60
FY 2017	1,600.00	Nil	210.00	0.80	61.00	Nil	65.00	0.60
FY 2018	na	na	na	na	90.00	Nil	na	na

Bases of the annual caps We determined the above annual caps based on the following major factors and assumptions:

In relation to our services to each of the counterparties:

- the existing projects in progress;
- the potential projects that we may be undertaking assuming that we are able to secure them;

We have set out the amounts of contracts on hand and potential contracts for each Non-exempt CCT in the paragraphs headed "NON-EXEMPT CCTS NOT REQUIRING INDEPENDENT APPROVAL" and "NON-EXEMPT CCTS REQUIRING INDEPENDENT APPROVAL" of this section to provide you with further details of the justifications on which we set the proposed annual caps to each Non-exempt CCT in relation to services provided by us to the counterparties.

- the historical annual amount;
- the business growth of our Group;
- the estimated future demand of the counterparty for our services based on the outlook of the business sectors in which it is engaged; and
- the expected increase in our costs taking into account various factors like inflation and expected costs increase.

In relation to services from the counterparties:

- property leasing services provided by the counterparties: the existing rentals paid by us under the existing lease agreements, the expected rentals as may be paid by us at the time of entering into new lease agreements or renewing existing lease agreements taking into account the current rentals and expected market rentals of similar properties, and our demand in floor spaces for our offices, warehouses, car parking spaces and other business uses to cope with our business growth.

Waiver sought Announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 respectively of the Listing Rules

Note: To the nearest two decimal places.

CONNECTED TRANSACTIONS

Pricing

In general, on arm's length basis and at prices and on terms that are:

1. in relation to services provided by us to counterparties, no less favourable to us than those we offered to independent third parties; and
2. in relation to services provided by counterparties to us, fair and reasonable and comparable to those offered to us by independent third parties.

Services provided by us to the counterparties

We will adopt and follow our pricing policy and procedures, which apply to our transactions with independent customers as well as connected persons, in setting our contract price and terms with the counterparties who are our connected persons.

Our E&M engineering services:

- In essence, the tender prices and terms of our E&M engineering services are project specific and will be at a fixed monetary amount and on terms assessed by our contract managers, reviewed and approved by our project director in charge of the project in accordance with our approved pricing policy taking into account factors like the nature and complexity of the project, the estimate of our costs and expenses, the requirements of the employer or main contractor.
- In case we undertake any non-tendering contracts of our E&M engineering services, our contract sum and terms will be assessed and determined by adopting the same pricing policy and procedures as in the determination of our tender price.
- For other services provided by us as part of our E&M engineering services, which are mainly in respect of the supply of E&M engineering equipment and building materials, our contract sums will be at a fixed monetary amount based primarily on our purchase costs with a reasonable mark-up and on terms assessed on our standard terms in general.

Our environmental services:

- In essence, our contract sum and terms will be at a fixed monetary amount and on terms assessed by our managers, reviewed and approved by our general manager taking into account factors like the nature and complexity of the project, our estimated costs and expenses, and the requirements of the property owner or main contractor.

Services provided by the counterparties to us

We will adopt and follow our price comparison procedures, which apply to our transactions with independent customers as well as connected persons, in the negotiation of our contract price and terms.

Property leasing services provided by the counterparty:

- The existing rental paid by us under each existing lease agreement was determined by reference to the market rental of the property concerned current at or close to the lease commencement date.

CONNECTED TRANSACTIONS

- The rental payable by us under each new lease agreement, whether or not in relation to property currently leased by us from the counterparty, will be determined by reference to the market rental of the property concerned current at or close to the lease commencement date by reference to rentals comparable of similar properties obtained from independent property agencies.

Sundry services provided by the counterparty:

- Comparables of a sufficient number of fee quotations will be obtained by us from other independent service providers upon which the fairness and reasonableness of the price and terms as may be offered by the counterparty can be compared and assessed by us in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the counterparty as compared to independent service providers.

NON-EXEMPT CCTS NOT REQUIRING INDEPENDENT APPROVAL

A1. The NWDS CCTs — NWDS Master Services Agreement

Parties to the transactions:

The NWDS Group and our Group.

Nature and description of the transactions:

The NWDS Group, which is principally engaged in department store operations, has been one of our long standing clients to which we have provided our E&M engineering services mainly as its sub-contractors as well as our environmental services.

We have entered or will enter into various transactions with the NWDS Group (the “**NWDS CCTs**”) in relation to:

- the provision of our E&M engineering services (including building materials trading services) to the NWDS Group; and
- the provision of property leasing services by the NWDS Group to our Group for the leasing of office premises to our Group.

The NWDS CCTs have been and will be entered into in the ordinary and usual course of our Group’s businesses and are on normal commercial terms.

DTZ Debenham Tie Leung Limited, our independent property valuer, has confirmed that in relation to the lease agreement in relation to the leasing of premises by the NWDS Group to our Group that was subsisting as at the Latest Practicable Date:

- the terms and conditions are on normal commercial terms and are fair and reasonable; and
- the rental payable by us is at market rent for similar property.

CONNECTED TRANSACTIONS

Master Services Agreement with NWDS

To streamline the NWDS CCTs between the two groups, our Company entered into an agreement (the “**NWDS Master Services Agreement**”) with NWDS on 20 November 2015 to supplement the previous master services agreement entered into between Mr. Doo and NWDS on 11 April 2014 in relation to the NWDS CCTs on the one hand and other transactions between the NWDS Group and companies, which are not members of our Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWDS Master Services Agreement provides a master framework agreement to streamline the NWDS CCTs by providing a master framework of terms upon and to which the individual agreement for each NWDS CCT is to be entered into and subject. In essence, the NWDS CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWDS Master Services Agreement is for a fixed term commencing from the date of the NWDS Master Services Agreement and up to 30 June 2017.

Historical transaction amounts:

	Approximate aggregate transaction amount for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	Nil	Nil	26,233,000
Paid by our Group	Nil	77,000	185,000

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the NWDS CCTs for each of the following coming years:

	Annual cap for the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	30,000,000	20,000,000
Paid by our Group	200,000	200,000

Note: The bases of the annual caps are set out in the table under the sub-paragraph headed “Non-exempt CCTs Not Requiring Independent Approval” above.

The above annual caps (for the provision of services by us to the NWDS Group and provision of property leasing services by the NWDS Group to us) are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Not Requiring Independent Approval” of this section.

CONNECTED TRANSACTIONS

The above annual caps of HK\$200,000 and HK\$200,000 for the two years ending 30 June 2017 to the provision of property leasing services by the NWDS Group to us are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Not Requiring Independent Approval” of this section. In essence, in setting the annual caps, we have based on the expected rentals as may be paid by us at the time of entering into of the new lease agreements or renewing the existing lease agreements, taking into account the current rentals and expected market rentals of similar properties, and our demand in floor spaces for our office premises, warehouses, car parking spaces and other business uses to cope with our business growth.

To provide you with further details of our justifications on which we set the above annual caps, we set out below the amounts of the contracts on hand as at the Latest Practicable Date and the potential contracts in relation to the provision of services by us to the NWDS Group under the NWDS CCTs as follows:

	For the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Contracts on hand	10,802,000	Nil
Potential contracts	19,198,000	20,000,000
Total:	30,000,000	20,000,000

The amounts of the potential contracts in relation to the provision of our services to the NWDS Group are principally based on (i) the estimated future demand of the project of the NWDS Group for our services in connection with the construction of a new department store in Shiyan City, Hubei Province in the PRC; (ii) the estimated development or delivery schedule of this project; and (iii) the estimated extent, scope and volume of services as may be required from us in connection with this project.

A2. The Doo’s Associates Group CCTs - Doo’s Associates Group Master Services Agreement

Parties to the transactions:

The Doo’s Associates Group and our Group.

Nature and description of the transactions:

The Doo’s Associates Group, which is principally engaged in cleaning, insurance consultancy and brokerage, landscaping, laundry, property and facility management, security and guarding, has been one of our long standing clients to which we have provided our E&M engineering services mainly as its sub-contractors as well as our environmental services.

We have entered or will enter into various transactions with the Doo’s Associates Group (the “**Doo’s Associates Group CCTs**”) in relation to:

- the provision of our E&M engineering services (including building materials trading services) and environmental services to the Doo’s Associates Group; and
- the provision of property leasing services and sundry services including cleaning and landscaping, laundry, property and facility management, security and guarding services by the Doo’s Associates Group to our Group.

CONNECTED TRANSACTIONS

The Doo's Associates Group CCTs have been and will be entered into in the ordinary and usual course of our Group's businesses and are on normal commercial terms.

Master Services Agreement with FSE Management

To streamline the Doo's Associates Group CCTs between the two groups, our Company entered into an agreement (the "**Doo's Associates Group Master Services Agreement**") with FSE Management on 20 November 2015.

The Doo's Associates Group Master Services Agreement provides a master framework agreement to streamline the Doo's Associates Group CCTs by providing a master framework of terms upon and to which the individual agreement for each Doo's Associates Group CCT is to be entered into and subject. In essence, the Doo's Associates Group CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The Doo's Associates Group Master Services Agreement is for a fixed term commencing from the date of the Doo's Associates Group Master Services Agreement up to 30 June 2018.

Historical transaction amounts:

	Approximate aggregate transaction amount for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	149,791,000	59,802,000	37,873,000
Paid by our Group	21,000	29,000	20,000

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the Doo's Associates Group CCTs for each of the following coming years:

	Annual cap (Note 1) for the year ending 30 June		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	50,000,000	60,000,000	53,000,000
Paid by our Group (Note 2)	3,000,000	5,000,000	5,000,000

Notes:

1. The bases of the annual caps are set out in the table under the sub-paragraph headed "Non-exempt CCTs Not Requiring Independent Approval" above.
2. The annual caps comprise the amounts for the three years ending 30 June 2018 for (i) the provision of property leasing services (which are estimated to be approximately HK\$2.4 million, HK\$4.1 million and HK\$4.1 million respectively) and (ii) the provision of sundry services (including cleaning and landscaping, laundry, property and facility management, security and guarding).

CONNECTED TRANSACTIONS

The above annual caps (for the provision of services by us to the Doo's Associates Group and provision of property leasing services and sundry services by the Doo's Associates Group to us) are set by us on the bases set out in the paragraph headed "Bases of the annual caps" of the table under the paragraph headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Not Requiring Independent Approval" of this section.

As set out in the section "Business — Properties — Leased properties" in this prospectus, we propose to relocate to and lease office premises from the Non-Listing Group, which is part of the Doo's Associates Group, in stages commencing from December 2015 at the earliest in order to cope with our business growth and to facilitate centralisation of our management. The annual caps for the provision of property leasing services and sundry services from the Doo's Associates Group to us for the three years ending 30 June 2018 are determined on the bases set out under the paragraph headed "Bases of the annual caps" of the table under the paragraph headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Not Requiring Independent Approval" of this section. In essence, in setting the annual caps for the provision of property leasing services, we have based on the expected rentals as may be paid by us at the time of entering into of the new lease agreements, taking into account the current rentals and expected market rentals of similar properties, and our demand in floor spaces for our office premises. As regards the annual caps for the provision of sundry services, they are determined on the basis of the historical annual amount, our expected quantity of such services to cope with our business need and growth and the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation.

To provide you with further details of our justifications on which we set the above annual caps, we set out below the amounts of the contracts on hand as at the Latest Practicable Date and the potential contracts in relation to the provision of services by us to the Doo's Associates Group under the Doo's Associates Group CCTs as follows:

	For the year ending 30 June		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Contracts on hand	27,501,000	9,146,000	Nil
Potential contracts	22,499,000	50,854,000	53,000,000
Total:	50,000,000	60,000,000	53,000,000

The amounts of the potential contracts in relation to the provision of our services to the Doo's Associates Group are principally based on (i) the tenders or quotations which have been provided by our Group to the Doo's Associates Group in connection with its projects; (ii) the estimated future demand of the projects of the Doo's Associates Group for our services (iii) the estimated development or as the case may be, delivery schedule of these projects; (iv) the recurring nature of certain maintenance services provided or to be provided by us to the Doo's Associates Group; (v) the historical transaction amounts for the provision of our services to the Doo's Associates Group; and (vi) the estimated extent, scope and volume of services as may be required from us in connection with these projects.

CONNECTED TRANSACTIONS

A3. The Property Leasing CCTs — Property Leasing Master Services Agreement

Parties to the transactions:

The Fung Seng Group and our Group.

Nature and description of the transactions:

We have entered or will enter into various transactions with the Fung Seng Group (the “**Property Leasing CCTs**” or “**Fung Seng Group CCTs**”) in relation to:

- the provision of property leasing services by the Fung Seng Group to our Group for the leasing of warehouses and ancillary offices and car parking spaces to our Group.

The Property Leasing CCTs have been and will be entered into in the ordinary and usual course of our Group’s businesses and are on normal commercial terms.

DTZ Debenham Tie Leung Limited, our independent property valuer, has confirmed that in relation to each lease agreement that was subsisting as the Latest Practicable Date:

- the terms and conditions are on normal commercial terms and are fair and reasonable; and
- the rental payable by us is at market rent for similar property.

Master Services Agreement with Fung Seng

To streamline the Property Leasing CCTs provided to us, our Company entered into an agreement (the “**Property Leasing Master Services Agreement**”) with Fung Seng on 20 November 2015.

The Property Leasing Master Services Agreement provides a master framework agreement to streamline the Property Leasing CCTs by providing a master framework of terms upon and to which the individual agreement for each Property Leasing CCT is to be entered into and subject. In essence, the Property Leasing CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The Property Leasing Master Services Agreement is for a fixed term commencing from the date of the Property Leasing Master Services Agreement up to 30 June 2018.

Historical transaction amounts:

	Approximate aggregate transaction amounts for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	Nil	Nil	100,000
Paid by our Group	Nil	Nil	4,437,600

CONNECTED TRANSACTIONS

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the Property Leasing CCTs for each of the following coming years:

	Annual cap for the year ending 30 June		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	Nil	Nil	Nil
Paid by our Group	4,437,600	5,000,000	5,000,000

Note: The bases of the annual caps are set out in the table under the sub-paragraph headed “Non-exempt CCTs Not Requiring Independent Approval” above.

The above annual caps of HK\$4,437,600, HK\$5,000,000 and HK\$5,000,000 for the three years ending 30 June 2018 to the provision of property leasing services by the Fung Seng Group to us are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Not Requiring Independent Approval” of this section. In essence, in setting the annual caps, we have based on the existing rentals paid by us under the existing lease agreements, the expected rentals as may be paid by us at the time of entering into of the new lease agreements or renewing the existing lease agreements, taking into account the current rentals and expected market rentals of similar properties, and our demand in floor spaces for our office premises, warehouses, car parking spaces and other business uses to cope with our business growth.

Aggregation of the Doo’s Associates Group CCTs and the Fung Seng Group CCTs under Rule 14A.81

As the Doo’s Associates Group and the Fung Seng Group are otherwise related, we have in accordance with Rule 14A.81 of the Listing Rule aggregated their annual caps as mentioned above for the purpose of determining the requirements of Chapter 14A of the Listing Rules as are applicable to them as a whole. The table below sets out their aggregate annual caps in respect of amounts to be paid to our Group and paid by our Group, respectively:

	Annual Cap for the year ending 30 June		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group			
<i>Doo’s Associate Group CCTs</i>	50,000,000	60,000,000	53,000,000
<i>Fung Seng Group CCTs</i>	Nil	Nil	Nil
Total	50,000,000	60,000,000	53,000,000
Paid by our Group			
<i>Doo’s Associate Group CCTs</i>	3,000,000	5,000,000	5,000,000
<i>Fung Seng Group CCTs</i>	4,437,600	5,000,000	5,000,000
Total	7,437,600	10,000,000	10,000,000

CONNECTED TRANSACTIONS

As the highest of the relevant percentage ratio in respect of the amounts to be paid to our Group and amounts to be paid by our Group attributable to the aggregate of Doo's Associates Group CCTs and the Fung Seng Group CCTs, on an annual basis, will be more than 0.1% but less than 5%, the Doo's Associates Group CCTs and the Fung Seng Group CCTs will remain exempt from independent shareholders' approval requirement but subject to the announcement, reporting and annual review requirements in Chapter 14A of the Listing Rules.

NON-EXEMPT CCTS REQUIRING INDEPENDENT APPROVAL

B1. The NWS CCTs — NWS Master Services Agreement

Parties to the transactions:

The NWS Group and our Group.

Nature and description of the transactions:

The NWS Group, which is principally engaged in (i) the investment in and/or operation of facilities, construction, transport and strategic investments; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities, has been one of our long standing clients to which we have provided our E&M engineering services mainly as its sub-contractors as well as our environmental services.

We have entered or will enter into various transactions with the NWS Group (the "**NWS CCTs**") in relation to:

- the provision of our E&M engineering services (including building materials trading services) and environmental services to the NWS Group; and
- the provision of builder's work services by the NWS Group to our Group.

The NWS CCTs have been and will be entered into in the ordinary and usual course of our Group's businesses and are on normal commercial terms.

Master Services Agreement with NWS

To streamline the NWS CCTs between the two groups, our Company entered into an agreement (the "**NWS Master Services Agreement**") with NWS on 20 November 2015 to supplement the previous master services agreement entered into between Mr. Doo and NWS on 11 April 2014 in relation to the NWS CCTs on the one hand and other transactions between the NWS Group and companies, which are not members of our Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWS Master Services Agreement provides a master framework agreement to streamline the NWS CCTs by providing a master framework of terms upon and to which the individual agreement for each NWS CCT is to be entered into and subject. In essence, the NWS CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWS Master Services Agreement is for a fixed term commencing from the date of the NWS Master Services Agreement and up to 30 June 2017.

CONNECTED TRANSACTIONS

Historical transaction amounts:

	Approximate aggregate transaction amount for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	596,559,000	739,350,000	599,915,000
Paid by our Group	5,865,000	2,300,000	2,060,000
Total:	602,424,000	741,650,000	601,975,000

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the NWS CCTs for each of the following coming years:

	Annual cap for the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	1,400,000,000	1,600,000,000
Paid by our Group	Nil	Nil
Total:	1,400,000,000	1,600,000,000

Note: The bases of the annual caps are set out in the table under the sub-paragraph headed “Non-exempt CCTs Requiring Independent Approval” above.

The above annual caps are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Requiring Independent Approval” of this section.

To provide you with further details of our justifications on which we set the above annual caps, we set out below the amounts of the contracts on hand as at the Latest Practicable Date and the potential contracts in relation to the provision of services by us to the NWS Group under the NWS CCTs as follows:

	For the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Contracts on hand	1,087,453,000	1,455,074,000
Potential contracts	312,547,000	144,926,000
Total:	1,400,000,000	1,600,000,000

CONNECTED TRANSACTIONS

The amounts of the potential contracts in relation to the provision of our services to the NWS Group are principally based on (i) the tenders or quotations which have been provided by our Group to the NWS Group in connection with its projects or projects as may be undertaken by it; (ii) the estimated future demand of the projects of the NWS Group for our services; (iii) the estimated development or as the case may be, delivery schedule of these projects; (iv) the recurring nature of certain maintenance services provided or to be provided by us to the NWS Group; (v) the historical transaction amounts for the provision of our services to the NWS Group; and (vi) the estimated extent, scope and volume of services as may be required from us in connection with these projects.

B2. The NWCL CCTs — NWCL Master Services Agreement

Parties to the transactions:

The NWCL Group and our Group.

Nature and description of the transactions:

The NWCL Group, which is principally engaged in property development, property related investment as well as rental and hotel operations, has been one of our long standing clients to which we have provided our E&M engineering services mainly as its sub-contractors.

We have entered or will enter into various transactions with the NWCL Group (the “**NWCL CCTs**”) in relation to:

- the provision of our E&M engineering services (including building materials trading services) to the NWCL Group; and
- the provision of property leasing services by the NWCL Group to our Group for the leasing of office premises to our Group. As at the Latest Practicable Date, the lease agreement that we had entered into with the NWCL Group had expired.

The NWCL CCTs have been and will be entered into in the ordinary and usual course of our Group’s businesses and are on normal commercial terms.

Master Services Agreement with NWCL

To streamline the NWCL CCTs between the two groups, our Company entered into an agreement (the “**NWCL Master Services Agreement**”) with NWCL on 20 November 2015 to supplement the previous master services agreement entered into between Mr. Doo and NWCL on 30 June 2014 in relation to the NWCL CCTs on the one hand and other transactions between the NWCL Group and companies, which are not members of our Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWCL Master Services Agreement provides a master framework agreement to streamline the NWCL CCTs by providing a master framework of terms upon and to which the individual agreement for each NWCL CCT is to be entered into and subject. In essence, the NWCL CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWCL Master Services Agreement is for a fixed term commencing from the date of the NWCL Master Services Agreement and up to 30 June 2017.

CONNECTED TRANSACTIONS

Historical transaction amounts:

	Approximate aggregate transaction amount for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	54,597,000	70,631,000	28,690,000
Paid by our Group	165,000	121,000	Nil
Total:	54,762,000	70,752,000	28,690,000

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the NWCL CCTs for each of the following coming years:

	Annual cap for the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	210,000,000	210,000,000
Paid by our Group	800,000	800,000
Total:	210,800,000	210,800,000

Note: The bases of the annual caps are set out in the table under the sub-paragraph headed “Non-exempt CCTs Requiring Independent Approval” above.

The above annual caps (for the provision of services by us to the NWCL Group and provision of property leasing services by the NWCL Group to us) are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Requiring Independent Approval” of this section.

The above annual caps of HK\$800,000 and HK\$800,000 for the two years ending 30 June 2017 for the provision of property leasing services by the NWCL Group to us are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Requiring Independent Approval” of this section. In essence, in setting the annual caps, we based on the expected rentals as may be paid by us at the time of entering into of the new lease agreements, taking into account the current rentals and expected market rentals of similar properties, and the expected surge in our demand in floor spaces for our office and site office premises, warehouses, car parking spaces and other business uses as we envisage when we develop and expand our E&M engineering services (including E&M engineering maintenance and E&M project management services) in the PRC, and the actual contracts which we have been successfully awarded to provide E&M installation services in different provinces or cities of the PRC as disclosed in the section headed “Business” of this prospectus so as to ensure operational efficiency at all stages and to cope with our business growth.

CONNECTED TRANSACTIONS

To provide you with further details of our justifications on which we set the above annual caps, we set out below the amounts of the contracts on hand as at the Latest Practicable Date and the potential contracts in relation to the provision of services by us to the NWCL Group under the NWCL CCTs as follows:

	For the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Contracts on hand	185,718,000	58,425,000
Potential contracts	24,282,000	151,575,000
Total:	210,000,000	210,000,000

The amounts of the potential contracts in relation to the provision of our services to the NWCL Group are principally based on (i) the tenders or quotations which have been provided by our Group to the NWCL Group in connection with its projects; (ii) the estimated future demand of the projects of the NWCL Group for our services; (iii) the estimated development or as the case may be, delivery schedule of these projects; (iv) the historical transaction amounts for the provision of our services to the NWCL Group; and (v) the estimated extent, scope and volume of services as may be required from us in connection with these projects.

B3. The CTF Jewellery CCTs — CTF Jewellery Master Services Agreement

Parties to the transactions:

The CTF Jewellery Group and our Group.

Nature and description of the transactions:

The CTF Jewellery Group, which is principally engaged in the design, production and marketing to sale of luxury and high-end luxury jewellery products, has been one of our long standing clients to which we have provided our E&M engineering services mainly as its sub-contractors.

We have entered or will enter into various transactions with the CTF Jewellery Group (the “CTF Jewellery CCTs”) in relation to:

- the provision of our E&M engineering services (including building materials trading services) to the CTF Jewellery Group.

The CTF Jewellery CCTs have been and will be entered into in the ordinary and usual course of our Group’s businesses and are on normal commercial terms.

Master Services Agreement with CTF Jewellery

To streamline the CTF Jewellery CCTs between the two groups, our Company entered into an agreement (the “**CTF Jewellery Master Services Agreement**”) with CTF Jewellery on 20 November 2015.

CONNECTED TRANSACTIONS

The CTF Jewellery Master Services Agreement provides a master framework agreement to streamline the CTF Jewellery CCTs by providing a master framework of terms upon and to which the individual agreement for each CTF Jewellery CCT is to be entered into and subject. In essence, the CTF Jewellery CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The CTF Jewellery Master Services Agreement is for a fixed term commencing from the date of the CTF Jewellery Master Services Agreement up to 30 June 2018.

Historical transaction amounts:

	Approximate aggregate transaction amount for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	5,970,000	1,526,000	6,996,000

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the CTF Jewellery CCTs for each of the following coming years:

	Annual cap for the year ending 30 June		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	75,000,000	61,000,000	90,000,000

Note: The bases of the annual caps are set out in the table under the sub-paragraph headed "Non-exempt CCTs Requiring Independent Approval" above.

The above annual caps are set by us on the bases set out in the paragraph headed "Bases of the annual caps" of the table under the paragraph headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Requiring Independent Approval" of this section.

To provide you with further details of our justifications on which we set the above annual caps, we set out below the amounts of the contracts on hand as at the Latest Practicable Date and the potential contracts in relation to the provision of services by us to the CTF Jewellery Group under the CTF Jewellery CCTs as follows:

	For the year ending 30 June		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Contracts on hand	69,479,000	50,679,000	16,391,000
Potential contracts	5,521,000	10,321,000	73,609,000
Total:	<u>75,000,000</u>	<u>61,000,000</u>	<u>90,000,000</u>

CONNECTED TRANSACTIONS

The amounts of the potential contracts in relation to the provision of our services to the CTF Jewellery Group are principally based on (i) the tenders or quotations which have been provided by our Group to the CTF Jewellery Group in connection with its projects; (ii) the estimated future demand of the projects of the CTF Jewellery Group for our services based on market information available in connection with a potential construction project in Wuhan City, Hubei Province in the PRC; (iii) the estimated development or as the case may be, delivery schedule of these projects; (iv) the historical transaction amounts for the provision of our services to the CTF Jewellery Group; and (v) the estimated extent, scope and volume of services as may be required from us in connection with these projects.

B4. The NWD CCTs — NWD Master Services Agreement

Parties to the transactions:

The NWD Group and our Group.

Nature and description of the transactions:

The NWD Group, which is principally engaged in property development, infrastructure operations, hotel operations and telecommunication services, has been one of our long standing clients to which we have provided our E&M engineering services mainly as its sub-contractors as well as our, environmental services.

We have entered or will enter into various transactions with the NWD Group (the “**NWD CCTs**”) in relation to:

- the provision of our E&M engineering services (including building materials trading services) and environmental services to the NWD Group; and
- the provision of property leasing services by the NWD Group to our Group for the leasing of office premises, car parking spaces or our other business purposes to our Group.

The NWD CCTs have been and will be entered into in the ordinary and usual course of our businesses and are on normal commercial terms.

Master Services Agreement with NWD

To streamline the NWD CCTs between the two groups, our Company entered into an agreement (the “**NWD Master Services Agreement**”) with NWD on 20 November 2015 to supplement the previous master services agreement entered into between Mr. Doo and NWD on 11 April 2014 in relation to the NWD CCTs on the one hand and other transactions between the NWD Group and companies, which are not members of our Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWD Master Services Agreement provides a master framework agreement to streamline the NWD CCTs by providing a master framework of terms upon and to which the individual agreement for each NWD CCT is to be entered into and subject. In essence, the NWD CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWD Master Services Agreement is for a fixed term commencing from the date of the NWD Master Services Agreement and up to 30 June 2017.

CONNECTED TRANSACTIONS

Historical transaction amounts:

	Approximate aggregate transaction amount for the year ended 30 June		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	74,509,000	94,543,000	50,192,000
Paid by our Group	18,000	10,000	Nil
Total:	74,527,000	94,553,000	50,192,000

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, we have set an annual cap to the NWD CCTs for each of the following coming years:

	Annual cap for the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Paid to our Group	57,000,000	65,000,000
Paid by our Group	600,000	600,000
Total:	57,600,000	65,600,000

Note: The bases of the annual caps are set out in the table under the sub-paragraph headed “Non-exempt CCTs Not Requiring Independent Approval” above.

The above annual caps (for the provision of services by us to the NWD Group and provision of property leasing services by the NWD Group to us) are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Requiring Independent Approval” of this section.

The above annual caps of HK\$600,000 and HK\$600,000 for the two years ending 30 June 2017 to the provision of property leasing services by the NWD Group to us are set by us on the bases set out in the paragraph headed “Bases of the annual caps” of the table under the paragraph headed “NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — Non-exempt CCTs Requiring Independent Approval” of this section. In essence, in setting the annual caps, we based on the expected rentals as may be paid by us at the time of entering into of the new lease agreements, taking into account the current rentals and expected market rentals of similar properties, and the expected surge in our demand in floor spaces for our office and site office premises, warehouses, car parking spaces and other business uses as we envisage given the scale and the duration of the ongoing projects that we have undertaken, in particular, the redevelopment project of a complex comprising hotel, serviced apartment, shopping arcade and offices in Tsim Sha Tsui as disclosed in the section headed “Business” of this prospectus so as to ensure operational efficiency at all stages and to cope with our business growth.

CONNECTED TRANSACTIONS

To provide you with further details of our justifications on which we set the above annual caps, we set out below the amounts of the contracts on hand as at the Latest Practicable Date and the potential contracts in relation to the provision of services by us to the NWD Group under the NWD CCTs as follows:

	For the year ending 30 June	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Contracts on hand	50,002,000	1,536,000
Potential contracts	6,998,000	63,464,000
Total:	57,000,000	65,000,000

The amounts of the potential contracts in relation to the provision of our services to the NWD Group are principally based on (i) the tenders or quotations which have been provided by our Group to the NWD Group in connection with its projects; (ii) the estimated future demand of the projects of the NWD Group for our services; (iii) the estimated development or as the case may be, delivery schedule of these projects; (iv) the recurring nature of certain maintenance services provided or to be provided by us to the NWD Group; (v) the historical transaction amounts for the provision of our services to the NWD Group; and (vi) the estimated extent, scope and volume of services as may be required from us in connection with these projects.

OUR DIRECTORS' CONFIRMATION IN RELATION TO THE NON-EXEMPT CCTS

Our Directors (including our independent non-executive Directors) are of the view that in relation to each Non-exempt CCT:

- it has been and will be entered into in the ordinary and usual course of business of our Group and is on normal commercial terms, and is fair and reasonable and in the interests of our Shareholders as a whole; and
- its proposed annual caps are fair and reasonable, and in the interests of our Shareholders as a whole.

THE SOLE SPONSOR'S CONFIRMATION IN RELATION TO THE NON-EXEMPT CCTS

The Sole Sponsor is of the view that in relation to each Non-exempt CCT:

- it has been and will be entered into in the ordinary and usual course of business of our Group and is on normal commercial terms, and is fair and reasonable and in the interests of our Shareholders as a whole; and
- its proposed annual caps are fair and reasonable, and in the interests of our Shareholders as a whole.

CONNECTED TRANSACTIONS

WAIVERS FROM THE STOCK EXCHANGE IN RESPECT OF THEN NON-EXEMPT CCTS

All of our Non-exempt CCTs are on normal commercial terms. In relation to our Non-exempt CCTs:

- those that are Non-exempt CCTs Not Requiring Independent Approval will be exempt from independent shareholders' approval requirement but subject to the announcement, reporting and annual review requirements in Chapters 14A of the Listing Rules as the highest of the relevant percentage ratio (in relation to the consideration ratio, on the basis of the low-end of the Offer Price when determining the market capitalisation) in respect of each of them, on an annual basis, will be more than 0.1% but less than 5%; and
- those that are Non-exempt CCTs Requiring Independent Approval will be subject to the announcement, reporting, independent shareholders' approval and annual review requirements in Chapters 14A of the Listing Rules as the highest of the relevant percentage ratio (in relation to the consideration ratio, on the basis of the low-end of the Offer Price when determining the market capitalisation) in respect of each of them, on an annual basis, will be more than 5% and in aggregate amount exceeding HK\$10,000,000.

Strict compliance with the applicable announcement requirement and independent shareholders' approval requirement every time when we entered into a Non-exempt CCT would be impracticable and unduly burdensome as the Non-exempt CCT will be carried on by us on a continuing basis.

Our Company therefore has applied for, and the Stock Exchange has granted to us the following waivers under Rule 14A.102 of the Listing Rules:

- in respect of each Non-exempt CCT Not Requiring Independent Approval, a waiver from strict compliance with the announcement requirement as is required under Rule 14A.35 of the Listing Rules; and
- in respect of each Non-exempt CCT Requiring Independent Approval, a waiver from strict compliance with the announcement and independent shareholders' approval requirements as are required under Rule 14A.35 and 14A.36 respectively of the Listing Rules.

In case the Listing Rules shall be revised by imposing more stringent requirements on the Non-exempt CCTs, we will take steps to ensure compliance with the applicable requirements in a timely manner in accordance with Listing Rules as so revised.

WE CAN CARRY ON OUR BUSINESS INDEPENDENTLY OF THE CONNECTED CUSTOMERS

Financial independence

Our Board believes that we are able to carry on our business financially independently of the **Connected Customers** (i.e. the CTF Jewellery Group, the NWCL Group, the NWD Group, the NWDS Group, the NWS Group, the Doo's Associates Group and the Fung Seng Group) after giving due regard to the following considerations:

- We have a long operating history of more than 40 years and are one of the leading E&M engineering companies in Hong Kong providing a comprehensive E&M engineering and environmental engineering services with a diversified customers base. Our Directors are of the view that it is our established reputation for quality and reliability as well as goodwill in the E&M engineering services and environmental engineering services industries, rather than our relationship with the Connected Customers, that enable us to capture business opportunities and revenue from the construction, E&M engineering and environmental

CONNECTED TRANSACTIONS

engineering industries from our customers, both independent and connected, with some of the latter happen to be amongst the major main contractors in Hong Kong. We believe that our credentials are important factors that our customers are taken into consideration when selecting us as their service provider.

- Although the total revenue attributable from the Connected Customers together accounted for approximately 37.0%, 37.8% and 26.5% of our total revenue during the Track Record Period, the Connected Customers are by no means our only customer base upon which our revenue stream was or will be derived. During the Track Record Period, we have a strong customer network with diversified customers base of other independent customers, including major main contractors in Hong Kong, premier international hotel chains, blue-chip and listed companies, departments of the Hong Kong Government responsible for public housing and public works and construction companies in Hong Kong, Macau and the PRC with whom we have long and well-established business relationship.
- We have a strong and steady revenue stream attributable from independent customers which accounted for approximately 63.0%, 62.2% and 73.5% during the Track Record Period.
- The NWS Group has been our largest customer in each of the years during the Track Record Period. We believe that, as we have indicated, it is our established reputation for quality and reliability as well as goodwill in the E&M engineering services and environmental engineering services industries that are the important factors taken into consideration by our customers (in this case, a major main contractor in Hong Kong with a well established market presence which is a member of the NWS Group) when selecting us as their service provider, rather than our relationship with the Connected Customer, namely the NWS Group. Apart from that, we consider that this is also by and large due to the undertaking by us of a number of major projects each with contract sum over HK\$100 million during the Track Record Period in which the customer is a main contractor in the NWS Group. Some of these projects undertaken by us are projects in which we were selected by the ultimate customers, who are Independent Third Parties, as their E&M subcontractors, and the Connected Customer was independently selected by such ultimate customers as their main contractor, and as a result, we entered into the relevant E&M subcontracts with the main contractor, which became our customer contractually based on the relevant subcontracts. Set out below is the information in relation to these major projects that were awarded by these ultimate customers (who are Independent Third Parties):

For the year ended 30 June	No. awarded	Awarded contract sum	Revenue recognised for the year
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
		<i>(notes 1 and 2)</i>	<i>(note 1)</i>
2013	—	—	—
2014	2	278,894	14,313
2015	1	167,900	205,069

Notes:

- (1) The amount stated is to the nearest thousand.
- (2) The awarded contract sum represents the contract sum stated in the original tender documents or contracts, subject to adjustments due to variation orders and prolongation of the project period.

CONNECTED TRANSACTIONS

- To the best of our Directors' knowledge, the quotations and other terms of our contracts entered or to be entered into with the Connected Customers are and will be considered and assessed by them independently based on our own merits, our quotations and terms as well as our expertise as a comprehensive, multi-disciplinary E&M engineering service and environmental engineering service provider with established reputation for quality and reliability as well as goodwill in the E&M engineering services and environmental engineering services industries.
- We have a strong financial position and cash generative business. As at 30 June 2015, we had cash and bank balances of approximately HK\$612.53 million. As at 30 June 2015, we had total banking facilities limit of approximately HK\$1,601.32 million and we did not have material reliance on bank loans to finance our operation during the Track Record Period. For the year ended 30 June 2013 (FY 2013), 30 June 2014 (FY 2014) and 30 June 2015 (FY 2015), our turnover was approximately HK\$2,380.58 million, HK\$2,555.02 million and HK\$2,825.11 million respectively and our net profit for the same years amounted to approximately HK\$113.73 million, HK\$131.20 million and HK\$149.15 million respectively. Our operating cash flow from operating activities for FY2013, FY2014 and FY2015 were approximately HK\$20.39 million, HK\$144.08 million and HK\$39.95 million respectively.
- As at the Latest Practicable Date, we had no amounts due to or from, and we had no borrowed moneys or banking facilities which were secured by securities and/or otherwise guaranteed by any of the Connected Customers.
- We have our own accounting and financial department and independent financial system and make our financial decisions independently according to our own business, corporate and operation needs.
- We have our own finance operations handled by our own finance department, which operates independently from the Connected Customers and does not share any other functions or resources with any of the Connected Customers.
- We have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required.
- We have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with any of the Connected Customers.

Operational and management independence

We are operating our businesses independently of the Connected Customers as:

- Our major operating subsidiaries have obtained all their licences that are necessary for their operations in their own names and do not dependent upon any of the Connected Customers for any or all of these licences.
- We have our own board of director and senior management team that function independently from the Connected Customer.
- Our senior management team is responsible for the daily operation, management and financial matters which are managed independently from the Connected Customers. The section "Directors, senior management and employees" in this prospectus provides you with further information on our senior management.

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- We have our own divisional and functional teams and facilities for each of our operating business segments, and each division has a clear delineation of duties and functions as determined by our Board and not by any of the Connected Customers.
- We have independent access to our major suppliers and none of the Connected Customers are our major suppliers or intermediaries for our Group's supplies.

Clear delineation of businesses

None of our Connected Customers is engaged in our businesses of E&M Engineering services and environmental engineering services and there are no concerns regarding competition between our Group and any of the Connected Customers.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets forth the brief particulars of our Directors:

Name	Age	Title within our Group	Date of Appointment	Time joining our Group	Relationship among Directors	Roles and responsibilities
Dr. Cheng Kar Shun, Henry (鄭家純)	68	Our chairman and non-executive Director	28 August 2015 (designated as our chairman and non-executive Director on 28 August 2015)	August 2015	Uncle of Mr. Doo Junior, cousin of Mr. Poon Lock Kee, Rocky's spouse	Advise on the overall strategic planning of our Group
Mr. Wong Kwok Kin, Andrew (黃國堅)	69	Our vice-chairman and executive Director	22 June 2015 (designated as our vice-chairman and executive Director on 28 August 2015)	January 1998	N/A	Overall strategic planning, overseeing business development and operational management and major management decisions
Mr. Poon Lock Kee, Rocky (潘樂祺)	60	Our chief executive officer and executive Director	18 August 2015 (designated as our executive Director and chief executive officer on 28 August 2015)	February 1989	Cousin-in-law of Mr. Doo Junior's mother and Dr. Henry Cheng	Overseeing daily operational management and business performance
Mr. Doo William Junior Guilherme (杜家駒)	42	Our executive Director	22 June 2015 (designated as our executive Director on 28 August 2015)	June 2014	Nephew of Dr. Henry Cheng and his mother is the cousin of Mr. Poon Lock Kee, Rocky's spouse	Overall strategic planning, overseeing business development and major management decisions
Mr. Lee Kwok Bong (李國邦)	44	Our executive Director and joint company secretary	1 July 2015 (designated as our executive Director and appointed as our joint company secretary on 28 August 2015)	July 2010	N/A	Overall finance operation and financial reporting management
Mr. Soon Kweong Wah (孫強華)	56	Our executive Director	18 August 2015 (designated as our executive Director on 28 August 2015)	May 1983	N/A	Overseeing overall operational management and business performance control of our E&M Engineering installation business in Hong Kong
Mr. Kwong Che Keung, Gordon (鄺志強)	66	Our independent non-executive Director	18 November 2015	November 2015	N/A	Overseeing management independently

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Title within our Group	Date of Appointment	Time joining our Group	Relationship among Directors	Roles and responsibilities
Mr. Hui Chiu Chung, Stephen (許照中)	68	Our independent non-executive Director	18 November 2015	November 2015	N/A	Overseeing management independently
Mr. Lee Kwan Hung (李均雄)	50	Our independent non-executive Director	18 November 2015	November 2015	N/A	Overseeing management independently

OUR CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. Cheng Kar Shun, Henry (鄭家純), GBS, aged 68, is our non-executive Director and the chairman of our Company. Dr. Henry Cheng assumes an advisory role in respect of the overall strategic planning of our Group.

Dr. Henry Cheng has substantial corporate management experiences in a wide range of industries and has been assuming management roles in the listed public companies in Hong Kong as set out below:

Appointed as director since	Current/last office	Listed public company in Hong Kong
Since July 2011	Chairman and executive director	CTF Jewellery
Since May 2014	Independent non-executive director	Hang Seng Bank Limited (stock code: 11)
Since June 1989	Independent non-executive director	HKR International Limited (stock code: 480)
Since July 2004	Chairman and executive director	International Entertainment Corporation (stock code: 1009)
March 2004– May 2015	Non-executive director	Lifestyle International Holdings Limited (stock code: 1212)
Since August 1996	Chairman and managing director	NWCL
Since June 2007	Chairman and non-executive director	NWDS
Since October 1972	Chairman and executive director	NWD
Since March 2000	Chairman and executive director	NWS
Since May 2012	Chairman and non-executive director	Newton Resources Ltd (stock code 1231)
Since May 2013	Non-executive director	SJM Holdings Limited (stock code: 880)

Save as disclosed, Dr. Henry Cheng had not held any directorship in other listed public company in Hong Kong during the three years period up to the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Dr. Henry Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The PRC.

Dr. Henry Cheng was awarded an Honorary Doctor of Business Administration in Hospitality Management by Johnson & Wales University in May 1996. In July 2001, Dr. Henry Cheng was awarded the Gold Bauhinia Star by the Hong Kong Government.

Dr. Henry Cheng is the brother-in-law of Mr. Doo, who is one of our Controlling Shareholders and the sole shareholder of Sino Spring Global, who is also the uncle of Mr. Doo Junior, our executive Director. Dr. Henry Cheng is also the cousin of the spouse of Mr. Poon Lock Kee, Rocky (our executive Director).

OUR VICE-CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Wong Kwok Kin, Andrew (黃國堅), aged 69 (whose date of birth is 28 November 1945), is the vice-chairman of our Company and one of our executive Directors. He also sits on the boards of various companies within our Group. Mr. Wong is primarily responsible for overall strategic planning, overseeing business development and operational management and major management decisions for our Group.

Mr. Wong has over 30 years of substantial corporate management experiences in the hospitality and the service industries, and has obtained extensive achievements in financial control, human resources administration and business development. He was the executive director of several subsidiaries and affiliates of the New World group of companies, which are principally engaged in the businesses of duty-free liquor and tobacco concessions, E&M engineering, environmental facility services, property management and the provision of communication, cleaning and laundry and security services. Mr. Wong also assumed offices in the following entities:

<u>Period of time</u>	<u>Office</u>	<u>Name of entity</u>
March 2004 to August 2010	Director	Citybus Limited
September 1983 to July 1997	Executive director	New World Hotels International Limited (now known as RHIL Limited)
January 2003 to August 2010	Executive director	NWS
June 1995 to June 1997	Executive director	Renaissance Hotel Group N.V. (listed on the New York Stock Exchange)
September 2000 to January 2010	Non-executive director	Taifook Securities Group Limited (now known as Haitong International Securities Group Limited) (stock code: 665)

Save as disclosed above, during the three years period up to the Latest Practicable Date, Mr. Wong did not hold any directorship in any listed companies.

Mr. Wong is also a director of FSE Holdings, one of our Controlling Shareholders. Mr. Wong is the sole shareholder and director of Frontier Star, a company owning 9% of the issued share capital in FSE Holdings.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong was a director of BioEnviroLink Technologies Limited (寶靈科技有限公司) (“**BioEnviroLink**”) during the period from 30 June 2011 to 8 August 2012 (being the date on which an order for the winding-up of BioEnviroLink was granted). BioEnviroLink is a company incorporated in Hong Kong on 24 November 2000 and formerly engaged in the provision of environmental engineering services and related maintenance services. It is our 70% owned subsidiary held through Environmental P&S. The other 30% shareholder of BioEnviroLink was a third party, Bioforte (Hong Kong) Environmental Engineering and Technology Company Limited (生物源(香港)環境工程與技術有限公司) (“**Bioforte**”) which was dissolved by being struck off on 11 April 2008. In view of the striking off of Bioforte, who is the 30% shareholder of BioEnviroLink, and that BioEnviroLink no longer engaged in any business, Environmental P&S, as creditor, filed a petition to the court on 4 June 2012 for an order to wind up BioEnviroLink which was granted by the court on 8 August 2012 and official receiver was appointed as provisional liquidator on 8 August 2012. As at the Latest Practicable Date, the winding up of BioEnviroLink was still underway.

On 13 March 2008, Mr. Wong as the then director of NWS Financial Management Services Limited (“**NWSFM**”) was criticised by the Takeovers Executive of the SFC for breaching Rule 31.3 of the Takeovers Code. The breach was due to the inadvertent miscalculation by the then company secretary of NWSFM, who was entrusted with compliance matters, of the 6-month period as prescribed by the said Rule 31.3. As a result of the miscalculation, NWSFM purchased shares in Taifook Securities Group Limited during the 6-month period after the close of offer at prices higher than the relevant offer price in breach of the said Rule 31.3. It was the finding of the Takeovers Executive that the breach was not in any sense deliberately made and was inadvertent in nature.

OUR CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. Poon Lock Kee, Rocky (潘樂祺), aged 60, is our executive Director and the chief executive officer of our Company. He was also appointed to serve as a member of each of the nomination and remuneration committees of the Board on 20 November 2015. Mr. Poon is primarily responsible for overseeing daily operational management and business performance of our Group and leading our E&M engineering business units in Hong Kong, Macau and the PRC. He directs the development and oversees the implementation of short and long range objectives, policies, budgets and operating plans of these business units and acts as a representative of FSE Engineering in its communications and liaisons with industry associations, key customers, government representatives and regulatory agencies as well as the public.

Mr. Poon obtained a Bachelor’s degree in mechanical engineering from the University of Windsor in Canada in June 1979 and has over 25 years of experience in the building construction industry. He joined our Group in February 1989 as a general manager of Young’s Macao and was subsequently promoted to the positions of director and general manager of Young’s Engineering in 1998. He is currently a director of certain subsidiaries of our Company, including FSE Engineering and its major subsidiaries in Hong Kong, Macau and the PRC, Joneson and Environmental P&S, and the supervisor of certain engineering subsidiaries of our Company in the PRC.

Mr. Poon is a member of both the American Society of Mechanical Engineers and a Chartered Engineer of the Engineering Council in the United Kingdom, and a fellow of both the Chartered Institution of Building Services Engineers in the United Kingdom and the Hong Kong Institution of Engineers. He is also the President of the Macau Air-Conditioning & Refrigeration Chamber of Commerce and the President of the Hong Kong E&M Contractors’ Association Limited. Mr. Poon was appointed as a member of the Appeal Board Panel by the Secretary for the Environment of Hong Kong to hear appeals lodged pursuant to the Electricity Ordinance.

Mr. Poon is a Council Member of the Hong Kong Federation of Electrical & Mechanical Contractors Limited, a Committee Member of both the Eleventh Chinese People’s Political Consultative Conference in Shaoguan City of the PRC* (中國人民政治協商會議韶關市第十一屆委員會)

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and the Fifth Chinese People's Political Consultative Conference in Shanghai Pudong New Area of the PRC* (中國人民政治協商會議上海市浦東新區第五屆委員會), a deputy chairman of the Shaoguan Overseas Friendship Association (Hong Kong & Macau Region) (韶關海外聯誼會理事會副會長(港澳)), and a member of the 5th Trust Committee of the Henry Fok Foundation (澳門霍英東基金會信託委員會委員).

During the three years period up to the Latest Practicable Date, Mr. Poon did not hold any directorship in any listed companies.

Mr. Poon's spouse is the cousin of both of Dr. Henry Cheng (our chairman and non-executive Director) and the mother of Mr. Doo Junior (our executive Director).

Mr. Poon was a director of BioEnviroLink during the periods from 12 January 2001 to 16 August 2001 and from 31 August 2009 to 8 August 2012 (being the date on which an order for the winding-up of BioEnviroLink was granted). Further details of the winding up of BioEnviroLink are set out in the biographies of Mr. Wong.

OTHER EXECUTIVE DIRECTORS

Mr. Doo William Junior Guilherme (杜家駒), aged 42, is our executive Director. He also sits on the boards of various companies within our Group. Mr. Doo Junior is primarily responsible for the overall strategic planning, overseeing business development and major management decisions for our Group.

Mr. Doo Junior graduated from Oxford University in July 1996 with a Bachelor of Arts degree in Jurisprudence. He obtained a Postgraduate Diploma in Legal Practice in The College of Law in London in 1997 and a Master of Arts degree from Oxford University in June 2000. Mr. Doo Junior was qualified as a solicitor in Hong Kong and England and Wales in December 1999 and April 2000 respectively. He had accumulated legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Mr. Doo Junior is a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference in Beijing of the PRC and has been a committee member of the Disciplinary Panel of The Hong Kong Institute of Certified Public Accountants and an adjudicator of both The Immigration Tribunal and The Registration of Persons Tribunal.

Mr. Doo Junior has over 9 years of executive and managerial experience in the E&M engineering sector. Prior to joining our Group in June 2014, Mr. Doo Junior was appointed as the chief executive officer of Fung Seng Enterprises Holdings Limited, a company with its principal businesses of operating and investing in property and hotel development and providing property-related services in Hong Kong and the PRC. Since December 2005, Mr. Doo Junior has also been a director of NWS Holdings Limited (stock code: 659), a listed public company in Hong Kong that is principally engaged in the investment in and operation and management of infrastructural projects and services. Save as disclosed, Mr. Doo Junior did not hold any directorship in other listed public company in Hong Kong during the three years period up to the Latest Practicable Date.

Mr. Doo Junior is the son of Mr. Doo, who is one of our Controlling Shareholders and the sole shareholder of Sino Spring Global. Mr. Doo Junior is also the nephew of Dr. Henry Cheng, our chairman and non-executive Director, and his mother is the cousin of the spouse of Mr. Poon Lock Kee, Rocky, the chief executive officer of our Company and our executive Director. Mr. Doo Junior is a director of FSE Holdings, one of our Controlling Shareholders. Mr. Doo Junior is also the sole shareholder and director of both Master Empire Group and Supreme Win Enterprises, which respectively holds 5% and 4%, and together hold an aggregate of 9% of the issued share capital in FSE Holdings.

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Mr. Doo Junior was a director of BioEnviroLink (an order for the winding-up of which was granted on 8 August 2012) during the period from 1 August 2006 to 30 June 2011. Further details of the winding up of BioEnviroLink are set out in the biographies of Mr. Wong.

Mr. Lee Kwok Bong (李國邦), aged 44, is our executive Director and one of our authorized representatives for the purpose of the Listing Rules. He also sits on the boards of various companies within our Group. Mr. Lee is primarily responsible for the overall finance operation and financial reporting management of our Group. He was also appointed to act as our joint company secretary on 28 August 2015 and assists in the supervision of corporate secretarial matters for our Group.

Mr. Lee graduated from the Hong Kong University of Science and Technology in November 1994 with a Bachelor's degree in Business Administration in Accounting and obtained a Master of Science degree in Finance from the City University of Hong Kong in November 2002. He also obtained a Bachelor's degree in Chinese Legal System from Tsing Wah University in the PRC in January 2006. Mr. Lee is an Associate Member of the Hong Kong Institute of Certified Public Accountants, a Member and a Chartered Global Management Accountant of the American Institute of Certified Public Accountants.

Mr. Lee has over 20 years of experience in auditing, financial management, accounting and corporate governance in Hong Kong and the PRC. Mr. Lee joined one of an international audit firms in August 1994 and was later promoted and worked until December 1998, during which he participated in various engagements ranging from statutory audits of various Hong Kong listed and multi-national corporations to special engagements related to public listings. From January 1999 to May 2001, Mr. Lee worked in a listed public company in Hong Kong as its financial controller and company secretary, and was once seconded to station in the PRC for monitoring its joint venture investments there. From May 2001 to July 2010, Mr. Lee had been the senior manager (Finance) of New World Port Investments Limited and was transferred to NWS Service Management Limited as financial controller of the service and rental division. Mr. Lee has been the chief financial officer of FSE Holdings, one of our Controlling Shareholders, since August 2010.

During the three years period up to the Latest Practicable Date, Mr. Lee did not hold any directorship in any listed companies.

Mr. Lee is the sole shareholder and director of Lagoon Treasure, which is holding 1% of the issued share capital of FSE Holdings, one of our Controlling Shareholders.

Mr. Soon Kweong Wah (孫強華), aged 56, is our executive Director. Mr. Soon also sits on the boards of various companies within our Group, and is primarily responsible for the overall operational management and business performance control of FSE Engineering's E&M engineering installation business in Hong Kong, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for this business unit.

Mr. Soon obtained a Bachelor's degree in engineering and a Master's degree in engineering from the University of Hong Kong in November 1981 and November 1995 respectively. He further obtained a Master's degree in finance from The City University of Hong Kong in November 2005 and an Executive Master of Business Administration degree in management from the Richard Ivey School of Business (Asia), the University of Western Ontario in Canada in May 2012.

Mr. Soon has over 30 years of experience in the building services sector and installation of construction industries. He joined our Group in May 1983 and has handled various renowned engineering and construction projects in Hong Kong, Macau and the PRC.

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Mr. Soon is an active member of various academic institutions and external associations. He is a chartered engineer of the Engineering Council in the United Kingdom, a registered professional engineer in building services and electrical engineering of the Hong Kong Engineers Registration Board, and a fellow member of the Hong Kong Institution of Engineers, where he also serves as the appointed member of its Building Services Discipline Advisory Panel. Mr. Soon was the chairman of the Chartered Institution of Building Services Engineers (Hong Kong Branch) from 2007 to 2008 and is now a fellow member of the institution.

During the three years period up to the Latest Practicable Date, Mr. Soon did not hold any directorship in any listed companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Che Keung, Gordon (鄺志強), aged 66, was appointed as our independent non-executive Director and the chairman of the audit committee of our Board on 18 November 2015 and 20 November 2015 respectively.

Mr. Kwong graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1972 and was qualified as a chartered accountant in the Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) from 1984 to 1998 and an independent member of the Council of the Stock Exchange from 1992 to 1997, during which he had acted as the convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong institute of Certified Public Accountants.

As at the Latest Practicable Date and in the three years preceding that date, Mr. Kwong served as director or supervisor of the following listed public companies in Hong Kong:

<u>Period of time</u>	<u>Office</u>	<u>Listed public company in Hong Kong</u>
Since October 2005	Independent non-executive director	Agile Property Holdings Limited (stock code: 3383)
June 2011 to June 2014	Independent supervisor	Beijing Capital International Airport Co., Ltd (stock code: 694)
March 2003 to November 2013	Independent non-executive director	China Chengtong Development Group Limited (stock code: 217)
Since May 2011	Independent non-executive director	China COSCO Holdings Company Limited (stock code: 1919)
Since March 2004	Independent non-executive director	China Power International Development Limited (stock code: 2380)
Since November 2011	Independent non-executive director	Chow Tai Fook Jewellery Group Limited (stock code: 1929)
Since March 2007	Independent non-executive director	CITIC Telecom International Holdings Limited (stock code: 1883)
Since April 2003	Independent non-executive director	Global Digital Creations Holdings Limited (stock code: 8271)

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<u>Period of time</u>	<u>Office</u>	<u>Listed public company in Hong Kong</u>
Since August 2004	Independent non-executive director	Henderson Investment Limited (stock code: 97)
Since August 2004	Independent non-executive director	Henderson Land Development Company Limited (stock code: 12)
Since October 2002	Independent non-executive director	NWS
Since February 2003	Independent non-executive director	OP Financial Investments Limited (stock code: 1140)

Mr. Hui Chiu Chung, Stephen (許照中) J.P. aged 68, was appointed as our independent non-executive Director on 18 November 2015. He was appointed as a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of our Board on 20 November 2015.

As at the Latest Practicable Date and in the three years preceding that date, Mr. Hui served as director of the following listed public companies in Hong Kong:

<u>Period of time</u>	<u>Office</u>	<u>Listed public company in Hong Kong</u>
Since June 2014	Independent non-executive director	Agile Property Holdings Limited (stock code: 3383)
Since April 2011	Independent non-executive director	China South City Holdings Limited (stock code: 1668)
January 2006 to February 2015	Independent non-executive director	Chun Wo Development Holdings Limited (stock code: 711)
Since December 2004	Independent non-executive director	Gemdale Properties and Investment Corporation Limited (stock code: 535)
April 2009 to April 2015	Independent non-executive director	Hong Kong Exchanges and Clearing Limited (stock code: 388)
Since July 2005	Independent non-executive director	Lifestyle International Holdings Limited (stock code: 1212)
Since October 2011	Non-executive director	Luk Fook Holdings (International) Limited (stock code: 590)
Since April 2013	Independent non-executive director	SINOPEC Engineering (Group) Co., Ltd (stock code: 2386)
Since April 1998	Independent non-executive director	Zhuhai Holdings Investment Group Limited (stock code: 908)

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Other current and past major appointments and offices of Mr. Hui are further set out below:

- | | |
|----------------------------------|--|
| Current appointments and offices | <ul style="list-style-type: none">● Luk Fook Financial Services Limited
Chairman and chief executive officer (since 2011)● The Administrative Committee of Hengqin New Area, Zhuhai
Member of Hengqin New Area Development Advisory Committee, and Hong Kong and Macao Legal Issues Expert Group of Hengqin New Area (since 2013)● Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference
Member (since 2006) |
| Past appointments and offices | <ul style="list-style-type: none">● Hong Kong Exchanges and Clearing Limited (stock code: 388)
Member of Environmental, Social and Governance Committee (2013–2015)
Member of Investment Advisory Committee (2009–2015)
Deputy chairman of Cash Market Consultative Panel (2009–2015)● Hong Kong Securities Clearing Company Limited
Director (1992–1996 and 1997–2000)● The Stock Exchange of Hong Kong Limited
Member of Disciplinary Appeals Committee (2000–2015)
Member of Listing Committee and GEM Listing Committee (2003–2009)
Second vice-chairman of Council (1995–1996 and 1997–2000)
Member of Council (1991–1996 and 1997–2000)● OSK Holdings Hong Kong Limited (僑豐金融集團有限公司)
Vice-chairman (2011)
Chief executive officer (2005–2011)● UOB Kay Hian (Asia) Limited (大華繼顯(亞洲)有限公司)
Managing director (2002–2005)● The Securities and Futures Commission
Securities and Futures Appeals Tribunal (2003–2009)
Member of Real Estate Investment Trusts Committee (2005–2011)
Member of Advisory Committee (1997–2005)● Standing Committee on Company Law Reform
Member (2006–2010) |

Mr. Hui is a fellow of The Hong Kong Institute of Directors and a senior fellow of the Hong Kong Securities and Investment Institute. He was also an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A.

Mr. Lee Kwan Hung (李均雄), aged 50, was appointed as our independent non-executive Director on 18 November 2015. He was appointed as a member of the audit committee, the chairman of the nomination committee and a member of the remuneration committee of our Board on 20

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November 2015. He obtained a Bachelor of Laws (Honours) degree from the University of Hong Kong in 1988 and was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. He was a partner of Woo, Kwan, Lee & Lo and is currently a consultant of Howse Williams Bowers.

Mr. Lee Kwan Hung was successively a manager and a senior manager of the Listing Division of the Stock Exchange from December 1992 to April 1994.

As at the Latest Practicable Date and in the three years preceding that date, he served as director of the following listed public companies in Hong Kong:

<u>Period of time</u>	<u>Office</u>	<u>Listed public company in Hong Kong</u>
Since January 2009	Independent non-executive director	Asia Cassava Resources Holdings Limited (stock code: 841)
Since June 2012	Independent non-executive director	China BlueChemical Ltd. (stock code: 3983)
Since November 2006	Independent non-executive director	Embry Holdings Limited (stock code: 1388)
March 2012 to November 2014	Independent non-executive director	Far East Holdings International Limited (stock code: 36)
Since November 2009	Independent non-executive director	Futong Technology Development Holdings Limited (stock code: 465)
Since July 2013	Independent non-executive director	Landsea Green Properties Co., Ltd. (stock code: 106)
Since June 2008	Independent non-executive director	NetDragon Websoft Inc. (stock code: 777)
Since December 2010	Independent non-executive director	Newton Resources Ltd (stock code: 1231)
Since February 2015	Independent non-executive director	Red Star Macalline Group Corporation Ltd. (stock code: 1528)
Since August 2011	Independent non-executive director	Tenfu (Cayman) Holdings Company Limited (stock code: 6868)
Since February 2011	Independent non-executive director	Walker Group Holdings Limited (stock code: 1386)
November 2005 to October 2014	Independent non-executive director	Yuexiu Real Estate Investment Trust (stock code: 405)

Save as disclosed above, none of our Directors (i) held other positions in our Group as at the Latest Practicable Date; (ii) had any other relationships with any Directors, senior management of our Company or Substantial Shareholders or Controlling Shareholders as at the Practicable Date; and (iii) held any other directorship in any other listed companies during the three years period up to the Latest Practicable Date. Save as disclosed in this prospectus, each of our executive Directors did not have any interests in any business apart from business of our Group which competes or is likely to

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compete, either directly or indirectly, with the business of our Group. Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our Board is assisted and supported by our senior management team, which comprises seven members.

The following table sets forth the brief particulars of our senior management:

Name	Age	Date of joining our Group	Relationships among senior management	Position	Date of appointment as senior management	Roles and responsibilities
Mr. Chan Ju Wai (陳祖偉)	47	May 2001	N/A	Chief financial officer and joint company secretary of our Company, and director of Young's Shanghai and PRC Engine	February 2004	Primarily responsible for overseeing our Group's accounting, cost control, corporate financial reporting, cash management, legal and information technology affairs
Mr. Chan Tat Chi (陳達智)	57	June 1983	N/A	General manager of the tender and subletting department of FSE Engineering and director of Tridant Engineering	March 1999	Primarily responsible for FSE Engineering's tendering and subletting management
Ms. Cheung Lut Yi, Connie (張律兒)	53	April 1991	N/A	General manager of the human resources department of FSE Engineering and director of Extensive Limited	January 2002	Primarily responsible for managing the human resources and administration affairs of our Group covering Hong Kong, Macau and PRC regions
Ms. Leung Kit Ping Teresa (梁潔冰)	59	August 1995	N/A	Deputy general manager of the finance department of FSE Engineering and director of Extensive Limited	March 2011	Primarily responsible for our Group's daily accounting, budgeting and financial reporting, treasury and working capital management, and audit and tax planning
Mr. Wong Po Shing (黃步城)	65	April 1979	N/A	Director of Young's Engineering, director and general manager of PRC Engine and director of certain subsidiaries of our Company	August 1995	Primarily responsible for the overall project administration and business marketing of FSE Engineering and its subsidiaries in the PRC

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Relationships among senior management	Position	Date of appointment as senior management	Roles and responsibilities
Mr. Wong Shu Hung (黃樹雄)	65	October 1986	N/A	General manager of Young's Engineering and Majestic Macao	January 1998	Primarily responsible for the operation and management of Young's Engineering
Mr. Yip Chung Nin (葉松年)	61	August 1978	N/A	General manager and director of Far East Engineering, director of Young's Engineering, PRC Engine, Joneson and Environmental P&S and certain subsidiaries of our Company	May 1989	Primarily responsible for the overall management and business performance control of FSE Engineering's E&M maintenance business and FSE Environmental's environmental services business in Hong Kong, Macau and the PRC

Mr. Chan Ju Wai (陳祖偉), aged 47, is the chief financial officer of our Company, one of our joint company secretaries and authorised representatives as required under Rule 3.05 of the Listing Rules. Mr. Chan is also a director of PRC Engine and Young's Shanghai. Mr. Chan is principally responsible for overseeing our Group's accounting, cost control, corporate financial reporting, cash management, legal and information technology affairs.

Mr. Chan graduated from the Lingnan University in Hong Kong with an Honours Diploma in accountancy in November 1991 and attended the Accelerating Management Talent Consortium Program in management operated by the Richard Ivey School of Business of the University of Western Ontario in Hong Kong in March 2008. He further obtained a Master's degree with distinction in accountancy from the Lingnan University in Hong Kong in November 2013 and a Master's degree with credit in Business Administration from the University of Sunderland in the United Kingdom in July 2013. In the same year, he was inducted as a member of the Lingnan University Chapter of Beta Gamma Sigma, the international honor society for collegiate schools of business.

Mr. Chan has more than 20 years' professional experience in auditing, finance and accounting in multi-national and listed companies, including over 10 years of experience in the E&M engineering and contracting industry. He joined Price Waterhouse (currently known as PricewaterhouseCoopers) in April 1991 and was promoted and worked as a senior accountant until April 1996, during which he was in charged of a portfolio of audits. Mr. Chan joined Ball Asia Pacific Holdings Limited in July 1996 and worked as an assistant controller of the company and Ball Asia Pacific Limited until January 2001. He was also the chief accountant of Vtech Holdings Limited during January to May 2001. Mr. Chan joined our Group in May 2001 and has been a financial controller in the E&M engineering business for over 14 years.

Mr. Chan is currently an associate member of the Institute of Public Accountants in Australia, and a member of both the Institute of Certified Management Accountants in Australia and the IT Accountants Association in Hong Kong.

During the three years period up to the Latest Practicable Date, Mr. Chan did not hold any directorship in any listed companies.

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Mr. Chan Tat Chi (陳達智), aged 57, is the general manager of the tender and subletting department of FSE Engineering and a director of Tridant Engineering and has been actively involved in the tender procurement and subletting of our Group. He first joined our Group in June 1983 as an assistant engineer of the engineering department of Tridant Engineering and has over 32 years' experience in the E&M engineering business in Hong Kong.

Mr. Chan obtained the Associateship in Electrical Engineering from Hong Kong Polytechnic University in November 1981 and has been admitted as Member of the Hong Kong Institution of Engineers since June 1991. He is also registered with the Electrical and Mechanical Services Department of Hong Kong as a registered electrical worker, and is a chartered engineer of The Engineering Council in the United Kingdom and a member of the Chartered Institute of Building Services Engineers in the United Kingdom.

During the three years period up to the Latest Practicable Date, Mr. Chan did not hold any directorship in any listed companies in Hong Kong.

Ms. Cheung Lut Yi, Connie (張律兒), aged 53, is the general manager of the human resources department of FSE Engineering and is mainly responsible for the human resources management and administration affairs of our Group in the Hong Kong, Macau and PRC regions. Ms. Cheung is also a director of Extensive Limited, a wholly owned subsidiary of our Company. She first joined our Group in April 1991 as a personnel and administration officer of Young's Engineering.

Ms. Cheung obtained a Diploma in Business Management from The Hong Kong Polytechnic University in September 1990 and a Bachelor's degree in Business Administration from the Royal Melbourne Institute of Technology University in Australia in September 2003. She has over 25 years' experience in human resources management and administration. Prior to joining our Group, she had been an executive officer of the personnel and administration or human resources department of a number of companies in Hong Kong. Ms. Cheung is a professional member of the Hong Kong Institute of Human Resources Management.

During the three years period up to the Latest Practicable Date, Ms. Cheung did not hold any directorship in any listed companies.

Ms. Leung Kit Ping Teresa (梁潔冰), aged 59, is the deputy general manager of the finance department of FSE Engineering and is mainly responsible for the (i) daily accounting, budgeting and financial reporting, (ii) treasury and working capital management, (iii) banking facilities arrangement, as well as (iv) audit and tax planning of our Group. She is also principally involved in monitoring our Group's compliance with the financial requirements under its operating licences and permits and the coordination with our Group's joint venture partners on financial reporting aspects. Ms. Leung is also a director of Extensive Limited, a wholly owned subsidiary of our Company. She first joined our Group in August 1995 as a chief accountant of the finance department of Young's Engineering.

Ms. Leung was awarded the Scottish Higher National Certificate in Accounting from the Scottish Business Education Council in 1976. She has over 20 years' experience in the financial reporting and accounting management of E&M engineering businesses in Hong Kong. Prior to joining of our Group, she had been the financial controller of a construction company in Hong Kong. She was a senior accountant at Price Waterhouse in July 1984 and subsequently became its senior consultant in June 1985.

During the three years period up to the Latest Practicable Date, Ms. Leung did not hold any directorship in any listed companies.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong Po Shing (黃步城), aged 65, is a director of Young's Engineering, a director and general manager of PRC Engine, and a director of certain other subsidiaries of our Company. He is responsible for the overall project administration and business marketing of FSE Engineering and its subsidiaries in the PRC.

Mr. Wong obtained a Bachelor of Science degree with major in mechanical engineering from the National Taiwan University in June 1975. He has over 30 years' experience in the E&M engineering business in Hong Kong. He joined our Group as an assistant engineer of Young's Engineering in April 1979, and was subsequently promoted from the positions of engineer, senior engineer and project manager to the positions of general manager of Young's Shanghai and Young's Engineering before he was appointed to his current positions in our Group.

Mr. Wong is also a member of the American Society of Heating, Refrigerating and Air-conditioning Engineers, Inc. and The Australian Institute of Refrigeration, Air Conditioning and Heating respectively.

During the three years period up to the Latest Practicable Date, Mr. Wong did not hold any directorship in any listed companies.

Mr. Wong Shu Hung (黃樹雄), aged 65, is mainly responsible for the operation and management of Young's Engineering. He is the general manager of Young's Engineering and the supervisor for groups of contracts managers, project managers and engineers of Young's Engineering and its subsidiaries. Mr. Wong is also a general manager of Majestic Macao. He first joined our Group in October 1986 as an engineer of Young's Engineering.

Mr. Wong obtained a Bachelor's degree in Mechanical Engineering from National Cheng Kung University, Taiwan in June 1974 and a Master of Science Degree in Heat Transfer Engineering from the Imperial College of Science and Technology in December 1975.

Mr. Wong has over 39 years' experience in the E&M engineering business in Hong Kong. Prior to joining our Group, he was the chief estimating engineer of HUD Engineering Ltd.

During the three years period up to the Latest Practicable Date, Mr. Wong did not hold any directorship in any listed companies.

Mr. Yip Chung Nin (葉松年), aged 61, is mainly responsible for the overall management and business performance control of FSE Engineering's E&M maintenance business and FSE Environmental's environmental services business in Hong Kong, Macau and the PRC, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for these business units. Mr. Yip is a director of certain subsidiaries of our Company, including Far East Engineering, Young's Engineering, PRC Engine, Joneson and Environmental P&S. He is also the supervisor for various engineering subsidiaries of our Company in the PRC.

Mr. Yip obtained a Diploma in mechanical engineering technology and a Bachelor of Technology degree in mechanical engineering from Ryerson Polytechnic University (formerly known as Ryerson Polytechnical Institute) in Canada in June 1977 and October 1978 respectively. Mr. Yip further obtained a Master's degree in project management from the Curtin University of Technology in Australia in April 2002.

Mr. Yip has over 37 years' experience in the E&M engineering business in Hong Kong. He joined our Group as an assistant engineer of Young's Engineering in August 1978 and was subsequently promoted to the positions of project engineer and senior engineer before he was appointed to his current positions in our Group.

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Mr. Yip is currently a chartered environmentalist of the Society for the Environment in the United Kingdom, a member of the Institute of Fire Engineers in the United Kingdom, a chartered engineer of the Engineering Council in the United Kingdom and a fellow of the Society of Operations Engineers in the United Kingdom.

Mr. Yip was a director of BioEnviroLink during the period from 9 May 2011 to 8 August 2012 (being the date on which an order for the winding-up of BioEnviroLink was granted). Further details of the winding up of BioEnviroLink are set out in the biographies of Mr. Wong.

During the three years period up to the Latest Practicable Date, Mr. Yip did not hold any directorship in any listed companies.

COMPANY SECRETARY

Our joint company secretaries are Mr. Lee Kwok Bong (李國邦) and Mr. Chan Ju Wai (陳祖偉), whose biographical details are respectively disclosed in the paragraphs headed “Other Executive Directors” and “Senior Management” under this section.

COMPLIANCE ADVISER

We have appointed Halcyon Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in any of the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) if a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share buy-backs;
- (iii) if we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; or
- (iv) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of our appointment with the compliance adviser shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

Audit Committee

We have established an audit committee on 20 November 2015 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to assist our Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of our Company, and to oversee the audit process.

The audit committee currently comprises three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen and Mr. Lee Kwan Hung. Mr. Kwong Che Keung, Gordon is the chairman of the audit committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination Committee

We have established a nomination committee on 20 November 2015 with written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board, assess the independence of the independent non-executive Directors and to make recommendations to our Board on the appointment and removal of Directors.

The nomination committee currently comprises two independent non-executive Directors and one executive Director, namely Mr. Lee Kwan Hung, Mr. Hui Chiu Chung, Stephen and Mr. Poon Lock Kee, Rocky. Mr. Lee Kwan Hung is the chairman of the nomination committee.

Remuneration Committee

We have established a remuneration committee on 20 November 2015 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to review the terms of the remuneration package of our Directors and members to make recommendations to our Board on our Company's policy and structure for all remuneration of Directors and our senior management.

The remuneration committee currently comprises two independent non-executive Directors and one executive Director, namely Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung and Mr. Poon Lock Kee, Rocky. Mr. Hui Chiu Chung, Stephen is the chairman of the nomination committee.

Corporate Governance Functions

Our Board is responsible for developing and maintaining the effectiveness of our Group's system of corporate governance and will perform and review in a timely manner the corporate governance functions as required under the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 20 November 2015.

Board Succession Plan

The primary purpose of the succession plan of our Board is to ensure our Group's effective performance through leadership continuity and the orderly identification and selection of key leader or director when a vacancy, whether anticipated or unanticipated, exists.

The succession plan will be reviewed and conducted on a continuous basis on the recommendation of and by the nomination committee. The process will primarily include:

- identify high aspiration and potential individual(s) (whether within or outside our Group) who has/have the personality, competency, leadership skills and passion to serve our Company and its shareholders through board service;
- define the experience and skills needed to effectively fulfill the role;
- develop and mentor each potential member, as appropriate, toward his/her pursuit of excellence, and create a development plan for, and perform development activities with, each potential member to prepare him or her for our Directorship/leadership position; and
- evaluate succession planning efforts, report the findings and make recommendation to our Board from time to time.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS' AND SENIOR MANAGEMENT REMUNERATION

The remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors in aggregate for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 were approximately HK\$6.1 million, HK\$6.9 million and HK\$7.1 million respectively. Under the arrangements currently in force, our Directors estimate the aggregate remuneration and benefits in kind of our Directors for the year ending 30 June 2016 to be approximately HK\$8 million.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind (including contribution to the pension scheme in their capacities as our Group's employees), discretionary bonuses relating to the performance of our Group and/or other allowances. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations.

The remuneration policies of our Group is and will be formulated by our Board on the recommendation of the remuneration committee of our Board (comprising two independent non-executive Directors and one executive Director). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Any discretionary bonus (if any) is linked to the performance of our Group and of individual Director/senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendation of the remuneration committee of our Board.

No remuneration was paid by our Group to our Director or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

EMPLOYEES

The paragraph headed "Employees" in the "Business" section in this prospectus provides you with information on the total number of our employees and a breakdown of their number by function and geographical location as at the Latest Practicable Date.

Relationship with employees

Our Directors believe that our employees are the most valuable assets of our Group and have contributed to the success of our Group. Our Group provides in-house trainings to employees to enhance their knowledge of our operating businesses as well as corporate culture. During the Track Record Period, our Group had not experienced any significant turnover of staff or any disruption to the business operations due to labour disputes. Our Directors believe that our Group has maintained a good relationship with its employees.

Remuneration and retirement benefit schemes

The remuneration packages of the employees include salary and insurance benefits. In general, our Group determines employee salaries based on their qualification, position and seniority. Our Group has an annual review system to assess the performance of our employees, which forms the basis of determination on any pay rise, bonus and promotion.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

All the employees of our Group in Hong Kong have joined a mandatory provident fund scheme. The scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong). Our Group has complied with the relevant laws and regulations, and the relevant contributions have been made by our Group in accordance with the relevant laws and regulations.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the relevant participants to contribute to our Company and to enable our Company to recruit high-calibre employees and attract human resources that are valuable to our Group. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware as at the Latest Practicable Date, the following persons had and will, immediately following 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), have interests or short positions in our Shares or underlying Shares which would be required 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 will be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

(a) Interests and short positions in our Company

Name of shareholder	Capacity/nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Global Offering and the Capitalisation Issue	
		Number of shares held (Note 1)	Approximate % of interest	Number of shares held (Note 1)	Approximate % of interest
FSE Holdings	Beneficial owner (Note 2)	300,000,000 (L)	100%	337,500,000 (L)	75%
Sino Spring Global	Interest of controlled corporation (Notes 2 and 3)	300,000,000 (L)	100%	337,500,000 (L)	75%
Mr. Doo	Interest of controlled corporation (Notes 2, 3 and 4)	300,000,000 (L)	100%	337,500,000 (L)	75%
Mrs. Doo Cheng Sau Ha Amy ("Mrs. Doo")	Interest of spouse (Note 4)	300,000,000 (L)	100%	337,500,000 (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) FSE Holdings is beneficially owned as to 63% by Sino Spring Global, 9% by Frontier Star, 5% by Master Empire Group, 4% by Supreme Win Enterprises, 18% by Dr. Henry Cheng (through CTF Nominee) and 1% by Lagoon Treasure. By virtue of the SFO, Sino Spring Global is deemed to be interested in all Shares held by FSE Holdings. Mr. Wong and Mr. Doo Junior are the directors of FSE Holdings.
- (3) Sino Spring Global is an investment holding company incorporated on 3 January 2014 in the BVI with limited liability and is wholly owned by Mr. Doo. By virtue of the SFO, Mr. Doo is deemed to be interested in all Shares in which Sino Spring Global is interested. Mr. Doo is the sole shareholder of Sino Spring Global.
- (4) Mrs. Doo is the spouse of Mr. Doo. Under the SFO, Mrs. Doo is taken to be interested in all Shares in which Mr. Doo is interested.

SUBSTANTIAL SHAREHOLDERS

(b) Interests in our subsidiaries

<u>Name of Subsidiary</u>	<u>Name of shareholder</u>	Immediately following the completion of the Global Offering and the Capitalisation Issue	
		Number of shares held	Approximate % of interest
BioEnviroLink (<i>Note 1</i>)	Bioforte (Hong Kong) Environmental Engineering and Technology Company Limited (生物源 (香港) 環境工程與技術有限公司)	30 shares	30%

Note: A winding-up order granted by the High Court of the Hong Kong Special Administrative Region dated 8 August 2012 was made against BioEnviroLink. As at the Latest Practicable Date, the winding-up is still in progress.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following 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), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

<i>Authorized share capital:</i>	<i>HK\$</i>
1,000,000,000	100,000,000
Shares of HK\$0.10 each	

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 allotted and issued 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>
300,000,000	30,000,000
37,500,000	3,750,000
112,500,000	11,250,000
450,000,000	45,000,000
Shares	

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>
300,000,000	30,000,000
37,500,000	3,750,000
129,375,000	12,937,500
466,875,000	46,687,500
Shares	

Assumptions

The above tables assume 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 bought back by our Company under the general mandates for the allotment and issue or buy-back of Shares granted to our Directors as referred to below or otherwise.

Minimum public float

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

SHARE CAPITAL

Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option or upon the exercise of any options which have been or may be granted under the Share Option Scheme 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 sole Shareholder passed on 20 November 2015, 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 authorized to allot and issue a total of 37,500,000 Shares credited as fully paid at par to FSE Holdings as the sole Shareholder whose name appear on the register of members of our Company at close of business on 20 November 2015 by way of capitalisation of the sum of HK\$3,750,000 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.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 20 November 2015. A summary of the principal terms of the Share Option Scheme is set out in “Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted with a general unconditional mandate to allot, issue and deal with Shares in total number of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option); and
- (b) the total number of Shares bought back by our Company, if any, under the general mandate to buy-back Shares referred to below.

The total number of Shares which our Directors are authorized 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 Articles of Association; 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.

SHARE CAPITAL

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or the Articles of Association 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, please see "Further Information about our Company and our subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 20 November 2015" in Appendix IV to this prospectus.

GENERAL MANDATE TO BUY-BACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted with a general unconditional mandate to exercise all the powers of our Company to buy-back Shares in total number of not more than 10% of the total number of Shares in issue following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option).

This mandate only relates to buy-backs 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 buy-back of Shares is set out in "Further Information about our Company and our subsidiaries — 7. Buy-back by our Company of our own securities" in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company is required by the applicable Cayman Island law or the Articles of Association 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 "Further Information about our Company and our subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 20 November 2015 and 7. Buy-back by our Company of our own securities" in Appendix IV to this prospectus.

General meeting

For details as to circumstances under which general meeting is required, please see the sub-section "Articles of Association" in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information for the three years ended 30 June 2015, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States. For further information, please see "Appendix I — Accountant's Report". Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis 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, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are one of the leading E&M engineering companies in Hong Kong, providing a comprehensive range of E&M engineering and environmental engineering services, and we also have well-established E&M engineering operations in the PRC and Macau. We were the second largest E&M engineering service provider for two consecutive years in Hong Kong and in Macau, with market share of approximately 4.3% and 8.0% respectively in 2013, and approximately 4.9% and 3.8% respectively in 2014, in terms of sales revenue, according to the Frost & Sullivan Report. With over 40 years of operating history, we have developed substantial expertise as an E&M engineering service provider, and we have built up a strong network with well-established clients and main contractors who are often engaged in large-scale projects of major property developers and other blue-chip companies in Hong Kong. Through our consistent efforts, we have gained strong market recognition, which is illustrated by the numerous awards we have received over the years, as set out in the section "Business — Certifications, Awards and Recognitions".

During the Track Record Period and up to Latest Practicable Date, we have undertaken over 10,000 E&M engineering projects in Hong Kong, Macau and the PRC, 38 of which were Major Projects with contract sum over HK\$100 million. The 38 Major Projects we undertook during the Track Record Period include 27, 4 and 7 Major Projects in Hong Kong, Macau and the PRC, respectively. As at the Latest Practicable Date, we had over 3,000 E&M engineering projects on hand, with a total estimated outstanding contract value of approximately HK\$5,500 million (of which approximately HK\$4,100 million was attributable to Major Projects and the rest was attributable to other projects on hand). Examples of the Major Projects that we have undertaken during the Track Record Period and up to the Latest Practicable Date include: (1) in Hong Kong (i) the design, installation and operation of a district cooling system in Kai Tak supplying chilled water to premises, (ii) installation of electrical, fire services, air-conditioning and central chiller plant systems for a redevelopment project of a complex comprising hotel, serviced apartment, shopping arcade and offices in Tsim Sha Tsui, (iii) installation of E&M system for a new 500-bed private hospital in Wong Chuek Hang; (2) in Macau (i) installation of a central chiller plant and building energy management, dry fire, and air-conditioning systems for a luxury integrated resort with 1,700 rooms, (ii) installation of electrical system of an entertainment and hotel complex; and (3) in the PRC (i) installation of E&M system for mixed used commercial blocks with a GFA of over 450,000m² in Shanghai Jing An district, and (ii) installation of E&M system for a 5-star hotel with 450 rooms in Nanjing. Our other projects encompass a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centers, banks, hotels, residential properties, universities, hospitals, and public transportation facility buildings. During

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the Track Record Period, we had generally focused on E&M projects in the private sector, and had undertaken relatively few public sector projects in Hong Kong, which mainly involve electrical installation works.

Our E&M engineering services include installation works for construction projects as well as maintenance services for buildings and facilities which have been completed. We provide a comprehensive range of E&M engineering services, under the trade names of “Far East Engineering”, “Young’s Engineering” and “Majestic Engineering” in Hong Kong and Macau and “新創機電” and “景福工程(上海)” in the PRC, which include design, contracting and installation, testing and commissioning as well as operation and maintenance of (i) air-conditioning and mechanical ventilation system, (ii) fire alarms and fire safety and prevention system, (iii) plumbing and drainage system; and (iv) electrical and ELV system. We also provide other related E&M engineering services including building management systems, energy centers and central battery system, and project management for large-scale E&M project primarily in the PRC.

As a comprehensive, multi-disciplinary E&M engineering service provider, we believe we possess all the professional skills and licences necessary to smoothly and efficiently execute large-scale projects on time and on budget from inception to completion, to our customers’ requirements and satisfaction. We possess value engineering capability, which involves examining the function of an intended project, identifying any opportunities to reduce unnecessary elements in the design and choosing the most cost-effective means of delivering the desired result.

In addition to E&M engineering services, we are also engaged in the provision of environmental engineering services and products, and the trading and retail sales of building materials, which we consider as complementary to our E&M engineering services, providing us with further growth opportunities. We believe that all of our operations are underpinned and supported by an integrated management and control system, strong networks of well-established customers and suppliers and an experienced and well-trained workforce.

During the three years ended 30 June 2015, over 95% of our revenue was derived from our E&M engineering segment and we derived over HK\$7,600 million revenue in aggregate from the provision of our E&M engineering services. We recorded relatively steady growth in our revenue during the Track Record Period, which amounted to approximately HK\$2,380.6 million, HK\$2,555.0 million and HK\$2,825.1 million for the three years ended 30 June 2015, respectively, and primarily attributable to (i) the steady growth in our revenue while being able to maintain a relatively stable gross profit margin ranging from approximately 11.8% to 13.0% during the Track Record Period, and (ii) reduction in general and administrative expenses for the year ended 30 June 2015, our net profit attributable to our equity holders recorded steady growth from approximately HK\$113.7 million for the year ended 30 June 2013 to approximately HK\$131.2 million for the year ended 30 June 2014 and further grew to approximately HK\$149.2 million for the year ended 30 June 2015.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as of 30 June 2013, 2014 and 2015, our consolidated statements of profit and loss and other comprehensive income for the years ended 30 June 2013, 2014 and 2015 and our consolidated statement of cash flows for the years ended 30 June 2013, 2014 and 2015 set forth in this section are derived from the Accountant’s Report set out in Appendix I to this prospectus, and should be read in conjunction with the Accountant’s Report and with the sub-section “Discussion of Results of Operations” below.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Construction activities in Hong Kong, the PRC and Macau

We principally provide our E&M engineering services to residential and commercial properties and facilities development projects in Hong Kong, the PRC and Macau. Our total revenue, which principally represented revenue from our E&M engineering segment, for the three years ended 30 June 2015 were approximately HK\$4,806.4 million in Hong Kong, HK\$1,484.3 million in the PRC and HK\$1,470.0 million in Macau, and among which the contracting revenue (as opposed to the maintenance revenue) accounted for over 80% of the revenue derived from our E&M engineering services during the Track Record Period. Accordingly, changes in construction activities in Hong Kong, the PRC and Macau could have significant impact on the demand for our services and, therefore, significant impact on our business and results of operations.

Subcontracting fee and raw material costs

Our subcontracting fee accounted for approximately 55.4%, 49.4% and 45.1% of our costs of sales during the Track Record Period, respectively, while our raw material costs accounted for approximately 24.5%, 35.3% and 37.3% of our costs of sales during the Track Record Period, respectively. The subcontracting fee and raw material costs may fluctuate after we have secured our projects and may deviate from our estimation during tendering stage as we usually did not maintain inventories in a material amount. In the event that the subcontracting fee or the raw material costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations or increase in our project revenue, our financial performance and profitability will be adversely affected.

From time to time, we procure certain services from third party service providers for some of our projects which require special equipment and such subcontractors may sometimes source and supply for materials for those subcontracting projects. Also, our E&M engineering segment generally does not employ labour to carry out the installation and fitting out work directly. Accordingly, our subcontracting fee represented payment to those subcontractors and therefore may vary depend on the level of labour work and materials involved in the project.

Our raw materials and consumables costs were principally related to the raw materials and consumables used on the project sites procured by us for our E&M engineering business, which were usually delivered to the project sites directly by our suppliers. Major materials and equipments were ordered based on specifications set out in the relevant contract and needed to pass through the approval process by the client representative.

As disclosed in the "Business" section, in pricing a tender, we also make references to recent job quotations, such as tender record, materials purchase price, equipment and labour costs, subcontractors' quotations, resources availability of our projects completed or in progress which are stored in our data system. In addition, related market information, such as materials price trend and potential contract opportunities are also retrieved for reference. Accordingly, the changes in subcontracting fee and raw materials and consumable costs shall also be reflected in our quotations. The following sensitivity analysis only illustrates the impact of hypothetical fluctuations of our subcontracting fees and raw material costs on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remained constant. Fluctuations in our subcontracting fees are assumed to be 3%, 5% and 8% and fluctuations in our raw material costs are assumed to be 10%, 20% and 30%, which are determined by reference to the historical fluctuations in our subcontracting fees and raw material costs during the Track Record Period.

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Hypothetical fluctuations of our subcontracting fees

	+/- 3%	+/- 5%	+/- 8%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/decrease in subcontracting fee			
For the year ended 30 June 2013	34,916	58,194	93,110
For the year ended 30 June 2014	32,908	54,847	87,756
For the year ended 30 June 2015	33,687	56,145	89,833
Increase/decrease in profit before tax			
For the year ended 30 June 2013	34,916	58,194	93,110
For the year ended 30 June 2014	32,908	54,847	87,756
For the year ended 30 June 2015	33,687	56,145	89,833

Hypothetical fluctuations of our raw material costs

	+/- 10%	+/- 20%	+/- 30%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/decrease in raw material costs			
For the year ended 30 June 2013	51,412	102,825	154,237
For the year ended 30 June 2014	78,462	156,924	235,386
For the year ended 30 June 2015	92,839	185,678	278,517
Increase/decrease in profit before tax			
For the year ended 30 June 2013	51,412	102,825	154,237
For the year ended 30 June 2014	78,462	156,924	235,386
For the year ended 30 June 2015	92,839	185,678	278,517

Labour costs

We had over 1,400 staff during the Track Record Period and the total staff costs, included as part of cost of sales, general and administrative expenses, amounted to approximately HK\$345.0 million, HK\$412.7 million and HK\$421.9 million for the three years ended 30 June 2015, respectively. On the other hand, we set our budget and submit our tenders after taking into account of, among other things, the expected increase in staff costs. Accordingly, both of our revenue and operating costs will be affected by the fluctuation in staff cost.

The following sensitivity analysis only illustrates the impact of hypothetical fluctuations of our labour costs on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remained constant. Fluctuations in our labour costs are assumed to be 10%, 15% and 20%, which are determined by reference to the historical fluctuations in our labour costs during the Track Record Period.

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Hypothetical fluctuations of our labour costs

	+/- 10%	+/- 15%	+/- 20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/decrease in labour costs			
For the year ended 30 June 2013	34,497	51,746	68,994
For the year ended 30 June 2014	41,270	61,906	82,541
For the year ended 30 June 2015	42,186	63,279	84,372
Increase/decrease in profit before tax			
For the year ended 30 June 2013	34,497	51,746	68,994
For the year ended 30 June 2014	41,270	61,906	82,541
For the year ended 30 June 2015	42,186	63,279	84,372

Awarding of tenders

Our Group's ability to compete for and secure sizeable and profitable projects is one of the main contributors to our success as well as a key to maintain our profitability. Our E&M engineering business usually operates on a non-recurring and project-by-project basis and our customers may vary from year to year. Given we usually secure our project by tendering, in the event that our Group is unable to be awarded a sufficient number of tenders to secure new contracts, our revenue and financial performance may be adversely affected.

Ability to maintain service standards and works quality, and complete our projects on a timely basis

It is a usual term in the contracts of our E&M engineering business that we have to provide a warranty period as part of our quality assurance. If there are quality problems in relation to our services or delay in our projects, we may be subject to fine or penalty. 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 service standards and works quality or to complete our projects on a timely basis, our financial performance may be adversely affected.

Government legislation and regulation changes

In order to tender for public sector contracts, a contractor is usually required to be on the appropriate List of Approved Contractors. Any changes or alterations of government legislation and regulations may require us to make necessary corresponding adjustments of whatever kind and nature to meet any new requirements and/or standards resulting from such changes, thus requiring us to incur extra costs. In the event that we are unable to make necessary corresponding adjustments on a timely manner, our ability to tender for new projects, and our revenue, may be adversely affected.

Labour supply

Our E&M engineering sector involves certain labour intensive works. The shortage of qualified construction workers and engineering staff may affect our ability to take up projects and our subcontractors' ability to delivery their service on a timely manner, and may result in delay in completion of our works which may adversely affect our financial performance.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our audited consolidated financial information set forth in Appendix I to this prospectus has been prepared in accordance with HKFRSs under the historical cost convention.

The companies now comprising the Group, engaging in the listing businesses, were under the common control of the ultimate controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and the financial information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the periods presented, or since the date when the consolidated companies first came under the control of the ultimate controlling shareholder, whichever is a shorter period.

The net assets of the consolidated companies were consolidated using the existing book values from the ultimate controlling shareholder’s perspective. No amount is recognised in consolidation for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time the business combination under common control, to the extent of the continuation of the controlling party’s interest.

All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

For companies acquired from or disposed to a third party during each of the years ended 30 June 2013, 2014 and 2015, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

There was no adjustment made to the net assets nor the net profit or loss of any consolidated entities in order to achieve consistency of the Group’s accounting policies.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management to make subjective and complex judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to our consolidated financial statements included in “Appendix I — Accountant’s Report”.

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Revenue Recognition

We record our revenue derived from engineering service contracts based on percentage of completion method and measured by reference to the proportion of costs incurred for work performed as compared to the estimated total costs to completion. We record our maintenance service fee and consultancy fee income when services are rendered. We record our revenue derived from sales of goods based on the transfer of risks and rewards of ownership (when goods are delivered to customers and the title has passed).

Depreciation of property, plant and equipment

Our property is stated at the revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Our plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to allocate their costs to their residual values over their estimated useful lives using the straight-line method. Estimated useful lives are summarised as follows:

Leasehold land under finance leases and buildings	Shorter of 20 to 40 years, or the remaining lease terms
Leasehold improvement	Shorter of 5 years or over the remaining lease terms
Plant and machinery	5 years
Furniture, fixtures and equipment	3 to 40 years
Motor vehicles	3 to 5 years

Management determines the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. We will change the depreciation charge where useful lives are different from the previously estimated lives. We will also write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimate of revenue and costs of contracting works

We recognize our contract revenue according to the percentage of completion of the individual contract of contracting works which was estimated by our management based on the following:

- Total costs incurred
- Budgeted cost
- Contract revenue
- Contract costs
- Variation orders
- Contract claims

Our management also reviews regularly the progress of the contracts and the corresponding costs of the contract revenue.

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Foreseeable losses in respect of contracting works

Our management estimates the amount of foreseeable losses of contracting works on the management budgets (i.e. budgeted contracting income and budgeted contracting costs) prepared for the works, which are principally based on the following:

<i>Budgeted contracting income:</i>	<i>Budgeted contracting costs (based on quotations):</i>
<ul style="list-style-type: none">• Terms of the relevant contracts	<ul style="list-style-type: none">• Staff costs• Subcontracting charges• Costs of materials

Our management also reviews regularly the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Impairment of intangible assets

The impairment of our intangible assets is assessed in the following circumstances:

<i>Goodwill:</i>	<i>Other intangible assets:</i>
<ul style="list-style-type: none">• tested annually for impairment• reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable	<ul style="list-style-type: none">• reviewed for possible reversal of the impairment at the end of each reporting period

Carrying amount: written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount

Impairment loss: recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount

Recoverable amount: the higher of its fair value less costs to sell and value in use

For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

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RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our selected consolidated statements of profit and loss and other comprehensive income for the years ended 30 June 2013, 2014 and 2015 as extracted from the Accountant's Report as set out in Appendix I to this prospectus.

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,380,584	2,555,017	2,825,107
Cost of sales	<u>(2,099,563)</u>	<u>(2,222,136)</u>	<u>(2,491,974)</u>
Gross profit	281,021	332,881	333,133
Other income/gains, net	5,218	7,909	5,603
General and administrative expenses	<u>(150,690)</u>	<u>(200,446)</u>	<u>(185,848)</u>
Operating profit	135,549	140,344	152,888
Finance income, net	2,917	8,774	16,209
Share of results of joint ventures	<u>(281)</u>	<u>(848)</u>	<u>—</u>
Profit before income tax	138,185	148,270	169,097
Income tax expenses	<u>(24,453)</u>	<u>(17,070)</u>	<u>(19,946)</u>
Profit for the years	<u>113,732</u>	<u>131,200</u>	<u>149,151</u>
Profit attributable to:			
Equity holder of the Company	113,691	131,200	149,151
Non-controlling interests	<u>41</u>	<u>—</u>	<u>—</u>
	<u>113,732</u>	<u>131,200</u>	<u>149,151</u>
Dividend	<u>54,000</u>	<u>287,000</u>	<u>200,000</u>

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED INCOME STATEMENT

Revenue

Our businesses comprise principally two segments namely E&M engineering, and environmental management service. Our revenue represents income from our provision of services and sale of goods in our ordinary course of businesses. Revenue is shown net of value-added tax, returns and discounts and after inter-segment eliminations. The following tables show our segment revenue by operating segment and geographic area for the periods indicated:

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
E&M engineering	2,339,158	2,503,135	2,780,553
Environmental management service	43,010	53,581	54,202
Less: Inter-segment sales <i>(Note)</i>	(1,584)	(1,699)	(9,648)
Total	2,380,584	2,555,017	2,825,107

Note: Inter-segment sales represented the goods and services purchased by our E&M engineering segment from our environmental management service segment.

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,502,379	1,742,120	1,561,927
PRC	506,873	594,715	382,695
Macau	371,332	218,182	880,485
Total	2,380,584	2,555,017	2,825,107

Segment revenue from E&M engineering accounted for over 95% of our total revenue during the Track Record Period and primarily consists of service fees in respect of our installation services and maintenance services in Hong Kong, the PRC and Macau. The segment revenue from E&M engineering is primarily driven by the number, size, location and types of projects involved, nature of services to be provided and stage of completion of the projects which affects the timing of recognition of our revenue. The following table shows the breakdown of our segmental revenue from E&M engineering during the Track Record Period:

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Installation division	1,910,997	2,032,856	2,279,642
Maintenance division	326,762	376,824	399,396
Others	101,399	93,455	101,515
Total	2,339,158	2,503,135	2,780,553

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Revenue from our installation division contributed the largest portion of our revenue in E&M engineering, which accounted for approximately 81.7%, 81.2% and 82.0% of our revenue in E&M engineering for the three years ended 30 June 2015, while the maintenance division contributed the second largest part rest of our revenue in E&M engineering, which accounted for approximately 14.0%, 15.1% and 14.4% of our revenue in E&M engineering for the three years ended 30 June 2015.

Key projects during the Track Record Period

We derived over HK\$7,600 million in aggregate from our E&M engineering segment during the Track Record Period and set out below is the summary of sizeable projects during the Track Record Period, with contract sum over HK\$100 million and contributed over HK\$50 million revenue to us:

Project name	Location	Category (Note)	Awarded Contract sum HK\$'000	Revenue recognized in the year ended 30 June			Total revenue recognized during the Track Record Period HK\$'000	Status as at 30 June 2015
				2013 HK\$'000	2014 HK\$'000	2015 HK\$'000		
A five-star hotel and entertainment complex in Cotai, Macau ("Project Cotai Complex")	Macau	Private	629,000	—	197,515	411,179	608,694	In progress
A five-star hotel and resort development in Cotai, Macau ("Project Cotai Resort")	Macau	Private	653,231	—	—	356,762	356,762	In progress
A design-build-operate project for a district cooling system in Kai Tak, Kowloon. ("Project District Cooling")	Hong Kong	Public work project	459,941	143,094	106,391	73,217	322,702	Completed
A five-star hotel in Nanjing, the PRC ("Project Nanjing")	PRC	Private	323,555	—	191,729	63,804	255,533	In progress
A well-known hotel in Macau ("Project Cotai Hotel")	Macau	Private	311,912	241,405	2,489	—	243,894	Completed
A logistic centre building at Tsing Yi, the New Territories ("Project Logistic Centre")	Hong Kong	Private	267,837	—	196,612	42,708	239,320	In progress
A residential development at Austin Station, Kowloon ("Project Austin")	Hong Kong	Private	177,329	—	131,822	43,668	175,490	In progress
A hotel development at Tianjing, the PRC	PRC	Private	195,294	57,879	86,988	16,232	161,099	Completed
A new hotel in San Po Kong, Kowloon ("Project SPK Hotel")	Hong Kong	Private	205,000	105,860	44,545	—	150,405	Completed
A five-star hotel at Tangshan, the PRC ("Project Tangshan")	PRC	Private	172,335	—	57,858	91,580	149,438	In progress
A mixed-use commercial building in Shanghai Jing An district, PRC ("Project Jing An")	PRC	Private	611,817	102,119	25,217	12,865	140,201	Completed
An apron expansion at Hong Kong International Airport, Chek Lap Kok, Lantau ("Project Airport")	Hong Kong	Private	177,390	—	109,036	26,899	135,935	In progress

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Project name	Location	Category (Note)	Awarded Contract sum HK\$'000	Revenue recognized in the year ended 30 June			Total revenue recognized during the Track Record Period HK\$'000	Status as at 30 June 2015
				2013	2014	2015		
				HK\$'000	HK\$'000	HK\$'000		
A residential development in Lung Tin Tsuen, Yuen Long, the New Territories	Hong Kong	Private	113,230	24,871	85,187	13,367	123,425	Completed
A commercial office development at Kwun Tong, Kowloon ("Project KT Commercial")	Hong Kong	Private	136,094	—	14,313	103,705	118,018	In progress
A residential development in Ma On Shan, the New Territories	Hong Kong	Private	129,000	20,571	62,335	31,729	114,635	In progress
A residential development in Tai Tao Tsuen, Yuen Long, the New Territories	Hong Kong	Private	118,779	21,144	82,809	8,855	112,808	Completed
A office development at Hung Hom, Kowloon ("Project HH Office")	Hong Kong	Private	142,800	—	—	101,363	101,363	In progress
A residential development at Austin Station, Tsim Sha Tsui, Kowloon	Hong Kong	Private	115,669	—	41,740	55,030	96,770	In progress
A construction of a public housing development in Hung Shui Kiu, the New Territories	Hong Kong	Public work project	100,030	—	19,574	69,570	89,144	Completed
A well-known hotel in Cotai, Macau	Macau	Private	293,478	—	—	85,176	85,176	In progress
A public housing development at Sau Mau Ping, Kowloon	Hong Kong	Public work project	154,490	—	—	57,649	57,649	In progress
A residential development at Che Kung Temple Station, the New Territories	Hong Kong	Private	199,530	41,930	13,007	454	55,391	Completed
A police station in Yau Ma Tei, Kowloon	Hong Kong	Private	111,347	—	—	54,118	54,118	In progress
Subtotal			<u>5,799,088</u>	<u>758,873</u>	<u>1,469,167</u>	<u>1,719,930</u>	<u>3,947,970</u>	

Note: We classify public sector contracts as contracts in which the ultimate employer is a government department, statutory body or related organisation, or institutional body. The table below sets out the proportion of the revenue of our E&M Engineering Segment from private sector projects and public sector projects for the periods indicated.

Revenue	For the year ended 30 June					
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	1,850,903	79.1	2,186,555	87.4	2,385,554	85.8
Public sector	488,255	20.9	316,580	12.6	394,999	14.2
Total	<u>2,339,158</u>	<u>100.0</u>	<u>2,503,135</u>	<u>100.0</u>	<u>2,780,553</u>	<u>100.0</u>

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In addition, we further set out below the summary of other major projects which (i) had contract sum over HK\$100 million; and (ii) had not been completed as at 30 June 2015:

Project name	Location	Category (Note)	Awarded Contract sum HK\$'000	Revenue recognized in the year ended 30 June			Total revenue recognized during the Track Record Period HK\$'000	Expected to be completed by ⁽¹⁾
				2013 HK\$'000	2014 HK\$'000	2015 HK\$'000		
A hotel, service apartments, office and shopping arcade complex at Tsim Sha Tsui, Kowloon	Hong Kong	Private	1,141,700	—	—	23,457	23,457	Sep 2017
A private hospital at Wong Chuk Hang, Hong Kong	Hong Kong	Private	665,632	—	—	—	—	Nov 2016
A residential development at West Rail Tsuen Wan West Station, the New Territories	Hong Kong	Private	290,540	—	—	—	—	Dec 2017
A catering facility of an airline company in Chek Lap Kok, Lantau	Hong Kong	Private	224,910	—	—	—	—	Aug 2016
An office building development in Wuhan, the PRC ("Project Wuhan")	PRC	Private	205,567	—	—	—	—	Jun 2016
A residential development in Tuen Mun, the New Territories	Hong Kong	Private	199,336	—	—	—	—	Dec 2016
A residential development in Clear Water Bay, the New Territories	Hong Kong	Private	186,800	—	—	38,634	38,634	Oct 2016
University complex and dormitory at Fortress Hill, Hong Kong	Hong Kong	Private	181,000	—	—	—	—	Mar 2016
A hotel development in Hung Hom, Kowloon	Hong Kong	Private	167,900	—	—	—	—	Aug 2016
Public rental housing development in Sha Tin, the New Territories	Hong Kong	Public work project	160,130	—	—	29,068	29,068	Oct 2015 ⁽²⁾
A hotel development in Wuhan, the PRC	PRC	Private	149,132	—	—	—	—	Nov 2016
A public housing development in Sham Shui Po, Kowloon	Hong Kong	Public work project	146,460	—	—	—	—	Feb 2018
A residential development at So Kwun Wat, the New Territories	Hong Kong	Private	126,428	—	—	—	—	Mar 2017
A residential and commercial development at Tseung Kwan O, the New Territories	Hong Kong	Private	108,400	—	—	—	—	Feb 2017
Subtotal			<u>3,953,935</u>	<u>—</u>	<u>—</u>	<u>91,159</u>	<u>91,159</u>	

Notes:

- (1) The expected completion date was estimated based on the relevant contract, which is subject to variation based on the actual construction progress.
- (2) The project is expected to be completed by January 2016 based on the management's estimation as at the Latest Practicable Date.

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(3) *We classify public sector contracts as contracts in which the ultimate employer is a government department, statutory body or related organisation, or institutional body.*

The environmental management service, net of inter-segment sales, contributed approximately 1.7%, 2.0% and 1.6% of our total revenue during the three years ended 30 June 2015, respectively. Segment revenue from environmental management service consists principally of water treatment projects and BioTech installation and maintenance services.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our subcontracting fee accounted for the largest part of our cost of sales. For the years ended 30 June 2013, 2014 and 2015, our subcontracting fee accounted for approximately 55.4%, 49.4% and 45.1% of our cost of sales, respectively. Our raw materials and consumables used accounted for the second largest part of our cost of sales, which accounted for approximately 24.5%, 35.3% and 37.3% of our cost of sales for the years ended 30 June 2013, 2014 and 2015, respectively. Other cost of sales mainly includes staff costs and other overhead costs. The following table summarizes the breakdown of our cost of sales during the Track Record Period:

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting	1,163,879	1,096,949	1,122,909
Raw materials and consumables	514,124	784,619	928,391
Staff cost	266,580	325,746	323,323
Overhead costs	86,352	48,732	57,903
Provision for/(reversal of provision for) employee termination benefits	34,695	(48,959)	488
Reversal of provision for contingencies	(32,958)	(60,348)	(29,328)
Others	66,891	75,397	88,288
Total	2,099,563	2,222,136	2,491,974

From time to time, we procure certain services from third party service providers for some of our projects which require special equipment and such subcontractors may sometimes source and supply for materials for those subcontracting projects. Also, our E&M engineering segment generally does not employ labour to carry out the installation and fitting out work directly. Accordingly, our subcontracting fee represented payment to these subcontractors and therefore may vary depend on the level of labour work of and materials involved in the project.

Our raw materials and consumables costs were principally related to the raw materials and consumables used on the project sites procured by us for our E&M engineering business, which were usually delivered to the project sites directly by our suppliers. Major materials and equipments were ordered based on specifications set out in the relevant contract and needed to pass through the approval process by the client representative. The amount and timing of materials to be ordered usually depend on the progress of works and specific requirements of each project, and, accordingly, we do not maintain inventory level in a material amount for our E&M engineering business.

Our staff costs principally represented our staff costs attributable to our project tendering, contracting and maintenance department of our E&M engineering segment.

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The provision for contingencies is recognised since the commencement of our projects to cater for possible additional costs incurred during the course of our work. We regularly monitor and evaluate the contingencies of each project and the adequacy of provision for contingencies, and the remaining amount of such provision would be reviewed and recognised, where appropriate, in the statement of profit and loss after one year from the date of account completion or the issuance of final accounts of the relevant project.

For the year ended 30 June 2013, we had made an additional provision of approximately HK\$34.7 million for employee termination benefits for our PRC staff as we planned to prepare our other PRC subsidiaries for endowing with the relevant qualification to conduct the E&M businesses in the PRC by way of transferring part of our staff employed, resulting in possible cessation of such employment contracts, under PRC Engine to such PRC subsidiaries (the “**PRC Staff Relocation Plan**”). However, after considering, among other things, the application requirements, procedures, timing and resources involved, we decided to maintain PRC Engine as our key E&M business operator in the PRC and therefore the PRC Staff Relocation Plan was terminated. Accordingly, a net reversal of provision of employee termination benefits of approximately HK\$49.0 million (including provisions made prior to the Track Record Period) was recognised during the year ended 30 June 2014.

Other cost of sales were mainly related to the cost of sales of our building material trading business.

For the years ended 30 June 2013, 2014 and 2015, our cost of sales represented approximately 88.2%, 87.0% and 88.2% of our revenue, respectively.

Gross profit

Our gross profit amounted to approximately HK\$281.0 million, HK\$332.9 million and HK\$333.1 million for the years ended 30 June 2013, 2014 and 2015, respectively. The following table shows the breakdown of our segmental gross profit during the Track Record Period:

	For the year ended 30 June					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
E&M engineering	269,572	11.5%	319,174	12.8%	321,314	11.6%
Environmental management service	11,449	27.6%	13,707	26.4%	11,819	26.5%
Total	281,021	11.8%	332,881	13.0%	333,133	11.8%

Our E&M engineering segment contributed over 95% of our gross profit during each of the three years ended 30 June 2015, which were consistent with the revenue contribution of our E&M engineering segment. The gross profit margin of our projects varies across different projects, and may be affected by the number, size, location and types of projects involved, nature of services to be provided. We recorded relatively stable gross profit margin in both E&M engineering segment and environmental management service segment during the Track Record Period.

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We further set out below the breakdown of our gross margin by (i) geographical locations; (ii) private and public sector; and (iii) one-off and retainer projects:

Geographical location

	For the year ended 30 June					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Hong Kong	159,240	10.6%	160,152	9.2%	173,438	11.1%
PRC	32,541	6.4%	111,538	18.8%	50,480	13.2%
Macau	89,240	24.0%	61,191	28.0%	109,215	12.4%
Total	<u>281,021</u>	<u>11.8%</u>	<u>332,881</u>	<u>13.0%</u>	<u>333,133</u>	<u>11.8%</u>

During the Track Record Period, the average gross profit margin of our projects in Hong Kong, which contributed over 50% of our gross profit, was relative stable, while the average gross profit margin of our projects in Macau was higher than our overall gross profit margin.

Private and public sector

	For the year ended 30 June					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Private sector	251,968	13.3%	303,410	13.6%	293,125	12.1%
Public sector	29,053	5.9%	29,471	9.1%	40,008	9.8%
Total	<u>281,021</u>	<u>11.8%</u>	<u>332,881</u>	<u>13.0%</u>	<u>333,133</u>	<u>11.8%</u>

During the Track Record Period, the average gross profit margin for our private sector projects, which over 85% of our gross profit were derived from, was generally higher than that of our public sector projects.

One-off and retainer projects

	For the year ended 30 June					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Installation division*	202,775	10.6%	254,759	12.5%	243,664	10.7%
Maintenance division [#]	25,679	7.9%	24,535	6.5%	32,893	8.2%
Others	41,118	40.6%	39,880	42.7%	44,757	44.1%
E&M engineering subtotal	<u>269,572</u>	<u>11.5%</u>	<u>319,174</u>	<u>12.8%</u>	<u>321,314</u>	<u>11.6%</u>

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Note:

* *Projects from the installation division are mainly on a one-off basis*

Projects from the maintenance division are mainly on a retainer basis

During the Track Record Period, the average gross profit margin for our one-off projects, which contributed over 75% of the gross profit of our E&M engineering segment, was higher than that of our retainer projects. Meanwhile, our building materials trading business recorded better average gross profit margin than our installation and maintenance divisions during the Track Record Period.

Other income/gains, net

Net of other income and gains mainly represents the net of exchange gain, net gain or loss on disposal of property, plant and equipment and land use rights, gain on disposal of subsidiaries and written back of trade and other payables and amount due to a joint venture.

For the years ended 30 June 2013, 2014 and 2015, net of other income and gains amounted to approximately HK\$5.2 million, HK\$7.9 million and HK\$5.6 million, respectively.

General and administrative expenses

General and administrative expenses mainly comprises staff costs, rent and rate, and management fee paid to our holding company, which in aggregate accounted for approximately 72.4%, 59.6% and 74.3% of the general and administrative expenses during the Track Record Period, respectively. Other general and administrative expenses include impairment on intangible assets, transaction costs borne, listing expenses and legal and professional fees. The breakdown of the general and administrative expenses for the Track Record Period is summarized below:

	For the year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Staff costs	78,390	86,958	98,536
Rent and rate	21,213	22,535	26,975
Management fee	9,440	9,940	12,600
Office expenses	11,504	10,521	10,611
Depreciation and amortisation	10,829	14,935	8,853
Travelling and transportation	6,009	5,568	6,435
Legal and professional fees	5,251	10,072	6,373
Sales and marketing expenses	4,807	4,838	5,431
Listing expenses	—	—	5,235
Impairment loss on trade and other receivables	1,336	58	—
Transaction costs borne	—	20,131	—
Impairment loss on intangible assets	—	11,951	—
Reversal of provision of bad debts	(783)	(356)	(377)
Others	2,694	3,295	5,176
Total	150,690	200,446	185,848

For the years ended 30 June 2013, 2014 and 2015, the general and administrative expenses represented approximately 6.3%, 7.8% and 6.6% of our revenue, respectively. Staff costs accounted for the largest portion of our general and administrative expenses which represented approximately 52.0%, 43.4% and 53.0% of our general and administrative expenses for the years ended 30 June

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2013, 2014 and 2015, respectively. Rent and rates which principally related to our offices and staff quarters, accounted for the second largest portion of our general and administrative expenses which represented approximately 14.1%, 11.2% and 14.5% of our general and administrative expenses for the years ended 30 June 2013, 2014 and 2015, respectively. Management fee, as charged by FSE Management, accounted for approximately 6.3%, 5.0% and 6.8% of our general and administrative expenses for the years ended 30 June 2013, 2014 and 2015, respectively. Depreciation and amortisation, which principally related to the depreciation in respect of our property, plant and equipment, also represented approximately 7.2%, 7.5% and 4.8% of our general and administrative expenses for the years ended 30 June 2013, 2014 and 2015, respectively. We also recorded transaction costs borne of approximately HK\$20.1 million which was principally related to the acquisition of the entire equity interest in PRC Engine for the year ended 30 June 2014.

Finance cost/income, net

Net of finance cost and income principally represents our interest income on bank deposits net of interest expense on bank borrowings. We recorded net finance income of approximately HK\$2.9 million, HK\$8.8 million and HK\$16.2 million for the years ended 30 June 2013, 2014 and 2015, respectively.

Share of results of joint ventures

Share of results of joint ventures represents the aggregate share of net profits or losses of our joint venture and joint operations attributable to our interests therein. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, while 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 arrangement. During the Track Record Period, we did not record material share of results of our joint ventures which amounted to less than HK\$1 million for each of the three years ended 30 June 2015.

Taxation

Taxation consists of current and deferred tax expenses for jurisdictions in which the members of our Group are subject to tax. During the Track Record Period, the amount of taxation charged to our consolidated income statement comprised (i) PRC taxation, (ii) Hong Kong profits tax, and (iii) Macau complementary tax (corporate income tax).

Pursuant to the Corporate Income Tax Law of the PRC, which became effective from 1 January 2008, all of our PRC subsidiaries, except for PRC Engine, were subject to a uniform tax rate of 25%. Effective from 1 January 2008, the PRC Engine was exempted from PRC corporate income tax from 1 January 2008 to 31 December 2009, and was entitled to 50% reduction of the prevailing tax rate from 1 January 2010 to 31 December 2012, and was subject to a uniform tax rate of 25% with effect from 31 January 2013. In addition, withholding tax is levied on profit distribution in our PRC subsidiaries upon declaration or remittance at a rate of 10%, unless a lower rate is available pursuant to applicable treaties.

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During the Track Record Period, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profit. The Macau complementary tax had been provided at progressive rate as follows:

<u>Taxable profits</u>	<u>Tax rate for 2013</u>	<u>Tax rate for 2014 and onwards</u>
Up to MOP 300,000	0%	n/a
Over MOP 300,000	12%	n/a
Up to MOP 600,000	n/a	0%
Over MOP 600,000	n/a	12%

According to the budget law no. 9/2014 of Macau, any income up to the amount of MOP600,000 is exempted from the payment of complementary income tax and the exceeding shall be taxed at the rate of 12%.

Net profit

Our net profit principally represented the net profit derived from our E&M engineering business. We recorded net profits of approximately HK\$113.7 million, HK\$131.2 million, and HK\$149.2 million during the Track Record Period, respectively, and net profits attributable to our shareholders of approximately HK\$113.7 million, HK\$131.2 million, and HK\$149.2 million during the Track Record Period, respectively.

DISCUSSION OF RESULTS OF OPERATIONS

Year ended 30 June 2015 compared to year ended 30 June 2014

Revenue

Our revenue increased by approximately HK\$270.1 million from approximately HK\$2,555.0 million for the year ended 30 June 2014 to approximately HK\$2,825.1 million for the year ended 30 June 2015, representing an increase of approximately 10.6%. The increase was mainly attributable to the increase in revenue derived from our installation division of our E&M engineering segment of approximately HK\$246.8 million as we derived approximately HK\$1,064.6 million for the year ended 30 June 2015 from our five highest revenue contributing projects (as compared to revenue of approximately HK\$826.7 million contributed by the then five highest revenue contributing projects for the year ended 30 June 2014).

We set out below the analysis of segmental revenue of our business segments:

- E&M engineering: Segmental revenue increased by approximately 11.1% from approximately HK\$2,503.1 million for the year ended 30 June 2014 to approximately HK\$2,780.6 million for the year ended 30 June 2015. The increase was mainly attributable to the increase in revenue derived from our installation division as we derived approximately HK\$1,064.6 million for the year ended 30 June 2015 from our five highest revenue contributing projects, namely the Project Cotai Complex, Project Cotai Resort, Project KT Commercial, Project HH Office and Project Tangshan, (as compared to approximately HK\$826.7 million contributed by the then five highest revenue contributing projects for the year ended 30 June 2014); and
- Environmental management service: Segmental revenue recorded a mild increase of approximately 1.1% from approximately HK\$53.6 million for the year ended 30 June 2014 to approximately HK\$54.2 million for the year ended 30 June 2015.

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We set out below the analysis of segmental revenue of our geographical segments:

- Hong Kong: Segmental revenue decreased by approximately 10.3% from approximately HK\$1,742.1 million for the year ended 30 June 2014 to approximately HK\$1,561.9 million for the year ended 30 June 2015. The decrease was mainly brought by the fact that only two of our top five revenue-contributing projects for the year ended 30 June 2015 were projects in Hong Kong, while three of our top five revenue contributing projects for the year ended 30 June 2014 were projects in Hong Kong as substantial part of the revenue of a few relatively sizeable contracts in Hong Kong, namely the Project Logistic Centre, the Project Austin and the Project Airport, were recognized during the year ended 30 June 2014;
- PRC: Segmental revenue decreased by approximately 35.6% from approximately HK\$594.7 million for the year ended 30 June 2014 to approximately HK\$382.7 million for the year ended 30 June 2015. The decrease was mainly attributable to the fact that we have recognised revenue of approximately HK\$191.7 million during the year ended 30 June 2014 from one of our major projects in the PRC, namely Project Nanjing, while we did not record over HK\$100 million from any single PRC project for the year ended 30 June 2015 as the relatively sizeable contracts in the PRC, including Project Wuhan, were yet to contribute significant amount of revenue for the year ended 30 June 2015; and
- Macau: Segmental revenue increased by approximately 303.5% from approximately HK\$218.2 million for the year ended 30 June 2014 to approximately HK\$880.5 million for the year ended 30 June 2015. The increase was mainly attributable to the revenue contributed from a few major Macau projects we secured, including the Project Cotai Complex (which was the single largest revenue-contributing project during our Track Record Period) and the Project Cotai Resort which in aggregate contributed revenue of over HK\$760 million for the year ended 30 June 2015 while other than Project Cotai Complex which contributed revenue of approximately HK\$197.5 million for the year ended 30 June 2014, our projects in Macau only contributed revenue of less than HK\$21.0 million in aggregate for the year ended 30 June 2014.

Cost of sales

Cost of sales increased by approximately HK\$269.9 million from approximately HK\$2,222.1 million for the year ended 30 June 2014 to approximately HK\$2,492.0 million for the year ended 30 June 2015, representing an increase of approximately 12.1%. The increase was generally in line with the increase in our revenue and mainly attributable to the increase in raw materials and consumables used for our E&M engineering projects and no reversal of employee termination benefits for our staff for the year ended 30 June 2015 while a net reversal of employee termination benefits for our staff of approximately HK\$49.0 million for the year ended 30 June 2014 mainly attributable to our decision in terminating our PRC Staff Relocation Plan and maintained PRC Engine as our principal operator in the PRC, the decrease in reversal of provision of contingencies was mainly attributable to the additional provision for contingencies for projects conducted during the year ended 30 June 2015 and the increase in other costs of sales was mainly due to provision for additional job costs of approximately HK\$10.0 million in relation to a large-scale construction project of government building complex in Hong Kong, details of which are set out in the section "Risk Factors" in the Prospectus.

Gross profit and gross margin

As a result of the foregoing, we recorded a slight increase in our gross profit of approximately HK\$0.2 million from approximately HK\$332.9 million for the year ended 30 June 2014 to approximately HK\$333.1 million for the year ended 30 June 2015. The gross profit margin dropped from approximately 13.0% for the year ended 30 June 2014 to approximately 11.8% for the year

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ended 30 June 2015. The drop in gross profit margin was mainly attributable to the recognition of net reversal of employee termination benefits for our PRC staff of approximately HK\$49.0 million during the year ended 30 June 2014, while no such reversal of provision was recognised during the year ended 30 June 2015.

Other income/gains, net

We did not record net other income/gains in a material amount for both years ended 30 June 2014 and 2015, which amounted to approximately HK\$7.9 million and HK\$5.6 million, respectively.

General and administrative expenses

General and administrative expenses decreased by approximately HK\$14.6 million from approximately HK\$200.4 million for the year ended 30 June 2014 to approximately HK\$185.8 million for the year ended 30 June 2015, representing a decrease of approximately 7.3%. The decrease was mainly attributable to (i) the reduction in transaction costs borne as we had approximately HK\$20.1 million of transaction costs borne by us, which was principally related to the acquisition of the entire equity interest in PRC Engine during the year ended 30 June 2014; (ii) the reduction in impairment loss on intangible assets as we recorded approximately HK\$12.0 million impairment loss on intangible assets for the year ended 30 June 2014 mainly related to our trading of building materials business; and (iii) the reduction in our depreciation and amortisation as we disposed part of our fixed assets during the year ended 30 June 2014, and partially offset by the increase in staff costs of approximately HK\$11.6 million principally due to increments in both salary and bonus.

Finance cost/income, net

Net finance cost and income increased by approximately HK\$7.4 million from approximately HK\$8.8 million for the year ended 30 June 2014 to approximately HK\$16.2 million for the year ended 30 June 2015, representing an increase of approximately 84.1%. The increase was mainly attributable to the increase in bank interest income primarily driven by the continuous improvement in our cash position as our average cash and bank balances (as calculated by dividing the opening and ending balances of the cash and bank balances of the respective year) improved from approximately HK\$600.0 million for the year ended 30 June 2014 to approximately HK\$673.4 million. Furthermore, we have maintained a higher average bank balance in Renminbi for the year ended 30 June 2015, as compared to the year ended 30 June 2014, which generally bears a higher interest rate as compared to Hong Kong dollars.

Share of results of jointly ventures

We did not record significant share of results of jointly ventures which only amounted to less than HK\$1 million for the year ended 30 June 2014 and we did not record any gain or loss from any of our joint ventures for the year ended 30 June 2015.

Income tax expenses

Income tax expenses increase by approximately HK\$2.8 million from approximately HK\$17.1 million for the year ended 30 June 2014 to approximately HK\$19.9 million for the year ended 30 June 2015, representing an increase of approximately 16.4%. The increase was mainly attributable to the increase in current income tax expenses in both the PRC and Hong Kong as we recorded improvement in profit before income tax and reduction in net temporary difference not recognised principally due to the reversal of provision for employee termination benefits for the year ended 30 June 2014, and partially offset by the overprovision of tax expenses in prior years primarily attributable to the tax refund from the Inland Revenue Department upon the utilisation of our previous share of loss from a joint venture project and reduction in non tax-deductible expenses as we had

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approximately HK\$20.1 million transaction costs borne principally related to the acquisition of the entire equity interest in PRC Engine for the year ended 30 June 2014 (which are non tax-deductible and had not recurred during the year ended 30 June 2015).

For the purpose of tax reporting in Macau, we have adopted the completed contract method, instead of the percentage of completion method for accounting purpose. Under the completed contract method, profit attributable to the relevant project is recognised only when the contract is completed; under the percentage of completion method, profit attributable to the relevant project is recognised as the contract activity progresses. Accordingly, deferred taxation has been recognised for the temporary differences between the accounting and tax bases.

As majority of our revenue from projects in Macau for the year ended 30 June 2015 were derived from Project Cotai Complex and Project Cotai Resort which were still in progress as at 30 June 2015, our current income tax for Macau decreased by approximately HK\$6.9 million from approximately HK\$9.6 million for the year ended 30 June 2014 to approximately HK\$2.7 million for the year ended 30 June 2015, while our deferred income tax in Macau increased by approximately HK\$9.0 million from a deferred tax credit of approximately HK\$2.9 million for the year ended 30 June 2014 to a deferred tax charge of approximately HK\$6.1 million for the year ended 30 June 2015. The Macau deferred tax credit of HK\$2.9 million for the year ended 30 June 2014 was principally attributable to the recognition of a job provision of Project Cotai Hotel during the year ended 30 June 2014. After netting with the deferred tax charge arising from the reversal of job cost provision for projects in the PRC with similar amount, the deferred tax charge/credit in the movement of the deferred income tax liabilities of the Group for the year ended 30 June 2014 was approximately zero as set out in note 20 to the Accountant's Report. The Macau deferred tax charge for the year ended 30 June 2015 was principally attributable to the Project Cotai Complex and Project Cotai Resort, which were still in progress as at 30 June 2015, and represented the deferred tax charge of approximately HK\$6.1 million in the movement of deferred tax liabilities of the Group for the year ended 30 June 2015 as set out in note 20 to the Accountant's Report.

Although our revenue in Macau increased notably by approximately 303.6% for the year ended 30 June 2015 as compared to the year ended 30 June 2014, our gross profit for Macau segment only increased by approximately 78.5% from approximately HK\$61.2 million for the year ended 30 June 2014 to approximately HK\$109.2 million for the year ended 30 June 2015, as we recorded a drop in gross profit margin from approximately 28.0% for the year ended 30 June 2014 to approximately 12.4% for the year ended 30 June 2015 due to a relatively higher margin recorded for the projects completed during the year ended 30 June 2014.

The net increase of approximately HK\$2.1 million, or approximately 31.3%, in Macau income tax expense, being the net impact of a decrease of the current income tax of approximately HK\$6.9 million and an increase of deferred income taxation of approximately HK\$9.0 million, for the year ended 30 June 2015, after taking into account of the effect of an over-provision of Macau tax of approximately HK\$2.0 million for the year ended 30 June 2014, was generally in line with the increase in the gross profit for our Macau segment during the same period.

Our effective tax rate slightly increased from approximately 11.5% for the year ended 30 June 2014 to approximately 11.8% for the year ended 30 June 2015. We maintained a relatively low effective tax rate for the year ended 30 June 2015 as the revenue contribution from our Macau projects has increased and Macau has a relatively lower tax rate as compared to Hong Kong and the PRC. Meanwhile, we also recognised overprovision of tax expenses in prior years primarily attributable to the tax refund from the Inland Revenue Department upon the utilisation of our previous share of loss from a joint venture project.

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Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by approximately HK\$18.0 million from approximately HK\$131.2 million for the year ended 30 June 2014 to approximately HK\$149.2 million for the year ended 30 June 2015, representing an increase of approximately 13.7%. The net profit margin improved slightly from approximately 5.1% for the year ended 30 June 2014 to approximately 5.3% for the year ended 30 June 2015. The improvement in net profit margin was mainly attributable to the reduction in general and administrative expenses and improvement in net finance income, and partially offset by the drop in gross margin as discussed above.

Year ended 30 June 2014 compared to year ended 30 June 2013

Revenue

Our revenue increased by approximately HK\$174.4 million from approximately HK\$2,380.6 million for the year ended 30 June 2013 to approximately HK\$2,555.0 million for the year ended 30 June 2014, representing an increase of approximately 7.3%. The performance of our segments was relatively stable and we recorded general increase in revenue recorded by our two business segments.

We set out below the analysis of segmental revenue of our business segments:

- E&M engineering: Segmental revenue increased by approximately 7.0% from approximately HK\$2,339.2 million for the year ended 30 June 2013 to approximately HK\$2,503.1 million for the year ended 30 June 2014. The increase was mainly attributable to the mild growth in both installation and maintenance divisions; and
- Environmental management service: Segmental revenue increased by approximately 24.7% from approximately HK\$43.0 million for the year ended 30 June 2013 to approximately HK\$53.6 million for the year ended 30 June 2014. The increase was mainly attributable to the increase in contracting income from water treatment project, income from consultancy services and BioTech system installation and maintenance services.

We set out below the analysis of segmental revenue of our geographical segments:

- Hong Kong: Segmental revenue increased by approximately 16.0% from approximately HK\$1,502.4 million for the year ended 30 June 2013 to approximately HK\$1,742.1 million for the year ended 30 June 2014. The increase was mainly attributable to the revenue contributed by the Project Airport, Project Logistic Centre and partially offset by the decrease in revenue attributable to the Project SPK Hotel;
- PRC: Segmental revenue increased by approximately 17.3% from approximately HK\$506.9 million for the year ended 30 June 2013 to approximately HK\$594.7 million for the year ended 30 June 2014. The increase was mainly attributable to the revenue contributed by the Project Nanjing and partially offset by the decrease in revenue contributed by the Project Jing An; and
- Macau: Segmental revenue decreased by approximately 41.2% from approximately HK\$371.3 million for the year ended 30 June 2013 to approximately HK\$218.2 million for the year ended 30 June 2014. The decrease was principally due to the fact that we derived over HK\$100.0 million in aggregate from Macau projects other than Project Cotai Hotel for the year ended 30 June 2013, while we only derived approximately HK\$20.7 million in aggregate from Macau projects other than Project Cotai Complex for the year ended 30 June 2014.

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Cost of sales

Cost of sales increased by approximately HK\$122.5 million from approximately HK\$2,099.6 million for the year ended 30 June 2013 to approximately HK\$2,222.1 million for the year ended 30 June 2014, representing an increase of approximately 5.8%. The increase was mainly attributable to the increase in raw material consumed and used of approximately HK\$270.5 million which were ordered principally based on the specification and time schedule stipulated under the contract of each project and the increase in staff costs of approximately HK\$59.2 million principally driven by increase in both headcount and salary, and partially offset by the reduction in overhead costs of approximately HK\$37.6 million and the change from provision of employee termination benefits in relation to the PRC Staff Relocation Plan of approximately HK\$34.7 million for the year ended 30 June 2013 to a net reversal of such provision of approximately HK\$49.0 million for the year ended 30 June 2014 mainly attributable to our decision in terminating the PRC Staff Relocation Plan and maintained PRC Engine as our principal operator in the PRC, the reduction in subcontracting fee of approximately HK\$66.9 million and the increase in reversal of provision for contingencies of approximately HK\$27.4 million principally due to the recognition of unutilised provision for contingencies for projects which we completed during the year ended 30 June 2013.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by approximately HK\$51.9 million from approximately HK\$281.0 million for the year ended 30 June 2013 to approximately HK\$332.9 million for the year ended 30 June 2014, representing an increase of approximately 18.5%; and our gross profit margin increased from approximately 11.8% for the year ended 30 June 2013 to approximately 13.0% for the year ended 30 June 2014.

Other income/gains, net

Net income and gains increased by approximately HK\$2.7 million from approximately HK\$5.2 million for the year ended 30 June 2013 to approximately HK\$7.9 million for the year ended 30 June 2014. We recorded net loss on disposal of property, plant and equipment and land use rights of approximately HK\$3.9 million for the year ended 30 June 2013 and turned to a net gain on disposal of property, plant and equipment and land use rights of approximately HK\$1.5 million for the year ended 30 June 2014. Meanwhile, our net exchange gain reduced from approximately HK\$6.9 million for the year ended 30 June 2013 to approximately HK\$0.7 million for the year ended 30 June 2014, while we recorded gain on disposal of subsidiaries of approximately HK\$2.7 million for the year ended 30 June 2014 and we did not record any gain on disposal of subsidiaries during the year ended 30 June 2013.

General and administrative expenses

General and administrative expenses increased by approximately HK\$49.7 million from approximately HK\$150.7 million for the year ended 30 June 2013 to approximately HK\$200.4 million for the year ended 30 June 2014, representing an increase of approximately 33.0%. The increase was mainly attributable to the increase in transaction costs borne of approximately HK\$20.1 million, which was principally related to the acquisition of the entire equity interest in PRC Engine, increase in staff costs of approximately HK\$8.6 million due to increase in headcount and salary increment, increase in legal and professional fees of approximately HK\$4.8 million principally attributable to the acquisition of the entire equity interest in PRC Engine and increase in depreciation and amortisation expenses of approximately HK\$4.1 million principally attributable to the increase in depreciation charged on our leasehold land and buildings mainly driven by the increase in net book value of our leasehold land and buildings mainly contributed by revaluation adjustment of approximately HK\$70.8 million for the year ended 30 June 2013.

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Finance cost/income, net

Net finance cost and income, principally represented our interest on bank deposits, increased from income of approximately HK\$2.9 million for the year ended 30 June 2013 to approximately HK\$8.8 million for the year ended 30 June 2014. The increase was principally due to the increase in our bank deposits during the period.

Share of results of jointly controlled entities

We did not record significant share of results of jointly ventures which only amounted to less than HK\$1 million for each of the year ended 30 June 2013 and 2014.

Income tax expenses

Income tax expenses decreased by approximately HK\$7.4 million from approximately HK\$24.5 million for the year ended 30 June 2013 to approximately HK\$17.1 million for the year ended 30 June 2014, representing a decrease of approximately 30.2%. Our profit before income tax has increased by approximately HK\$10.1 million for the year ended 30 June 2014, while among which approximately HK\$49.0 million was attributable to the net reversal of employee termination benefits for the year ended 30 June 2014 principally attributable to our decision in terminating our PRC Staff Relocation Plan, as compared to a provision of employee termination benefits of approximately HK\$34.7 million for the year ended 30 June 2013 in relation to our PRC Staff Relocation Plan, both of which are temporary difference not recognised for tax purpose and reduced our taxable income. On the other hand, we also recorded transaction costs borne of approximately HK\$20.1 million for the year ended 30 June 2014, which was principally related to the acquisition of the entire equity interest in PRC Engine which were non-tax deductible.

Our effective tax rate decreased from approximately 17.7% for the year ended 30 June 2013 to approximately 11.5% for the year ended 30 June 2014. The decrease in effective tax rate was principally attributable to the recognition of the net reversal of employee termination benefits for the year ended 30 June 2014 of approximately HK\$49.0 million mainly attributable to our decision in terminating our PRC Staff Relocation Plan, which does not have tax impact for the year ended 30 June 2014 because no deferred tax assets were provided for such provision of employee termination benefits in previous years due to the unpredictability of utilisation of the deductible temporary differences, and partially offset by the non-tax deductible transaction costs borne of approximately HK\$20.1 million during the year ended 30 June 2014.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by approximately HK\$17.5 million from approximately HK\$113.7 million for the year ended 30 June 2013 to approximately HK\$131.2 million for the year ended 30 June 2014, representing an increase of approximately 15.4%. The net profit margin improved from approximately 4.8% for the year ended 30 June 2013 to approximately 5.1% for the year ended 30 June 2014. The improvement in net profit margin was mainly attributable to the improvement in gross profit margin, reduction in income tax expenses and improvement in net finance income as discussed above, and partially offset by the increase in general and administrative expenses primarily driven by the recognition of transaction costs borne, which was principally related to the acquisition of entire equity interest in PRC Engine for the year ended 30 June 2014 as compared to the year ended 30 June 2013.

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MATERIAL ACQUISITIONS AND DISPOSALS

During the three years ended 30 June 2015, except for the acquisition of the entire equity interest in PRC Engine during the year ended 30 June 2014 and the disposal of DMI Development Limited during the year ended 30 June 2014, we did not have any material acquisitions or disposals of subsidiaries or associated companies.

On 27 June 2014, Young's Engineering Company Limited and Tridant Engineering Company Limited (as purchasers) acquired the entire registered and paid up capital of PRC Engine at the consideration of approximately RMB180,000,000 from NWS Holdings (China) Limited (as vendor).

On 20 June 2014, Young's Engineering Holdings Limited (as vendor) disposed of our 100% interest in DMI Development Limited at the consideration of HK\$95,674,494 to Unison City Investments Limited (as purchaser).

On 20 June 2014, Extensive Limited (as vendor) disposed of our 100% interest in Kenbase Engineering Limited at the consideration of HK\$29,918,399 to Solution Ace Holdings Limited (as purchaser).

On 20 June 2014, YDL Company Limited (as vendor) disposed of our 100% interest in Onglory International Limited at the consideration of HK\$7,078,575 to Jetset Holdings Limited (as purchaser).

The principal business of each of DMI Development Limited, Kenbase Engineering Limited and Onglory International Limited is property holding. Each of Unison City Investments Limited, Solution Ace Holdings Limited and Jetset Holdings Limited was beneficially owned as to 90% by Mr. Doo and as to the remaining 10% by Mr. Wong at the time of the above transfers. As at the Latest Practicable Date, each of the such company was beneficially and solely owned by Mr. Doo. For details, please see section "History and Development" of this Prospectus.

CASH FLOW AND LIQUIDITY

Cash flow

Our principal cash requirements are settlements of various project expenses, operating and administrative expenses, interest expense and other working capital needs and to finance our capital expenditures in connection with the purchase of equipment, motor vehicles and other fixed assets and acquisition of subsidiaries. During the Track Record Period, we met these cash requirements by relying on our principal sources of funding, being cash flows from operations and our available cash and cash equivalents, and certain bank borrowings. Following completion of the Global Offering, we expect our capital and operating cash flow requirements will be funded principally through internally generated cash flows and the net proceeds from the Global Offering, and we may also rely on debt financing as and when we consider necessary. Our liquidity position is generally affected by changes in our cash requirements and sources of funding. Nevertheless, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depend on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the development of Hong Kong, Macau and the PRC and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all.

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The following table summarized the net cash flow of our activities for the Track Record Period:

	For the year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	20,390	144,076	39,945
Net cash (used in)/generated from investing activities	(3,202)	(931)	143,316
Net cash (used in)/generated from financing activities	(492)	126,350	(304,929)
<i>Increase/(Decrease) in cash and cash equivalents</i>	16,696	269,495	(121,668)
Effect of exchange rate changes	4,486	(921)	(43)
Cash and cash equivalents at the end of the years	465,663	734,237	612,526

Cash flow from operating activities

Net cash generated from operating activities was approximately HK\$39.9 million for the year ended 30 June 2015, which primarily reflected the profit before income tax of approximately HK\$169.1 million, increase in net amounts due to customers for contract works of approximately HK\$32.5 million as the growth of our contract costs incurred plus attributable profits less foreseeable losses exceeded the growth of our progress payment received and receivable for our projects during the year ended 30 June 2015 and the decrease in trade and other receivables of approximately HK\$14.3 million (principally attributable to the decrease in accrued contract revenue as less payment applications were in progress as at 30 June 2015 as compared to 30 June 2014 and trade receivables from our related companies mainly due to settlement thereof by the related companies and partially offset by the increase in retention receivables which was in line with the growth in project in progress as at 30 June 2015 as compared to 30 June 2014), and partially offset by the decrease in trade and other payables of approximately HK\$125.9 million (principally attributable to the decrease in provision for contracting costs mainly due to the utilisation of our previously provided contracting costs during the year ended 30 June 2015 and partially offset by the increase in our trade and bills payables), PRC and Macau tax paid of approximately HK\$27.2 million, our interest income of approximately HK\$16.4 million and the change in balances with related companies of approximately HK\$13.1 million principally due to settlement thereof prior to 30 June 2015.

Net cash generated from operating activities was approximately HK\$144.1 million for the year ended 30 June 2014, which primarily reflected the increase in net amount due to customers for contract works of approximately HK\$300.3 million principally due to our aggregate progress payments received in our projects exceeded our contract cost incurred plus attributable profits less foreseeable losses for our projects during the year, the profit before income tax of approximately HK\$148.3 million, the non-cash adjustments for depreciation and amortisation expenses in an aggregate amount of approximately HK\$14.9 million and impairment loss on intangible assets of approximately HK\$12.0 million, and partially offset by the increase in trade and other receivables of approximately HK\$159.7 million principally due to increases in accrued contract revenue regarding payment applications being processed by our customers and retention receivables in relation to our contracts which was in line with our increase in contract costs incurred plus attributable profits less foreseeable losses, the net reversal of non-cash provision for employee termination benefits of approximately HK\$49.0 million and decrease in trade and other payables of approximately HK\$82.2 million (principally due to the decrease in provision for contracting costs mainly attributable to the utilisation of the previously provided contracting cost, decrease in both accrued expenses, other creditors and accruals) and change in balances with related companies of approximately HK\$10.6 million.

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Net cash generated from operating activities was approximately HK\$20.4 million for the year ended 30 June 2013, which primarily reflected the profit before income tax of approximately HK\$138.2 million, the increase in trade and other payables of approximately HK\$119.8 million (principally due to the increase in provision of contracting costs mainly attributable to the projects that we completed during the year ended 30 June 2013, increase in both accrued expenses and other creditors and accruals and partially offset by the decrease in trade payables), the decrease in trade and other receivables of approximately HK\$103.6 million (principally due to the decrease in trade receivables and retention receivables which are consistent with the decrease in our contract costs plus attributable profits less foreseeable losses when our projects completed during the year ended 30 June 2013), the non-cash provision for employee termination benefits of approximately HK\$34.7 million, and partially offset by the decrease in net amount due to customers for contract works of approximately HK\$313.8 million principally due to more projects were completed during the year ended 30 June 2013 and, as our aggregate progress payments received in our projects generally exceeded our contract cost incurred plus attributable profits less foreseeable losses as at beginning of year ended 30 June 2013, our net amount due to customers for contract works decreased when the projects were completed, changes in balances with related companies of approximately HK\$43.8 million, and also we had paid PRC and Macau taxes of approximately HK\$23.2 million.

Cash flow from investing activities

Net cash flow generated from investing activities was approximately HK\$143.3 million for the year ended 30 June 2015, which primarily representing our net cash inflow from disposal of subsidiaries of approximately HK\$132.7 million, interest income of approximately HK\$16.4 million and partially offset by the purchase of property, plant and equipment of approximately HK\$6.1 million.

Net cash flow used in investing activities was approximately HK\$0.9 million for the year ended 30 June 2014, which primarily representing the purchase of property, plant and equipment of approximately HK\$6.5 million, net cash outflow from disposal of subsidiaries of approximately HK\$4.4 million and partially offset by the interest received in respect of our bank deposits of approximately HK\$8.8 million and proceeds from disposal of property, plant and equipment and land use rights of approximately HK\$2.1 million.

Net cash flow used in investing activities was approximately HK\$3.2 million for the year ended 30 June 2013, which primarily representing the purchase of property, plant and equipment of approximately HK\$4.2 million, the purchase of land use rights of approximately HK\$3.3 million, and partially offset by the interest received in respect of our bank deposits of approximately HK\$2.9 million.

Cash flow from financing activities

During the Track Record Period, our net financing cash flow principally represented the payment of dividends and repayment of amount due from related company during the Track Record Period.

Our net cash flow used in financing activities was approximately HK\$304.9 million for the year ended 30 June 2015, representing the dividends paid during the year ended 30 June 2014, comprising part of the dividend declared during the years ended 30 June 2014 and 2015.

Our net cash flow generated from financing activities was approximately HK\$126.4 million for the year ended 30 June 2014, representing the repayment from a related company in respect of the amount due therefrom during the year ended 30 June 2014.

Our net cash flow used in financing activities was only approximately HK\$0.5 million for the year ended 30 June 2013.

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Working capital sufficiency

The Directors have confirmed that we have sufficient working capital for our requirements for at least the next twelve (12) months from the date of this prospectus, taking into account our cash flows from operations, our available banking facilities and the estimated net proceeds from the Global Offering.

Capital expenditures

Our capital expenditures are used principally in connection with additions of property, plant and equipment (such as purchases of equipment, motor vehicles and other fixed assets), and additions of leasehold land and buildings. For the years ended 30 June 2013, 2014 and 2015, our total capital expenditures amounted to approximately HK\$7.5 million, HK\$6.5 million, HK\$6.1 million, respectively. During the Track Record Period, we did not incur any capital expenditure for the acquisition of intangible assets.

During the year ended 30 June 2013, we incurred capital expenditures of approximately HK\$7.5 million which were mainly related to the acquisition of land use rights of approximately HK\$3.3 million, the additions of leasehold improvements of approximately HK\$1.5 million and additions of furniture, fixtures, equipment and others of approximately HK\$1.2 million.

During the year ended 30 June 2014, we incurred capital expenditures of approximately HK\$6.5 million which were mainly related to the additions of furniture, fixtures, equipment and others of approximately HK\$3.2 million and additions of leasehold improvements of approximately HK\$2.7 million.

During the year ended 30 June 2015, we incurred capital expenditures of approximately HK\$6.1 million which were mainly related to additions of motor vehicles of approximately HK\$2.1 million, additions of furniture, fixtures, equipment and others of approximately HK\$2.0 million and additions of leasehold improvements of approximately HK\$1.8 million.

We currently expect to have capital expenditures of approximately HK\$25.7 million for the year ending 30 June 2016, which shall be principally financed by our internal resources and proceeds from the Global Offering.

We anticipate that the funds required for such capital expenditure will be financed by cash generated from operations and the net proceeds from the Global Offering. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of our business plan, including, but not limited to, potential acquisitions, the progress of our capital projects, market conditions, the outlook of our future business conditions and potential acquisitions. As we will continue to expand, additional capital expenditure may be incurred and we may consider raising additional funds as and when appropriate. Our ability in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, our further operation results, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and Macau.

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Operating lease commitments

Certain of our land and buildings are held under non-cancellable operating lease agreements. The lease terms usually varied from one year to two years, and some have an option to renew at the end of each lease term. The properties we leased are mostly our offices in Hong Kong and the PRC, and our staff quarters in the PRC. The following table sets forth our future minimum lease payment under non-cancellable operating leases as of the end of the relevant reporting periods:

	As at 30 June			As at 30 September
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	20,809	24,248	28,681	24,476
In the second to fifth years, inclusive	14,459	13,161	8,933	5,529
Total	35,268	37,409	37,614	30,005

Capital commitments

As at 30 June 2013 and 2014, we had no significant capital commitment. As at 30 June 2015 and 30 September 2015, we had capital commitment of approximately HK\$5.0 million and HK\$2.9 million, respectively, in relation to the purchase of property, plant and equipment.

Contingent liabilities

As at 30 June 2013, 2014 and 2015 and 30 September 2015, we had no significant contingent liabilities or outstanding litigation.

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ASSETS AND LIABILITIES

Net current assets

The following table shows our current assets and current liabilities as at the dates indicated:

	As at 30 June			As at 30 September
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets				
Inventories	22,803	21,975	18,074	17,341
Amounts due from customers for contract works	146,149	117,136	113,818	159,433
Trade and other receivables	527,340	687,075	674,495	551,712
Amounts due from related companies	292,783	144,782	63	31
Cash and bank balances	<u>465,663</u>	<u>734,237</u>	<u>612,526</u>	<u>702,976</u>
	1,454,738	1,705,205	1,418,976	1,431,493
Current liabilities				
Amounts due to customers for contract works	187,549	458,794	487,977	565,381
Trade and other payables	862,246	745,106	614,314	516,986
Amount due to related companies	7,754	126,295	70	845
Taxation payable	<u>27,852</u>	<u>31,512</u>	<u>16,190</u>	<u>20,610</u>
	1,085,401	1,361,707	1,118,551	1,103,822
Net current assets	<u>369,337</u>	<u>343,498</u>	<u>300,425</u>	<u>327,671</u>

We recorded net current assets as at each of 30 June 2013, 2014, 2015 and 30 September 2015 which amounted to approximately HK\$369.3 million, HK\$343.5 million, HK\$300.4 million and HK\$327.7 million, respectively. We recorded decrease in net current assets positions as at 30 June 2014 and 2015, as compared to the previous financial year end, as we made distributions to our shareholders during the Track Record Period of approximately HK\$54.0 million, HK\$287.0 million, HK\$200.0 million, respectively, the impact of which was partially offset by our profit making operations during the Track Record Period. Our net current assets position improved to approximately HK\$327.7 million as at 30 September 2015 principally attributable to the improvement in cash and bank balances of approximately HK\$90.5 million, decrease in trade and other payables of approximately HK\$97.3 million, increase in amounts due from customers for contract works of approximately HK\$45.6 million, and partially offset by the decrease in trade and other receivables of approximately HK\$122.8 million and increase in amounts due to customers for contract works of approximately HK\$77.4 million.

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Trade and other receivables

Our trade and other receivable principally comprise net trade receivable, retention receivables, accrual contract revenue and deposits and prepayment. As at 30 June 2013, 2014 and 2015, our trade and other receivables were HK\$527.3 million, HK\$687.1 million and HK\$674.5 million, respectively, and the following table set forth the breakdown of trade and other receivables as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	183,473	207,629	192,853
Less: provision for impairment of trade receivables	(8,636)	(7,474)	(6,752)
Trade receivables, net	174,837	200,155	186,101
Retention receivables	188,412	233,230	294,087
Accrued contract revenue	110,010	204,564	156,288
Other receivables and prepayments	54,081	49,126	38,019
Total	527,340	687,075	674,495
Among which:			
Related companies			
— Trade receivables, net	53,377	45,934	34,828
— Retention receivables	61,943	88,359	102,917
Subtotal	115,320	134,293	137,745
Related companies commonly controlled by the ultimate Controlling Shareholder:			
— Trade receivables, net	10,859	9,914	6,975
— Retention receivables	17,828	50	—
Subtotal	28,687	9,964	6,975

Our trade receivables increased from approximately HK\$183.5 million as at 30 June 2013 to approximately HK\$207.6 million as at 30 June 2014 principally attributable to the increase in trade receivables that were past due but not impaired from approximately HK\$82.4 million as at 30 June 2013 to approximately HK\$101.4 million as at 30 June 2014, and decrease to approximately HK\$86.7 million as at 30 June 2015 principally attributable to the decrease in trade receivables from related companies and related companies commonly controlled by the ultimate Controlling Shareholder due to settlement thereof by the relevant related companies and related companies commonly controlled by the ultimate Controlling Shareholder.

Our retention receivables increased from approximately HK\$188.4 million as at 30 June 2013 to approximately HK\$233.2 million as at 30 June 2014 which was in line with our increase in contract costs incurred plus attributable profits less foreseeable losses and further increased to approximately HK\$294.1 million as at 30 June 2015 which was in line with our continuous increase in contract costs incurred plus attributable profits less foreseeable losses.

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We receive payments for our projects in progress payments upon achieving certain project milestones or based on the actual progress of our work performed. Our customers are allowed to retain a portion of the total contract amount as the retention money to guarantee our work quality. During the Track Record Period, retention period normally ranged between 1 year to 2 years and retention amount normally ranged between 5% to 10% of contract value.

Our accrued contract revenue principally represented our value of work done for individual project as at the respective year end date which is in progress of payment application with our customer. The amount will be transferred to trade receivable upon the issuance of formal payment certificate or upon final accounts conclusion from our customers. Our accrued contract revenue increased from approximately HK\$110.0 million as at 30 June 2013 to approximately HK\$204.6 million as at 30 June 2014 principally attributable to our payment application made in relation to our two hotel projects in Macau which amounted to approximately HK\$66.7 million, and reduced to approximately HK\$156.3 million principally due to a lesser amount of payment application were being made in progress.

Our other receivables and prepayments principally represent the (i) deposits in relation to trade, tender and security; and (ii) prepayments in relation to our operating expenses.

As we provided both E&M engineering services and environmental management service to certain related companies, including NWD Group, NWS Group, NWDS Group, NWCL Group and CTF Jewellery Group, and the Non-listing Group, during the Track Record Period, we have maintained trade receivables and retention receivables from these companies. For details of the relevant transactions during the Track Record Period, please see the section "Connected Transactions" in this Prospectus.

We maintain credit policies setting forth specific credit terms for our different customer types. The credit periods of generally granted to our customers by us in different business segment are summarized as follows:

<u>Business segment</u>	<u>Credit period</u> (days)
E&M engineering	30 to 60
Environmental management service	30 to 60

The following table further summarized the ageing analysis of our net trade receivables as at the dates indicated:

	<u>As at 30 June</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Below three months	143,542	173,618	170,303
Three to six months	9,456	11,888	7,756
Over six months	<u>21,839</u>	<u>14,649</u>	<u>8,042</u>
Total	<u>174,837</u>	<u>200,155</u>	<u>186,101</u>

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The following table further summarized the ageing analysis of our net trade receivables, based on invoice date, as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Below three months	135,572	161,325	164,588
Three to six months	16,601	20,226	11,794
Over six months	22,664	18,604	9,719
Total	174,837	200,155	186,101
Average trade receivables turnovers days			
(Note)	34.8	27.9	25.9

Note: Average trade receivables turnovers days are calculated based on the average of the beginning and ending trade receivable balances for each of the three years ended 30 June 2015 divided by our revenue for the corresponding year and multiplied by 365.

Among the outstanding net trade receivables of approximately HK\$186.1 million as at 30 June 2015, approximately HK\$170.6 million, representing approximately 91.7% of which, had been settled as at 16 November 2015.

Our average trade receivables turnovers days were approximately 34.8 days, 27.9 days and 25.9 days for the year ended 30 June 2013, 2014 and 2015, respectively. The average trade receivables turnovers days indicates the average number of days required for us to collect payments from our customers. We experienced a decreased trend in our average trade receivables turnovers days during the Track Record Period. The decrease in trade receivables turnovers days from approximately 34.8 days for the year ended 30 June 2013 to approximately 27.9 days for the year ended 30 June 2014 was principally attributable to the decrease in average trade receivables due to the settlement by our customers during June 2013 and 2014. The further decrease in trade receivables turnovers days from approximately 27.9 days for the year ended 30 June 2014 to approximately 25.9 days for the year ended 30 June 2015 was principally attributable to the increase in our revenue principally driven by our five highest revenue generating projects during the year ended 30 June 2015. The decrease in average trade receivables turnovers days during the Track Record Period is in line with our stringent credit control measures implemented and our emphasis on cash management as we acknowledge the importance of cashflow to a company engaging in E&M engineering service business.

We did not experience material default of payment from customers during the Track Record Period and recorded impairment on trade receivables of approximately HK\$1.3 million, HK\$0.1 million and nil for the year ended 30 June 2013, 2014 and 2015, respectively, all representing less than 0.1% of our revenue for the respective year.

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Inventories

We maintained a relatively low average inventories turnovers days as we did not maintain significant amount of inventories for most part of our principal E&M business. Our inventories principally represent building materials for trading purpose. We maintain our inventory control measures and usually maintain 2 to 7 months of inventories for trading purpose. The following table set forth the breakdown of our inventories as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,588	1,258	1,027
Finished goods	21,215	20,717	17,047
Total	22,803	21,975	18,074
Average inventories turnovers days (Note)	3.9	3.7	2.9

Note: Average inventories turnovers days are calculated based on the average of the beginning and ending inventory balances for each of the three years ended 30 June 2015 divided by our cost of sales for the corresponding year and multiplied by 365.

Our average inventories turnovers days remained stable during the Track Record Period and were approximately 3.9 days, 3.7 days and 2.9 days for the year ended 30 June 2013, 2014 and 2015, respectively. We did not usually maintain material amount of inventory for our principal E&M engineering and, according, our inventory turnover days during the Track Record Period are immaterial.

Among the inventory of approximately HK\$18.1 million as at 30 June 2015, approximately HK\$12.4 million, representing approximately 68.5% of which, had been subsequently sold or utilized as at 16 November 2015.

We have adopted inventory provision policies to ensure the values of our inventories for sale are properly reflected. We made provision for inventories of approximately HK\$1.0 million, HK\$0.4 million and HK\$1.4 million, respectively, for the three years ended 30 June 2015, while also wrote back inventories provisions of approximately HK\$0.03 million, HK\$0.1 million and HK\$0.3 million, respectively, for the three years ended 30 June 2015.

Amounts due from/to customers for contract works

We enter into engineering contracts with our customers whereby we recognize our revenue based on the percentage of completion of the relevant project, and we issued our billings based on project milestones or the actual progress of our work performed. Where contract costs incurred to date plus recognised profits less foreseeable losses exceed progress billings, the surplus is shown as amounts due from customers for contract work which represented unbilled amounts earned and reimbursable under contracts. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less foreseeable losses, the surplus is shown as amounts due to customers for contract work. Contracts will be derecognized from contract costs incurred plus attributable profit less foreseeable losses only after, among other things, the issuance of practical completion certificates.

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The following table set forth the information regarding the contracts in progress, progress billings and the breakdown of our amounts due from customers for contract works as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus attributable profit less foreseeable losses	2,534,564	3,407,024	4,985,534
Progress payments received and receivable	(2,575,964)	(3,748,682)	(5,359,693)
	(41,400)	(341,658)	(374,159)
<i>Representing:</i>			
Amounts due from customers for contract works	146,149	117,136	113,818
Amounts due to customers for contract works	(187,549)	(458,794)	(487,977)
	(41,400)	(341,658)	(374,159)

Our contract costs incurred plus attributable profit less foreseeable losses increased from approximately HK\$2,534.6 million as at 30 June 2013 to approximately HK\$3,407.0 million as at 30 June 2014, principally due to while more projects were still in the progress as at 30 June 2014, in respect of which the progress billings also increased from approximately HK\$2,576.0 million to approximately HK\$3,748.7 million, principally also due to more projects were still in the progress as at 30 June 2014. Our contract costs incurred plus attributable profit less foreseeable losses further increased from approximately HK\$3,407.0 million as at 30 June 2014 to approximately HK\$4,985.5 million as at 30 June 2015, principally due to a few of our major projects were still in progress as at 30 June 2015, including Project Cotai Complex, Project District Cooling, Project Nanjing and Project Cotai Resort, in respect of which the progress billings also increased from approximately HK\$3,748.7 million to approximately HK\$5,359.7 million, principally also due to more sizeable projects were still in progress as at 30 June 2015.

As at 30 June 2013, 2014 and 2015, our total progress billings were able to cover our total contract costs incurred plus attributable profit less foreseeable losses, and, accordingly, our amounts due to customers for contract works exceeded the amounts due from customers for contract works as at the respective dates.

Our amounts due from and to customers for contract works may vary and depend on the progress of the respective projects and the billing to or payment by our customers for each project.

Our amounts due from customers for contract works decreased from approximately HK\$146.1 million as at 30 June 2013 to approximately HK\$117.1 million as at 30 June 2014 and slightly decreased to approximately HK\$113.8 million as at 30 June 2015.

Our amounts due to customers for contract works increased from approximately HK\$187.5 million as at 30 June 2013 to approximately HK\$458.8 million as at 30 June 2014 were principally attributable to our billings in respect of Project Cotai Complex, Project District Cooling, Project Logistic Centre, Project Austin and Project Airport. Our amounts due to customers for contract works slightly increased from approximately HK\$458.8 million as at 30 June 2014 to approximately HK\$488.0 million as at 30 June 2015 principally attributable to our billings for our projects in Macau.

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Trade and other payables

Our trade and other payables principally comprised our accrued expenses, trade payables and retention payables. As at 30 June 2013, 2014 and 2015, our trade and other payables were HK\$862.2 million, HK\$745.1 million and HK\$614.3 million, respectively, and the following table set forth the breakdown of trade and other payables as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	73,527	74,249	99,667
Bills payable	4,159	6,458	4,678
Retention payables	114,448	120,740	152,051
Accrued expenses	126,321	107,286	115,157
Provision for contracting costs	453,625	386,930	198,871
Other creditors and accruals	90,166	49,443	43,890
Total	862,246	745,106	614,314
Among which:			
Related companies			
— Trade payables	4,087	—	—
— Retention payables	—	—	201
— Advanced received for contract works	2,275	528	1,061
Subtotal	6,362	528	1,262
Related companies commonly controlled by the ultimate Controlling Shareholder:			
— Trade payables	—	—	1
Subtotal	—	—	1

The decrease in trade and other payables from approximately HK\$862.2 million as at 30 June 2013 to approximately HK\$745.1 million as at 30 June 2014 was principally due to the decrease in provision for contracting costs of approximately HK\$66.7 million, the decrease in other creditors and accruals of approximately HK\$40.7 million and the decrease in accrued expenses of approximately HK\$19.0 million. The decrease in trade and other payables from approximately HK\$745.1 million as at 30 June 2014 to approximately HK\$614.3 million as at 30 June 2015 was principally due to the decrease in provision for contracting costs of approximately HK\$188.1 million and partially offset by the increase in retention payables of approximately HK\$31.3 million and increase in trade payables of approximately HK\$25.4 million.

Our trade payables remained relatively stable and increased from approximately HK\$73.5 million as at 30 June 2013 to approximately HK\$74.2 million as at 30 June 2014 and increased to approximately HK\$99.7 million as at 30 June 2015 when more billings were received during June 2015.

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The credit periods of generally granted by our suppliers to us in different business segment are summarized as follows:

<u>Business segment</u>	<u>Credit period</u> (days)
E&M engineering	30–45
Environmental management service	30

The following table further summarized the ageing analysis of our trade payables as at the dates indicated:

	<u>As at 30 June</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Below three months	59,970	40,415	94,930
Three to six months	727	30,373	2,264
Over six months	<u>12,830</u>	<u>3,461</u>	<u>2,473</u>
Total	<u>73,527</u>	<u>74,249</u>	<u>99,667</u>
Average trade payables turnovers days (Note)	15.4	12.1	12.7

Note: Average trade payable turnovers days are calculated based on the average of the beginning and ending trade payable balances for each of the three years ended 30 June 2015 divided by our cost of sales for the corresponding year and multiplied by 365.

Among the outstanding trade payables of approximately HK\$99.7 million as at 30 June 2015, approximately HK\$97.1 million, representing approximately 97.4% of which, had been settled as at 16 November 2015.

Our average trade payables turnovers days were approximately 15.4 days, 12.1 days and 12.7 days for the year ended 30 June 2013, 2014 and 2015, respectively. The average trade payable turnover days indicates the average number of days that we settle the payments to our suppliers or subcontractors. Our average trade payables turnovers days fell within the credit period granted to us by our suppliers and subcontractors and the continuous reduction of which was in line with our healthy financial and cash position. The drop in trade payables turnovers days from approximately 15.4 days for the year ended 30 June 2013 to approximately 12.1 days for the year ended 30 June 2014 was principally attributable to the reduction in the average trade payable balances mainly due to our settlement thereof during June 2013 and 2014. The slight increase in trade payables turnovers days from approximately 12.1 days for the year ended 30 June 2014 to approximately 12.7 days for the year ended 30 June 2015 was principally attributable to the increase in the average trade payable balances mainly due to more billings were received by us during June 2015 based on the progress of our projects.

Our retention payable, which mainly represented the retention money received from our subcontractors, increased from approximately HK\$114.4 million as at 30 June 2013 to approximately HK\$120.7 million as at 30 June 2014 and further increased to approximately HK\$152.1 million as at 30 June 2015 which was in line with the increase in our contract costs incurred plus attributable profits less foreseeable losses. We usually require our subcontractors to retain a portion of the total

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contract amount as the retention money to guarantee their work quality. During the Track Record Period, retention period normally ranged between 1 year to 2 years and retention amount normally ranged between 5% to 10% of contract value.

Our accrued expenses, which mainly comprised the accrued provision of bonus and unutilized annual leave of our staff and our provision for employee termination benefits in relation to the PRC Staff Relocation Plan, decreased from approximately HK\$126.3 million as at 30 June 2013 to approximately HK\$107.3 million as at 30 June 2014 and increased to approximately HK\$115.2 million as at 30 June 2015. The decrease for the year ended 30 June 2014 was principally attributable to the reversal of our provision for employee termination benefits for our PRC staff as the PRC Staff Relocation Plan was terminated and partially offset by the increase in transaction costs borne, which was principally related to the acquisition of the entire equity interest in the PRC Engine. The increase for the year ended 30 June 2015 was principally attributable to the increase in provision for bonus.

The provision of contracting cost was generally made when a project reached completion stage. The provision for contracting costs amounted to approximately HK\$453.6 million as at 30 June 2013 when we made an one-off provision for contracting costs in aggregate sum of approximately HK\$91.5 million in respect of Project Cotai Hotel and the hotel project adjacent thereto, and reduced to approximately HK\$386.9 million and further reduced to approximately HK\$198.9 million as most of the major projects were still in progress as at 30 June 2015 and the contracting costs provided for the completed projects have been gradually utilized during the two years ended 30 June 2015.

Our other creditors and accruals, which principally comprised our deferred income, decreased from approximately HK\$90.2 million as at 30 June 2013 to approximately HK\$49.4 million mainly due to the recognition of reversal of provision for contingencies in our statement of profit and loss and further decreased to approximately HK\$43.9 million as at 30 June 2015.

Amounts due from/to related companies

The following table set forth the breakdown of the amounts due from/to our related companies, which were not included in our trade and other receivables and trade and other payables as at the dates indicated:

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from related companies:			
— Non-listing Group	163,187	144,460	—
— Other (<i>Note</i>)	126,350	—	—
Jointly operations/partners of joint operations	3,246	322	63
	292,783	144,782	63
Amount due to related companies:			
— Non-listing Group	—	126,286	—
— NWS	—	9	—
— Jointly operations/partners of joint operations	7,754	—	70
	7,754	126,295	70

Note: The amount represented an amount due from a company previously indirectly partially owned by Mr. Doo.

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The amounts due from and to related companies were not trade or operational in nature and mainly represented the payments or settlements on behalf for and by the Non-listing Group and unsettled dividend prior to the completion of the Reorganisation.

The decrease in amounts due from related companies from approximately HK\$292.8 million as at 30 June 2013 to approximately HK\$144.8 million as at 30 June 2014 was principally due to the settlement of approximately HK\$126.4 million made by Prosperity Property Management Shanghai Co. Ltd. during the year ended 30 June 2014. The further decrease in amounts due from related companies to approximately HK\$0.1 million was principally attributable to the settlement of amounts due from the Non-listing Group prior to 30 June 2015.

On the other hand, the amounts due to related companies increased from approximately HK\$7.8 million as at 30 June 2013 to approximately HK\$126.3 million principally due to the unpaid portion of dividend made by us. The amounts due to related companies decrease to approximately HK\$0.1 million as at 30 June 2015 as we settled most of the outstanding amounts prior to 30 June 2015.

The aforesaid amounts had been settled in full prior to the Listing.

Property, plant and equipment

Our property, plant and equipment principally comprised land and buildings, leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As of 30 June 2013, 2014 and 2015, our property, plant and equipment amounted to approximately HK\$293.5 million, HK\$165.1 million and HK\$172.6 million, respectively. Land and building, which principally used as our offices and staff quarters, accounted for approximately 97.2%, 93.9% and 93.2% of our total property, plant and equipment, respectively, as at 30 June 2013, 2014 and 2015. The decrease in property, plant and equipment from 30 June 2013 to 30 June 2014 was principally attributable to the disposal of our subsidiaries which held land and building with aggregate carrying amount of approximately HK\$137.5 million and depreciation charged of approximately HK\$13.7 million and partially offset by the adjustment on revaluation surplus in respect of our land and buildings of approximately HK\$17.2 million.

The increase in property, plant and equipment from 30 June 2014 to 30 June 2015 was principally attributable to the adjustment on revaluation surplus in respect of our land and buildings of approximately HK\$9.4 million and additions of property, plant and equipment of approximately HK\$6.1 million and partially offset by the depreciation charged of approximately HK\$7.9 million for the year ended 30 June 2015.

Intangible assets

Our intangible assets principally comprised goodwill, trademarks and brand names. As of 30 June 2013, 2014 and 2015, our intangible assets amounted to approximately HK\$48.7 million, HK\$36.1 million and HK\$35.7 million, respectively, of which approximately HK\$38.5 million, HK\$33.8 million and HK\$33.8 million, respectively, was attributed to goodwill and not subject to amortisation. The decrease in our intangible assets from 30 June 2013 to 30 June 2014 was principally attributable to the impairment of trademarks, and goodwill of approximately HK\$7.3 million and HK\$4.7 million, respectively. The decrease in our intangible assets from 30 June 2014 to 30 June 2015 was principally attributable to the amortisation charged.

Deferred income tax liabilities

Our deferred income tax liabilities principally arise from the revaluation surplus on property, plant and equipment. Our deferred income tax liability decreased from approximately HK\$51.7 million as at 30 June 2013 to approximately HK\$30.0 million as at 30 June 2014 principally due the disposal

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of our subsidiaries which held property, plant and equipment with deferred income tax liabilities of approximately HK\$22.4 million and our deferred income tax liability slightly increased from approximately HK\$30.0 million as at 30 June 2014 to approximately HK\$36.9 million as at 30 June 2015.

Capital structure

Based on the unaudited consolidated management account of the Company which contained our unaudited statement of financial position as at 30 September 2015, we had net assets of approximately HK\$523.9 million, comprising non-current assets of approximately HK\$233.0 million (mainly comprising property, plant and equipment and intangible assets), net current assets of approximately HK\$327.7 million and non-current liabilities of approximately HK\$36.8 million.

INDEBTEDNESS

We did not have material reliance on bank loans to finance our operation during the Track Record Period and we did not have any outstanding bank loans as at 30 June 2013, 2014 and 2015 and 30 September 2015.

We had total banking facilities limits amounted to approximately HK\$1,074.1 million, HK\$1,336.0 million, HK\$1,601.3 million and HK\$1,126.4 million as at 30 June 2013, 2014 and 2015 and 30 September 2015, respectively, which include, but not limited to, revolving loan, overdraft, trade finance, bank guarantee, bond issue and trust receipt. Certain customers of our E&M engineering segment requires us to provide performance bonds for our projects to ensure due performance of the relevant contracts. Under a performance bond, a bank will guarantee the payment to our customer normally of an amount equal to 5% or more (depending on the contract term of individual project) of the relevant total contract sum. The performance bonds are generally released upon the due completion of relevant service by us or by a certain stipulated date. We are generally required to provide a counter-indemnity and collateral to the bank that issues a performance bond. As at 30 June 2013, 2014 and 2015 and 30 September 2015, the total value guaranteed under performance bonds issued by banks amounted to approximately HK\$264.3 million, HK\$448.8 million, HK\$341.7 million and HK\$317.0 million, respectively. As at 30 June 2013, 2014 and 2015 and 30 September 2015, bank facilities of approximately HK\$781.4 million, HK\$800.5 million, HK\$1,244.9 million and HK\$760.1 million was unutilized, unrestricted and available, respectively. Our bank facilities were principally denominated in HK\$, US\$ or RMB.

Furthermore, amongst our banking facilities as at 30 June 2013, 2014 and 2015, HK\$330.0 million, HK\$400.0 million and HK\$470.0 million were shared among the Group and the subsidiaries of FSE Management (the “**Shared Facility**”); and approximately HK\$230.0 million, HK\$360.0 million and HK\$440.0 million, respectively, were guaranteed by FSE Management or Fung Seng Enterprises Limited, our fellow subsidiary, and approximately HK\$330.0 million, HK\$400.0 million and HK\$470.0 million, respectively, were subject to cross-guarantee by our fellow subsidiaries. The Shared Facility has been terminated and the aforesaid guarantee has been released prior to the Listing. The termination of the Shared Facility has no material adverse impact to our operation.

We have not breached any loan covenants during the Track Record Period and up to the Latest Practicable Date and we expect that we will still be able to meet those covenants.

Directors’ confirmation

Our Directors confirm that we had no material defaults in the payment of any payables and bank borrowings, nor any material breaches of the finance covenants during the Track Record Period.

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Indebtedness as at 30 September 2015

As at the close of business on 30 September 2015, being the latest practicable date for the purpose of the statement of indebtedness, the Group had no outstanding borrowings.

As at 30 September 2015, except as disclosed in this prospectus, and apart from intra-group liabilities, we did not have any other debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities, or guarantees outstanding.

We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities as at the close of business on 30 September 2015.

KEY FINANCIAL RATIOS

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 30 June		
	2013	2014	2015
Current ratio ¹	1.3	1.3	1.3
Quick ratio ²	1.3	1.2	1.3
Debt to equity ratio ³	Not applicable	Not applicable	Not applicable
Gearing ratio ⁴	1.1%	23.4%	0.0%
Return on assets ⁵	6.2%	6.8%	9.0%
Return on equity ⁶	16.7%	24.3%	30.1%

Notes:

1. Current ratio is calculated as the total current assets divided by the total current liabilities as at the end of the respective years.
2. Quick ratio is calculated as the current assets excluded inventories divided by the total current liabilities as at the end of the respective years.
3. Debt to equity ratio is calculated as total borrowings net of cash and bank balances divided by total equity as at the respective dates.
4. Gearing ratio is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the end of the respective years and multiplied by 100%.
5. Return on assets is calculated as the net profit divided by the total assets as at the end of the respective years.
6. Return on equity is calculated as the net profit attributable to our owners divided by the equity attributable to our owners as at the end of the respective years.

Current ratio and quick ratio

We maintained a relatively stable current ratio which amounted to approximately 1.3 as at 30 June 2013 and 2014, and 1.3 as at 30 June 2015. Our quick ratio is very close to our current ratio as we did not maintain material amounts of inventories for our principal E&M engineering business, our quick ratio amounted to approximately 1.3 as at 30 June 2013, 1.2 as at 30 June 2014 and 1.3 as at 30 June 2015.

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Our current assets increased by approximately HK\$250.5 million from 30 June 2013 to 30 June 2014, principally attributable to the increase in our cash and bank balances of approximately HK\$268.6 million and trade and other receivables of approximately HK\$159.7 million, both of which were incurred in our ordinary and usual course of business, and partially offset by the decrease in amounts due from related companies of approximately HK\$148.0 million principally due to settlement by the relevant related companies. On the other hand, our current liabilities also increased by approximately HK\$276.3 million from 30 June 2013 to 30 June 2014, principally attributable to the increase in amounts due to customers for contract works of approximately HK\$271.2 million as our progress billings went ahead of our project status, increase in amounts due to related companies of approximately HK\$118.5 million which are principally attributable to the unpaid portion of our interim dividend, and partially offset by the decrease in trade and other payable of approximately HK\$117.1 million due to settlement thereof by us. Accordingly, the similar level of increase in both current assets and current liabilities resulted in a relatively stable level of current ratio and quick ratio as at 30 June 2013 and 30 June 2014.

Our current assets decreased by approximately HK\$286.2 million from 30 June 2014 to 30 June 2015, principally attributable to the decrease in our amount due from related parties of approximately HK\$144.7 million as we have settled the majority of our amounts due from and due to related companies prior to 30 June 2015, the decrease in trade and other receivables of approximately HK\$12.6 million mainly driven by the reduction in our accrued contract revenue and the decrease in our cash and bank balances of approximately HK\$121.7 million principally due to the payment of dividends by us during the year ended 30 June 2015 and partially offset by the net cash generated from our profitable operating activities. On the other hand, our current liabilities also decreased by approximately HK\$243.2 million from 30 June 2014 to 30 June 2015, principally attributable to the decrease in trade and other payables of approximately HK\$130.8 million as mainly driven by the decrease in provision for contracting costs and the decrease in amounts due to related companies of approximately HK\$126.2 million as majority of our amounts due from and due to related companies have been settled prior to 30 June 2015.

Debt to equity ratio

We had continuously monitored and reviewed our resources available, and did not have any outstanding bank borrowings as at 30 June 2013, 2104 and 2015 and did not incur material finance cost during the Track Record Period. In view of our healthy financial position and liquidity, we were able to maintain net cash positions as at 30 June 2013, 2014 and 2015.

Gearing ratio

Our gearing ratio was approximately 1.1%, 23.4% and 0.0% as at 30 June 2013, 2014 and 2015, respectively. Although we did not have any outstanding borrowings as at 30 June 2013, 2014 and 2015, we had amounts due to related companies of approximately HK\$7.8 million, HK\$126.3 million and less than HK\$0.1 million as at 30 June 2013, 2014 and 2015, respectively. The amounts due to related companies was principally related to the unsettled portion of the interim dividend for the year ended 30 June 2014 and majority of the amounts due to related companies were settled prior to 30 June 2015. Accordingly, our gearing ratio was approximately zero as at 30 June 2015.

Return on assets

Our return on assets maintained relatively stable and amounted to approximately 6.2%, 6.8% and 9.0% for the year ended 30 June 2013, 2014 and 2015, respectively. The increase in our return on assets for the year ended 30 June 2014 was principally attributable to the increase in our net profits by approximately 15.4% (as mainly driven by the improvement in our gross profit margin, reduction in income tax expenses and improvement in net finance income and partially offset by the increase in general and administrative expenses), and partially offset by the increase in our total

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assets by approximately 6.0% (as mainly driven by the increase in our cash and bank balances of approximately HK\$268.6 million and trade and other receivables of approximately HK\$159.7 million, both of which were incurred in our ordinary and usual course of business, and partially offset by the decrease in amounts due from related companies of approximately HK\$148.0 million principally due to settlement by the relevant related companies). The increase in our return on assets for the year ended 30 June 2015 was principally attributable to the increase of our net profits by approximately 13.7% (as mainly driven by the reduction in administrative expenses and improvement in net finance income) and the decrease in our total assets (as mainly driven by amounts due from related parties due to settlement thereof, decrease in trade and other receivables principally due to reduction in accrued contract revenue and decrease in cash and bank balances principally due to the payment of dividends during the year ended 30 June 2015).

Return on equity

Our return on equity increased from approximately 16.7% for the year ended 30 June 2013 to approximately 24.3% for the year ended 30 June 2014 and further improved to approximately 30.1% for the year ended 30 June 2015.

The increase in return on equity for the year ended 30 June 2014 was principally attributable to the decrease in our shareholders' fund of approximately 20.9% principally due to dividend declared of approximately HK\$287.0 million during the 30 June 2014 which exceeded the profit attributable to our equity holder, and partially offset by the increase in profit attributable to our equity holder of approximately 15.4% (as mainly driven by the improvement in our gross profit margin, reduction in income tax expenses and improvement in net finance income and partially offset by the increase in general and administrative expenses).

The increase in return on equity for the year ended 30 June 2015 was principally attributable to the decrease in our shareholders' fund of approximately 8.0% principally due to dividend declared of approximately HK\$200.0 million during the year ended 30 June 2015 which exceeded the profit attributable to our equity holders, and partially offset by the increase in profit attributable to our equity holder of approximately 13.7% (as mainly driven by the reduction in administrative expenses and improvement in net finance income).

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. The Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of the Group as a whole. The Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

For more information on our related party transactions, see the section "Connected Transactions" and note 33 to our consolidated financial information included in "Appendix I — Accountant's Report".

RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had over 3,000 E&M engineering projects on hand with a total estimated outstanding contract value of approximately HK\$5,500 million (of which approximately HK\$4,100 million was attributable to Major Projects).

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Subsequent to 30 June 2015 and up to the Latest Practicable Date, we have been awarded 39 E&M and environmental service projects (with contract sum over HK\$1 million) with total contract value of approximately HK\$740 million and submitted tenders in respect of 221 E&M and environmental service projects (with contract sum over HK\$1 million) with total tender sum of approximately HK\$5,254 million. We consider that from 1 July 2015 and up to the date of this prospectus, there has been no material interruption to our business and there has been no material adverse change in the E&M engineering industry in Hong Kong, Macau and the PRC.

On the other hand, subsequent to the Track Record Period, our financial performance may be adversely affected by the increase in expenses related to the Listing, the possible increase in our staff costs in our general and administrative expenses principally due to increase in both number of staff and salary level, the possible recording of exchange loss principally due to the potential devaluation of Renminbi, the possible reduction in interest income principally due to the reduction in interest rate attributable to our bank deposits denominated in Renminbi and the possible increase in our income tax expenses due to the utilization of the over-provision of tax for the year ended 30 June 2015 which is not expected to repeat for the year ending 30 June 2016.

SUBSEQUENT CHANGES

The Directors further confirm that they are not aware of any material delay in our projects, cancellation of orders, any material default in payment by our customers, from 30 June 2015 up to the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, except for the performance bonds as disclosed under the paragraphs under “Indebtedness” above, we did not have any material off-balance sheet arrangements or any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

MARKET AND OTHER FINANCIAL RISKS

Our activities expose it to a variety of financial risks, namely credit risk, liquidity risk, interest rate risk and foreign exchange risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. It is our policy not to enter into derivative transaction for speculative purposes.

We set financial risk management policies in accordance with policies and procedures approved by the Board of Directors. Our treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

(a) Credit risk

Our credit risk mainly arises from trade and other receivables, amounts due from related companies and deposits with banks and financial institutions.

Deposits are mainly placed with high-credit-quality financial institutions. In respect of credit exposures to customers, we have policies in place to assess credit history of customers and carries out follow-up actions on overdue amounts to minimise the credit risk exposure. We have no significant concentrations of credit risk as we have a large number of customers.

Our management regularly assesses credit risk for amounts receivable from related companies by reviewing financial information of related companies on a regular basis to minimise credit risk.

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The maximum exposure to credit risk is represented by the carrying amount of each receivable in the balance sheet after deducting any impairment allowance.

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is our policy to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. We also maintain undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Group	
	Less than 1 year	Between 1 and 2 years
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30th June 2013		
Trade and other payables	755,665	999
Amounts due to related companies	7,754	—
	763,419	999
At 30th June 2014		
Trade and other payables	686,742	1,253
Amounts due to related companies	126,295	—
	813,037	1,253
At 30th June 2015		
Trade and other payables	540,229	445
Amounts due to related companies	70	—
	540,299	445

(c) Interest rate risk

We are exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Our interest bearing assets mainly include cash deposits.

Our borrowings are principally on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose us to cash flow interest rate risk.

Our interest rate risk concentrates on fluctuations of HIBOR as our interest-bearing assets and liabilities are mainly Hong Kong dollar denominated.

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Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of 3 months or below.

As at 30 June 2013, 2014 and 2015, if interest rates had been 100 basis points higher/lower with all other variables held constant, our profit before income tax for the year would have been HK\$3.4 million, HK\$1.9 million and HK\$6.0 million higher/lower respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the relevant financial year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact us over the period until the next annual end of the reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit for the period sensitivities.

(d) Foreign exchange risk

We operate primarily in Hong Kong, Macau and the PRC. Our members are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Entities in Macau and the PRC are not exposed to significant exchange risk.

PRC is our second largest market during the Track Record Period and approximately HK\$506.9 million, HK\$594.7 million and HK\$382.7 million, representing approximately 21.3%, 23.3% and 13.5% of our revenue, were derived from the PRC for the year ended 30 June 2013, 2014 and 2015, respectively. Majority of our revenues and costs in respect of our operation in the PRC are denominated in Renminbi.

We currently do not have a foreign currency hedging policy. We manage our foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arise.

As part of our business was carried in the PRC during the Track Record Period, part of our assets and liabilities were also denominated in Renminbi. Majority of these assets and liabilities were arising from the net investments in the PRC operations with net assets of HK\$6.6 million, HK\$320.6 million and HK\$337.4 million as at 30 June 2013, 2014 and 2015, respectively. The foreign currency translation arising from translation of these PRC operations' financial statements from Renminbi (functional currency of these PRC operations) into Hong Kong dollars (the group's presentation currency) will not affect our profit before and after tax, and will be recognized in our other comprehensive income.

Subsequent to the Track Record Period, Renminbi had experienced devaluation against Hong Kong dollars. During the past 12 months from the Latest Practicable Date, the fluctuation of Renminbi against Hong Kong dollars was approximately 5.0% (by comparing the highest exchange rate of Renminbi against Hong Kong dollars with the lowest exchange rate of Renminbi against Hong Kong dollars during the period).

As at 30 June 2013, 2014 and 2015, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, the Group's other comprehensive income would have been approximately HK\$0.3 million, HK\$16.0 million and HK\$16.9 million lower/higher, respectively.

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Nevertheless, as at 30 June 2013, 2014 and 2015, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, our profit before income tax for the year would have been HK\$28,000, HK\$36,000 and nil lower/higher. Such exchange differences are arising from the monetary assets and liabilities that were denominated in Renminbi and not under the entities in the PRC.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

We cannot assure you that we will be able to distribute dividends of the amount below or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

For the years ended 30 June 2013, 2014 and 2015, we had declared dividends of approximately HK\$54.0 million, HK\$287.0 million and HK\$200.0 million, respectively, to our shareholder. However, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Nevertheless, subject to the Articles of Association, the Companies Law and other applicable laws and regulations, we currently intend to distribute to our Shareholders not less than 30% of our net profit for each financial year after the Listing.

Our distributable reserves as at 30 June 2015, representing the amount of retained profits of our Company and share premium as at the same date, amounted to approximately HK\$466.2 million.

LISTING EXPENSES

We had incurred listing expenses of approximately HK\$5.2 million for the year ended 30 June 2015. The total estimated listing expenses in connection with the Global Offering are approximately HK\$40.4 million (based on the mid-point of the Offer Price of HK\$2.83 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately HK\$5.2 million has been charged to our consolidated income statement for the year ended 30 June 2015, and approximately HK\$15.3 is expected to be charged to our consolidated income statement for the year ending 30 June 2016 and approximately HK\$19.9 million is expected to be accounted for as deferred expenses and charged against equity upon the Listing under the relevant accounting standards.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of our Company as if the Global Offering had taken place on 30 June 2015 assuming that the Over-allotment Option is not exercised. This unaudited pro forma statement of adjusted net tangible assets 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 our Group as at 30 June 2015 or any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Company attributable to the equity holders of the Company as at 30 June 2015¹	Estimated net proceeds from the Global Offering²	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 30 June 2015	Unaudited pro forma adjusted net tangible assets per Share³
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on an Offer Price of HK\$2.98 per Offer Share	460,471	299,512	759,983	1.69
Based on an Offer Price of HK\$2.68 per Offer Share	460,471	266,943	727,414	1.62

Notes:

1. Our audited consolidated net tangible assets attributable to the Company's equity holders as at 30 June 2015 is based on our audited consolidated net assets attributable to the equity holders of the Company of approximately HK\$496.2 million, as extracted from our consolidated financial information included in "Appendix I — Accountant's Report", with an adjustment for the intangible assets in the amount of approximately HK\$35.7 million.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$2.68 and HK\$2.98 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by the Company and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option with an adjustment for the listing expenses recorded by the Company for the year ended 30 June 2015 of approximately HK\$5.2 million.
3. Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 450,000,000 Shares were in issue assuming that the Global Offering had been completed and the Offer Shares had been issued on 30 June 2015 and the Over-allotment Option was not exercised, without taking into account any Shares to be issued upon the exercise of options granted under the Share Option Scheme.

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NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 30 June 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial information included in “Appendix I — Accountant’s Report”.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES

Please refer to the section “Business — Our Business Strategies” in this prospectus for detailed description of our business strategies.

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, and assuming an Offer Price of HK\$2.83, being the mid point of the indicative Offer Price range) will be approximately HK\$278.0 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- (i) approximately 31.4%, or HK\$87.4 million, will be used for possible investment in acquisition of and/or formation of strategic cooperation with one or more companies engaged in the installation and maintenance of ELV system, as follows:

Acquisition strategy	Nature of business	Type of business	Description
To acquire 100% shareholding in a target company and/or formulate strategic cooperation, where appropriate and feasible.	Design, supply, installation and maintenance of ELV system.	Design, supply, installation and maintenance of ELV system in new and existing residential/commercial buildings in Hong Kong.	ELV system forms part of the whole building services system for a building. It normally consists of a satellite and television receiving and broadcasting system, public address system, closed-circuit television surveillance system, security burglar alarm/card access control system, radio paging and walkie-talkie system, home automation system, radio frequency identification system, biometrics security system and watchman tour system.

As at the Latest Practicable Date, we had not identified any such targets nor have we commenced any due diligence process in relation to the same.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 18.4%, or HK\$51.0 million, will be used for the possible investment in and/or formation of joint venture or strategic cooperation with one or more companies operating environmental management business in our target business areas including advanced lighting solution product, bio-technology of microalgae in waste-water treatment and web-based building energy management system, as follow:

	Investment strategy	Nature of business	Type of business	Description
(a)	We entered into a memorandum of understanding with a manufacturer of an advanced lighting control solution product to market, distribute and sell such products in Hong Kong and Macau. We intend to apply HK\$6.0 million for marketing and promotion of such products.	Distribution and retail sales of advanced lighting control solution products.	Distribution and retail sales of advanced lighting control solution in commercial and residential buildings in Hong Kong and Macau.	Advanced lighting solution products apply technology to enhance lighting and air-conditioning control system with the aid of wireless control, dimmable and scene setting, so as to achieve energy saving. Such wireless technology enable savings in construction materials cost and provide flexibility in adapting to future lighting layout changes for renovation works.
(b)	To form a joint venture with an inventor of "bio-technology of microalgae in waste-water treatment", in which we will provide operational support, marketing and application projects, while our joint venture partner will provide technical know-how. We intend to apply HK\$27.0 million as capital for such joint venture.	Development, installation and maintenance of the "bio-technology of microalgae in waste water treatment" system.	Development, installation and maintenance of waste-water treatment system for residential and commercial buildings in Hong Kong, Macau and PRC.	Microalgae technology is used to treat waste water through application of microalgae which absorbs and purifies nitrogen phosphate, nitrate, ammonia and orthophosphate contents in waste water, producing bio-fuel. Such waste water treatment is more economical than traditional methods and the bio-fuel produced may serve as replacement for fossil fuel.
(c)	To form a joint venture with a "web-based building energy management system" creator in which we will provide marketing and tendering support, supply, installation and maintenance work for such system while our joint venture partner will provide technical know-how. We intend to apply HK\$18.0 million as capital for such joint venture.	Development, installation and maintenance of "web-based building energy management system".	Development, installation and maintenance of "web-based building energy management system" in new and existing residential/commercial buildings in Hong Kong, Macau and PRC.	The web-based building energy management system is a centralised management system that monitors energy usage status of a building.

As at the Latest Practicable Date, we had not entered into any legally binding agreement with any potential business partners nor have we commenced any due diligence process in relation to the same.

FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately 18.2%, or HK\$50.7 million, will be used for the operation of our E&M engineering projects on hand and prospective projects;
- (iv) approximately 7.9%, or HK\$22.0 million, will be used for the employment of additional staff, including engineering and technical personnel and marketing personnel, and provision of relevant staff training, for our current and new projects and our business expansion, especially for our environmental engineering services;
- (v) approximately 7.5%, or HK\$20.7 million, will be used for the development and enhancement of our engineering design capability including (i) purchase of engineering design software; and (ii) employing additional engineering design staff;
- (vi) approximately 3.9%, or HK\$10.9 million, will be used for enhancing our quality testing laboratory, employing additional quality testing personnel and purchasing additional quality testing equipment;
- (vii) approximately 2.9%, or HK\$8.0 million, will be used for the upgrade of our corporate information technology system and software; and
- (viii) approximately 9.8%, or HK\$27.3 million, will be used for our general working capital.

If the final Offer Price (assuming the Over-allotment Option is not exercised) is set at (i) the lowest; or (ii) the highest of the indicative Offer Price, the net proceeds from the Global Offering are estimated to be approximately HK\$261.7 million (in the case of (i)) or approximately HK\$294.3 million (in the case of (ii)) respectively. In such events, the estimated net proceeds will decrease or increase by approximately HK\$16.3 million, respectively and are intended to be used in the same proportions as disclosed above save for the amount of net proceeds planned to be used as described in items (ii), (iv) to (vii) above will remain substantially unchanged and, if the final Offer Price is set at a price higher than the mid-point of the Offer Price range, the amount allocated for our working capital purposes shall not exceed 10% of the then net proceeds.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will increase to (i) approximately HK\$305.3 million (assuming that the final Offer Price is set at the lowest of the indicative Offer Price), (ii) approximately HK\$324.8 million (assuming that the final Offer Price is set at the mid-point of the indicative Offer Price), and (iii) approximately HK\$342.1 million (assuming that the final Offer Price is set at the highest of the indicative Offer Price) respectively, and we intend to apply the additional net proceeds from the exercise of the Over-allotment Option in the same proportions as disclosed above, save for the amount of net proceeds planned to be used as described in items (ii), (iv) to (vii) above will remain substantially unchanged, and if the final Offer Price is set at a price higher than the mid-point of the Offer Price range, the amount allocated for our working capital purposes shall not exceed 10% of the then net proceeds.

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 licensed banks and authorised financial institutions for so long as it is in our best interests.

UNDERWRITING

HONG KONG UNDERWRITERS

Halcyon Securities Limited
Great Roc Capital Securities Limited
BOSC International Company Limited
Celestial Capital Limited
Investec Capital Asia Limited
Oriental Patron Securities Limited
Shenwan Hongyuan Capital (H.K.) Limited

INTERNATIONAL UNDERWRITERS

Halcyon Securities Limited
Great Roc Capital Securities Limited
BOSC International Company Limited
Celestial Capital Limited
Investec Capital Asia Limited
Oriental Patron Securities Limited
Shenwan Hongyuan Capital (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 11,250,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including an additional 16,875,000 Offer Shares which may be made issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Global Coordinators (on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement being signed and becoming unconditional.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), subject to the consent of the Sole Sponsor, if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

1. there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in this prospectus, the Application Forms, the formal notice issued or used by or on behalf of us in connection with the Hong Kong Public Offering (the “Hong Kong Public Offering Documents”) and/or in any notices, announcements, advertisements, communications or other documents (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any Hong Kong Public Offering Documents is not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Hong Kong Public Offering Documents and/or in any notices, announcements, advertisements, communications or other documents including any supplement or amendment thereto; or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of us or the Controlling Shareholders or executive Directors (collectively, the “Warrantors”) under the Hong Kong Underwriting Agreement; or
 - (v) any adverse change or development involving a prospective adverse change or development in the conditions, assets, liabilities, business affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
 - (vi) any breach of any warranties under the Hong Kong Underwriting Agreement or any event or circumstances rendering such warranties be or would be when repeated untrue, incorrect or misleading in any respect; or
 - (vii) that any person (other than the Joint Global Coordinators, the Sole Sponsor or any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Hong Kong Public Offering Documents and supplemental offering materials thereto (including any other documents published or issued by or on behalf of us or the International Underwriters for the purposes of or in connection with the Global Offering) (the “Offer Documents”) or to the issue of any of the Offer Documents; or
 - (viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the

UNDERWRITING

Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

- (ix) we withdraw this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

2. there shall develop, occur, exist or come into effect:

- (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, declaration of a national or international emergency or war strikes, calamity, crisis, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics; or
- (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development or a prospective change, in any local, regional, national or international financial, economic, political, military, industrial, fiscal, currency, regulatory, credit or market conditions (including without limitation, conditions in any stock or bond markets, money and foreign exchange markets, inter-bank markets and credit markets; or
- (iii) 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 in existing laws or development involving a prospective change in (or in the interpretation or application by any court or other competent authority in or affecting Hong Kong, Macau, the PRC, the United States, the BVI, the Cayman Islands, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of our Group (together, the "Specific Jurisdictions"); or
- (iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit on 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 Shanghai Stock Exchange or Tokyo Stock Exchange; or imposition of any general moratorium on commercial banking activities in Hong Kong, New York, Japan, London, the BVI, the Cayman Islands, the European Union (or any member thereof) or the PRC declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services or procedures in any of the Specific Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for or on any of the Specific Jurisdictions; or
- (vi) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment Laws (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 Specific Jurisdictions; or
- (vii) any litigation or claim being threatened or instigated against any member of our Group; or

UNDERWRITING

- (viii) 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
- (ix) our chairman or chief executive officer or chief financial officer vacating his office; or
- (x) the commencement by any governmental, regulatory or political body or organization in any relevant jurisdiction commencing any investigation or take other action, against any Director; or
- (xi) a prohibition on us for whatever reason from offering allotting issuing or selling any of the Offer Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xii) a contravention by any member of our Group of the Listing Rules or any other applicable laws; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the offer for subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xiv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or any other documents used in connection with the contemplated offer for subscription of the Offer Shares) pursuant to 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
- (xv) a petition or an order 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 our 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 occurs in respect of any member of our Group,

which, individually or in aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, managements, results of operations, prospects, shareholders' equity, profits, losses position or condition, financial or otherwise or performance of our Company or any of our subsidiaries taken as a whole; or
- (b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable or inexpedient or impracticable, for the Global Offering to proceed; or
- (d) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

UNDERWRITING

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By the Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the date on which Shares first commence dealing on the Stock Exchange (whether or not such issue of Shares will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders have undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the "Relevant Shares"); or
- (b) in the period of a further six months commencing on the date on which the First Period 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 Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when he/it pledges or charges any securities in our Company beneficially owned by him/it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by him/it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

Undertakings to the Hong Kong Underwriters

Undertakings by the Company

We have undertaken to the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that except pursuant to the Global Offering and the exercise of the Over-allotment Option, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “First Six Months Period”), we will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or buy-back, any of our share capital or other securities of any subsidiary or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with our Shares or the shares of any subsidiary as underlying securities; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above;

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that we will or may enter into any transaction described above. We have further agreed that, in the event of an issue or disposal of any Shares or any interest therein during the period of six months immediately following the expiry of the First Six Months Period (the “Second Six Months Period”), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of us will, create a disorderly or false market for any of our Shares or other securities.

By our Controlling Shareholders

Each of our Controlling Shareholders has respectively undertaken to us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that:

- (i) during the First Six Months Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the “Relevant Securities”); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same

UNDERWRITING

economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

- (ii) during the Second Six Months Period, he/it shall not, and shall procure that the relevant registered holder(s) and their respective associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules) or would together with other Controlling Shareholders cease to be a group of controlling shareholders (as defined in the Listing Rules);
- (iii) in the event of a disposal of any Relevant Securities or our securities or any interest therein within Second Six Months Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or our other securities; and
- (iv) he/it shall, and shall procure that his/its associates and companies controlled by and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of the Controlling Shareholders further undertakes to each of us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, from the date of the Hong Kong Underwriting Agreement up to the expiry of the first 12 months from the Listing Date, he or it will:

- (i) when he/it pledges or charges any securities or interests in the Relevant Securities, immediately inform us, the Joint Global Coordinators, the Sole Sponsor and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be sold, transferred or disposed of, immediately inform us, the Joint Global Coordinators, the Sole Sponsor and the Joint Bookrunners in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

UNDERWRITING

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please see the section headed "Structure of the Global Offering — The International Placing" in this prospectus for further details.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of Stabilising Manager on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 16,875,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Joint Global Coordinators (for themselves and on behalf of the Underwriters) an underwriting commission of 3.5% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. 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 Joint Global Coordinators and the relevant International Underwriters, but not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.83 per Share (being the mid-point of the stated range of the Offer Price between HK\$2.68 and HK\$2.98 per Share), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$40.4 million in total and are payable by us.

Indemnity

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

UNDERWRITING

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules is made within seven days of the expiration of the stabilising period.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offering of an initial 11,250,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering”; and
- (ii) the International Placing of an initial 101,250,000 International Placing Shares, subject to adjustment and the Over-allotment Option as mentioned below, outside the U.S. (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but cannot do both. Our Directors and the Joint Global Coordinators will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Placing which are not allowed and are bound to be rejected. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional and institutional investors and other investors expected to have a sizeable demand for the Offer Shares. The International Underwriters are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the sub-section “Pricing and Allocation” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by an agreement between us and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 2 December 2015 and in any event no later than 8 December 2015 and the Offer Shares are expected to be allocated shortly thereafter. If for any reason, we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK\$2.98 per Offer Share and is expected to be not less than HK\$2.68 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters), with our consent, considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, expected to be on 1 December 2015, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice(s) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice(s) will also be available at the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.fseng.com.hk. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section "Summary" in this prospectus, and any other financial information which may change as a result of such reduction(s). Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised Offer Price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice of a reduction in the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of our Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators 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 Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although 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.

STRUCTURE OF THE GLOBAL OFFERING

The net proceeds from the Global Offering accruing to us are estimated to be approximately HK\$278.0 million. The estimated net proceeds are calculated assuming an Offer Price of HK\$2.83 per Offer Share (being the mid-point of the stated Offer Price range of HK\$2.68 to HK\$2.98 per Offer Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised.

Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offering are expected to be announced on 9 December 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our website (www.fseng.com.hk) (in English and Chinese) and on the Stock Exchange's website (www.hkexnews.hk) and in a variety of channels in the manner described in the section "How to Apply for Hong Kong Offer Shares — Publication of Results" in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including an additional 16,875,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined between us and the Joint Global Coordinators (on behalf of the Underwriters), and the execution and delivery of the price determination agreement on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators (on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective 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 the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed by 8 December 2015 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set

STRUCTURE OF THE GLOBAL OFFERING

out in the section “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Hong Kong Offer Shares are expected to be issued on 9 December 2015 but will only become valid certificates of title at 8:00 a.m. on 10 December 2015, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering 11,250,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the 112,500,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 25% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form or applying online through the **HK eIPO White Form** service or the **electronic application instruction** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Joint Global Coordinators will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Offer Shares in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators, on behalf of the Underwriters, may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK\$2.98 per Offer Share and is expected to be not less than HK\$2.68 per Offer Share. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$2.98 on each Hong Kong Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee on each Hong Kong Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$2.98 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section “How to Apply for Hong Kong Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the value of pool B. For this purpose, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, 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. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. 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. Multiple or suspected multiple applications within either pool or between pools and any application for more than 5,625,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering, will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 33,750,000, 45,000,000 and 56,250,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to pool A and pool B. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

THE INTERNATIONAL PLACING

The International Placing will consist of initially 101,250,000 Shares and is subject to adjustment and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong. The International Placing will be subject to, among other matters, the Hong Kong Public Offering becoming unconditional.

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the sub-section “Pricing and Allocation” above and 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 Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

If the International Placing is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed International Placing Shares to the Hong Kong Public Offering, in such proportions as the Joint Global Coordinators deem appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters.

Pursuant to the Over-Allotment Option, the Stabilising Manager has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 16,875,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Placing

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to cover, among other things, over-allocations in the International Placing, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, an announcement will be made.

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 16,875,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from FSE Holdings 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 FSE Holdings 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 FSE Holdings 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 FSE Holdings. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to FSE Holdings 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 newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time, and 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 Offering. The number of Shares that may be over-allocated will not exceed the number of

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Shares which may be issued or sold upon exercise of the Over-allotment Option, being 16,875,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (a) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or
- (b) in connection with any action described in paragraph (a) above:
 - (i) (A) over-allocate our Shares; or
(B) sell or agree to sell our Shares so as to establish a short position in them,
for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;
 - (iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or
 - (iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the last trading day before the 30th day after 1 December 2015, being the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilizing) Rules.

Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

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In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to an aggregate of 16,875,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Stabilising Manager on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 16,875,000 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to FSE Holdings by the Joint Global Coordinators in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 10 December 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on 10 December 2015. Our Shares will be traded in board lots of 1,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

HOW TO APPLY FOR 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:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) 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.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** service 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:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, 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 Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- (a) an existing beneficial owner of Shares in the Company and/or any its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) a Director or chief executive officer of our Company and/or any of our subsidiaries;
- (c) a close associate (as defined in the Listing Rules) of any of the above;
- (d) 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
- (e) have been allocated or have applied for any International Placing Shares or otherwise participate in 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 between 9:00 a.m. on Thursday, 26 November 2015 to 12:00 noon on Tuesday, 1 December 2015 from:

- (i) The following office of the Underwriters in Hong Kong:

Halcyon Securities Limited

11/F, 8 Wyndham Street
Central
Hong Kong

Great Roc Capital Securities Limited

Suite 3712, 37th Floor
West Tower, Shun Tak Center
168–200 Connaught Road Central
Hong Kong

BOSC International Company Limited

Suite 2608–2611
Citibank Tower, Citibank Plaza
3 Garden Road
Hong Kong

Celestial Capital Limited

21st Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Investec Capital Asia Limited

3609, 36th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Oriental Patron Securities Limited

27th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited

Level 19
28 Hennessy Road
Hong Kong

(ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	King's Road Branch	131-133 King's Road, North Point
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay
Kowloon	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin

Standard Chartered Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 26 November 2015 until 12:00 noon on Tuesday, 1 December 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 — FSE Engineering Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- (a) 9:00 a.m. to 5:00 p.m. — Thursday, 26 November 2015
- (b) 9:00 a.m. to 5:00 p.m. — Friday, 27 November 2015
- (c) 9:00 a.m. to 1:00 p.m. — Saturday, 28 November 2015
- (d) 9:00 a.m. to 5:00 p.m. — Monday, 30 November 2015
- (e) 9:00 a.m. to 12:00 noon — Tuesday, 1 December 2015

The application lists will be open from 11:45 a.m. to 12:00 noon on 1 December 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their 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 Articles of Association;
- (ii) agree to comply with the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (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 Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the 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);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the 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;
- (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 Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the 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 of such shares 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 its 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 Joint Global Coordinators 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;

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- (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; and
- (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.

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 “Who can apply” section, may apply through the **HK eIPO White Form** service 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** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the 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** service.

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 Thursday, 26 November 2015 until 11:30 a.m. on Tuesday, 1 December 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 1 December 2015 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

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** service 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 application 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** service or by any other means, all of your applications are liable to be rejected.

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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).

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 (<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 Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this 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 the Company, the Joint Global Coordinators 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:

- (a) 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) HKSCC Nominees will do the following things on your behalf:
- (i) 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 credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS participant;
 - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - (iii) 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;
 - (iv) (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;
 - (v) (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;
 - (vi) confirm that you understand that our Company, our Directors and the Joint Global Coordinators 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;
 - (vii) authorise the 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;
 - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - (ix) 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;
 - (x) agree that none of our Company, the Joint Global Coordinators, the 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);
 - (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
 - (xii) 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;

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- (xiii) 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 the Company agreeing that it 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;
- (xiv) 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 Offering results;
- (xv) 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;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) 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 the Company or any other person in respect of the things mentioned below:

- (a) 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;
- (b) instructed and authorised HKSCC to arrange payment of the maximum 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 and/or if the Offer Price is less than the maximum Offer Price per Offer

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Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- (c) 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.

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 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 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:

9:00 a.m. to 8:30 p.m.⁽¹⁾ — Thursday, 26 November 2015

8:00 a.m. to 8:30 p.m.⁽¹⁾ — Friday, 27 November 2015

8:00 a.m. to 1:00 p.m.⁽¹⁾ — Saturday, 28 November 2015

8:00 a.m. to 8:30 p.m.⁽¹⁾ — Monday, 30 November 2015

8:00 a.m.⁽¹⁾ to 12:00 noon — Tuesday, 1 December 2015

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 26 November 2015 until 12:00 noon on Tuesday, 1 December 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 1 December 2015, the last application day or such later time as described in sub-section "10. Effect of Bad Weather on the Opening of the Application Lists" below.

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.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the 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).

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Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Joint Global Coordinators, the 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** service 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 Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service 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 Tuesday, 1 December 2015.

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:

- (a) an account number; or
- (b) 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** service, 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:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

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“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) hold more than half of the issued 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 Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public 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, please see the section “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 1 December 2015. 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 Tuesday, 1 December 2015 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 “Expected Timetable”, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

The 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 Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 9 December 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.fseng.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on the Company's website at www.fseng.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 9 December 2015;
- (b) from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 9 December 2015 to 12:00 midnight on Tuesday, 15 December 2015;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 9 December 2015 to Monday, 14 December 2015;
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 9 December 2015 to Friday, 11 December 2015 at all the receiving bank designated branches.

If the 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" in this prospectus.

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 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 the Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, 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:

- (a) within three weeks from the closing date of the application lists; or
- (b) within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- (a) you make multiple applications or suspected multiple applications;
- (b) 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;
- (c) your Application Form is not completed in accordance with the stated instructions;
- (d) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (e) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (f) the Underwriting Agreements do not become unconditional or are terminated;

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- (g) the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- (h) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.98 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” 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 Wednesday, 9 December 2015.

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 Offering (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:

- (a) 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
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 9 December 2015. 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).

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Share certificates will only become valid at 8:00 a.m. on the Listing Date 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 the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015 or such other date as notified by us in the newspapers.

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 which 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 the 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 Wednesday, 9 December 2015, by ordinary post and at your own risk.

(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. 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 Wednesday, 9 December 2015, 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 Wednesday, 9 December 2015, 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 Public Offering shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 December 2015 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 service

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 Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015, or such other date as notified by the 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 Wednesday, 9 December 2015 by ordinary post at your own risk.

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

- (a) 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 Wednesday, 9 December 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- (b) 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in sub-section "Publication of Results" above on Wednesday, 9 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 December 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- (c) 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.
- (d) 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 Wednesday, 9 December 2015. 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 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.
- (e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (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 Wednesday, 9 December 2015.

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 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

26 November 2015

The Directors
FSE Engineering Holdings Limited

Halcyon Capital Limited

Dear Sirs,

We report on the financial information of FSE Engineering Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 30 June 2013, 2014 and 2015, the balance sheet of the Company as at 30 June 2015, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 30 June 2013, 2014 and 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 26 November 2015 (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 Company was incorporated in the Cayman Islands on 22 June 2015 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 30 June 2015, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and joint ventures and joint operations as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 June 2015 and of the Group as at 30 June 2013, 2014 and 2015 and of the Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 30 June 2013, 2014 and 2015 and for each of the years ended 30 June 2013, 2014 and 2015 (the "Financial Information"):

Consolidated Income Statements

	Note	Year ended 30 June		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Revenue	5	2,380,584	2,555,017	2,825,107
Cost of sales		<u>(2,099,563)</u>	<u>(2,222,136)</u>	<u>(2,491,974)</u>
Gross profit		281,021	332,881	333,133
Other income/gains, net	6	5,218	7,909	5,603
General and administrative expenses		<u>(150,690)</u>	<u>(200,446)</u>	<u>(185,848)</u>
Operating profit	7	135,549	140,344	152,888
Finance income	10	2,917	8,774	16,435
Finance costs	10	—	—	(226)
Share of losses of joint ventures	19	<u>(281)</u>	<u>(848)</u>	<u>—</u>
Profit before income tax		138,185	148,270	169,097
Income tax expenses	11	<u>(24,453)</u>	<u>(17,070)</u>	<u>(19,946)</u>
Profit for the year		<u>113,732</u>	<u>131,200</u>	<u>149,151</u>
Attributable to:				
Equity holder of the Company	12	113,691	131,200	149,151
Non-controlling interests		<u>41</u>	<u>—</u>	<u>—</u>
		<u>113,732</u>	<u>131,200</u>	<u>149,151</u>
Earnings per share for profit attributable to equity holder of the Company during the year (expressed in HK\$ per share)				
— basic and diluted	13	<u>0.38</u>	<u>0.44</u>	<u>0.50</u>
Dividends	14	<u>54,000</u>	<u>287,000</u>	<u>200,000</u>

Consolidated Statements of Comprehensive Income

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit for the year	113,732	131,200	149,151
Other comprehensive income:			
<i>Items that will not be reclassified to consolidated income statement:</i>			
Revaluation gain on property, plant and equipment	73,577	17,240	9,442
Deferred income tax on revaluation gain on property, plant and equipment	(12,188)	(2,830)	(1,679)
Reversal of deferred income tax on fair value gain upon disposal of property, plant and equipment	68	—	—
Reversal of deferred income tax on fair value gain through use of property, plant and equipment	319	346	377
	61,776	14,756	8,140
<i>Item that may be subsequently reclassified to consolidated income statement:</i>			
Currency translation differences	1,947	(1,556)	(675)
Other comprehensive income, net of tax	63,723	13,200	7,465
Total comprehensive income for the year	177,455	144,400	156,616
Attributable to:			
Equity holder of the Company	177,305	144,400	156,616
Non-controlling interests	150	—	—
	177,455	144,400	156,616

Consolidated Balance Sheets

		As at 30 June		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
	Note			
ASSETS				
Non-current assets				
Property, plant and equipment	15	293,525	165,051	172,582
Land use rights	16	25,301	24,654	24,075
Intangible assets	17	48,662	36,061	35,691
Joint ventures	19	—	—	—
Deferred income tax assets	20	268	268	268
		<u>367,756</u>	<u>226,034</u>	<u>232,616</u>
Current assets				
Inventories	21	22,803	21,975	18,074
Amounts due from customers for contract works	22	146,149	117,136	113,818
Trade and other receivables	23	527,340	687,075	674,495
Amounts due from related companies	24	292,783	144,782	63
Cash and bank balances	25	465,663	734,237	612,526
		<u>1,454,738</u>	<u>1,705,205</u>	<u>1,418,976</u>
Total assets		<u>1,822,494</u>	<u>1,931,239</u>	<u>1,651,592</u>
EQUITY				
Share capital	26	—	—	30,000
Reserves	27	682,146	539,546	466,162
Shareholder's funds		682,146	539,546	496,162
Non-controlling interests		3,296	—	—
Total equity		<u>685,442</u>	<u>539,546</u>	<u>496,162</u>
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	20	51,651	29,986	36,879
Current liabilities				
Amounts due to customers for contract works	22	187,549	458,794	487,977
Trade and other payables	28	862,246	745,106	614,314
Amounts due to related companies	29	7,754	126,295	70
Taxation payable		27,852	31,512	16,190
		<u>1,085,401</u>	<u>1,361,707</u>	<u>1,118,551</u>
Total liabilities		<u>1,137,052</u>	<u>1,391,693</u>	<u>1,155,430</u>
Total equity and liabilities		<u>1,822,494</u>	<u>1,931,239</u>	<u>1,651,592</u>
Net current assets		<u>369,337</u>	<u>343,498</u>	<u>300,425</u>
Total assets less current liabilities		<u>737,093</u>	<u>569,532</u>	<u>533,041</u>

Balance Sheet

	<i>Note</i>	As at 30 June 2015 <i>HK\$'000</i>
ASSETS		
Non-current asset		
Subsidiaries	18	501,697
Current assets		
Trade and other receivables	23	1,002
Amounts due from related companies	24	10,776
		11,778
Total assets		513,475
EQUITY		
Share capital	26	30,000
Reserves	27	466,162
Total equity		496,162
LIABILITIES		
Current liabilities		
Trade and other payables	28	2,655
Amounts due to related companies	29	14,658
Total liabilities		17,313
Total equity and liabilities		513,475
Net current liabilities		5,535
Total assets less current liabilities		496,162

Consolidated Statement of Cash Flows

	Note	Year ended 30 June		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Cash generated from operations	31	46,647	159,414	72,278
Interest paid		—	—	(226)
Hong Kong profits tax paid		(3,103)	(8,566)	(4,871)
Mainland China and Macau income tax paid		(23,154)	(6,772)	(27,236)
Net cash generated from operating activities		20,390	144,076	39,945
Cash flows from investing activities				
Purchase of property, plant and equipment		(4,210)	(6,535)	(6,074)
Purchase of land use rights		(3,263)	—	—
Net cash (outflow)/inflow from disposal of subsidiaries	32	—	(4,389)	132,671
Proceeds from disposal of property, plant and equipment and land use rights		838	2,067	284
Interest received		2,917	8,774	16,435
Dividends received from joint ventures		640	—	—
Contribution to interests in joint ventures		(124)	(848)	—
Net cash (used in)/generated from investing activities		(3,202)	(931)	143,316
Cash flows from financing activities				
Repayment of borrowings		—	—	(170,000)
Proceeds from borrowings		—	—	170,000
Repayment from amount due from a related company		—	126,350	—
Dividends paid		—	—	(301,047)
Listing expenses paid		—	—	(3,882)
Acquisition of additional interest of a subsidiary		(492)	—	—
Net cash (used in)/generated from financing activities		(492)	126,350	(304,929)
Net increase/(decrease) in cash and cash equivalents during the year		16,696	269,495	(121,668)
Cash and cash equivalents at beginning of year		444,481	465,663	734,237
Exchange differences		4,486	(921)	(43)
Cash and cash equivalents at end of year		465,663	734,237	612,526
Analysis of balances of cash and cash equivalents				
Cash and bank balances		465,663	734,237	612,526

Consolidated Statements of Changes in Equity

	Share capital <i>(Note 26)</i>	Reserves <i>(Note 27)</i>	Sub-total	Non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2012	—	558,841	558,841	3,336	562,177
Profit for the year	—	113,691	113,691	41	113,732
Other comprehensive income:					
Currency translation differences	—	1,838	1,838	109	1,947
Revaluation gain on property, plant and equipment	—	73,577	73,577	—	73,577
Deferred income tax on revaluation gain on property, plant and equipment <i>(Note 20)</i>	—	(12,188)	(12,188)	—	(12,188)
Reversal of deferred income tax on revaluation gain on disposal of property, plant and equipment <i>(Note 20)</i>	—	68	68	—	68
Reversal of deferred income tax on fair value gain through use of property, plant and equipment <i>(Note 20)</i>	—	319	319	—	319
Total comprehensive income	—	177,305	177,305	150	177,455
Transactions with owners:					
Dividends	—	(54,000)	(54,000)	—	(54,000)
Acquisition of additional interest of a subsidiary	—	—	—	(190)	(190)
At 30 June 2013	<u>—</u>	<u>682,146</u>	<u>682,146</u>	<u>3,296</u>	<u>685,442</u>
At 1 July 2013	—	682,146	682,146	3,296	685,442
Profit for the year	—	131,200	131,200	—	131,200
Other comprehensive income:					
Currency translation differences	—	(1,556)	(1,556)	—	(1,556)
Revaluation gain on property, plant and equipment	—	17,240	17,240	—	17,240
Deferred income tax on revaluation gain on property, plant and equipment <i>(Note 20)</i>	—	(2,830)	(2,830)	—	(2,830)
Reversal of deferred income tax on fair value gain through use of property, plant and equipment <i>(Note 20)</i>	—	346	346	—	346
Total comprehensive income	—	144,400	144,400	—	144,400
Transactions with owners:					
Dividends	—	(287,000)	(287,000)	—	(287,000)
Disposal of subsidiaries <i>(Note 32)</i>	—	—	—	(3,296)	(3,296)
At 30 June 2014	<u>—</u>	<u>539,546</u>	<u>539,546</u>	<u>—</u>	<u>539,546</u>

	Share capital <i>(Note 26)</i> <i>HK\$'000</i>	Reserves <i>(Note 27)</i> <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2014	—	539,546	539,546	—	539,546
Profit for the year	—	149,151	149,151	—	149,151
Other comprehensive income:					
Currency translation differences	—	(675)	(675)	—	(675)
Revaluation gain on property, plant and equipment	—	9,442	9,442	—	9,442
Deferred income tax on revaluation gain on property, plant and equipment <i>(Note 20)</i>	—	(1,679)	(1,679)	—	(1,679)
Reversal of deferred income tax on fair value gain through use of property, plant and equipment <i>(Note 20)</i>	—	377	377	—	377
Total comprehensive income	—	156,616	156,616	—	156,616
Transactions with owners:					
Issuance of shares and completion of the Reorganisation	30,000	(30,000)	—	—	—
Dividends	—	(200,000)	(200,000)	—	(200,000)
At 30 June 2015	<u>30,000</u>	<u>466,162</u>	<u>496,162</u>	<u>—</u>	<u>496,162</u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

FSE Engineering Holdings Limited (the "Company") is a limited liability company incorporated in Cayman Islands on 22 June 2015. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of mechanical and engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau (the "Listing Businesses"). The ultimate holding company of the Company is FSE Holdings Limited incorporated in Cayman Islands ("FSE Holdings"). The directors consider Mr. Doo Wai Hoi, William to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder").

1.2 Reorganisation

In preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

(i) Disposal of subsidiaries

On 20 June 2014, the Group disposed of its 100% equity interest in certain subsidiaries which holds own-used properties to related companies (Note 32).

(ii) Incorporation of the Company

On 22 June 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$100,000 comprising 1,000,000 ordinary shares of HK\$0.1 each and one share was allotted and issued nil paid to Sharon Pierson which was transferred to FSE Holdings on the same date.

On 30 June 2015, the authorised share capital of the Company has been increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new shares of HK\$0.1 each.

(iii) Transfer of shares of FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Material Supplies Limited (collectively, the "BVI Holding Companies") to the Company

On 30 June 2015, the entire share capitals in the BVI Holding Companies held by FSE Management Company Limited were transferred to the Company, in consideration of the issue and allotment of 299,000,000 shares by the Company to FSE Holdings, each credited as fully paid.

Upon completion of the Reorganisation, on 30 June 2015, the Company became the holding company of the companies now comprising the Group. The ultimate controlling shareholder remains as Mr. Doo Wai Hoi, William.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following principal subsidiaries, joint ventures and joint operations:

Company name	Country/place of incorporation/ establishment	Registered/issued and paid-up capital	Attributable equity interest of the Group				Principal activities
			As at 30 June			As at the date of this report	
			2013	2014	2015		
(in percentage)							
Directly owned subsidiaries:							
FSE Engineering Group Limited (Note 7)	British Virgin Islands	50,000,000 shares of HK\$1 each paid up to HK\$50,000,000	100	100	100	100	Investment holding
FSE Environmental Technologies Limited (Note 7)	British Virgin Islands	50,000 shares of US\$1 each paid up to US\$1	100	100	100	100	Investment holding
Building Material Supplies Limited (Note 7)	British Virgin Islands	100,000 shares of HK\$1 each paid up to HK\$1	100	100	100	100	Investment holding
Indirectly owned subsidiaries:							
Companion Building Material Supplies (H.K.) Limited (Note 2)	Hong Kong	100 shares paid up to HK\$100	100	100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Environmental Pioneers & Solutions Limited (Note 1)	Hong Kong	1,000 shares paid up to HK\$100,000	100	100	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited (Note 2)	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares paid up to HK\$10,000,000	100	100	100	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited (Note 6)	Macau	MOP25,000	—	—	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Far East Engineering Services Limited (Note 1)	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares paid up to HK\$10,000,020	100	100	100	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Services (Macao) Limited (Note 4)	Macau	MOP25,000	100	100	100	100	Mechanical and electrical engineering
FSE Environmental Laboratory Services Limited (Note 5)	Hong Kong	10,000 shares paid up to HK\$10,000	—	100	100	100	Provision of testing and calibration services

Company name	Country/place of incorporation/ establishment	Registered/issued and paid-up capital	Attributable equity interest of the Group				Principal activities
			As at 30 June			As at the date of this report	
			2013	2014	2015		
(in percentage)							
Joneson Environmental Technologies Limited (Note 1)	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares paid up to HK\$570,000	100	100	100	100	Trading, building maintenance, chemical engineering
Majestic Engineering Company Limited (Note 1)	Hong Kong	30,000 shares paid up to HK\$30,000,000	100	100	100	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited (Note 4)	Macau	MOP25,000	100	100	100	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited (Note 1)	Hong Kong	2,000,000 shares paid up to HK\$2,000,000	100	100	100	100	Plumbing engineering services
Tridant Engineering Company Limited (Note 1)	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares paid up to HK\$50,000,000	100	100	100	100	Provision of mechanical and electrical engineering services
Young's Engineering Company Limited (Note 1)	Hong Kong	4,000,000 shares paid up to HK\$40,000,000	100	100	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited (Note 4)	Macau	MOP100,000	100	100	100	100	Mechanical and electrical engineering
新創機電工程有限公司 (Note 3, 15)	Mainland China	RMB150,000,000	—	100	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司 (Note 3)	Mainland China ¹	US\$150,000	100	100	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程(上海)有限公司 (Note 3)	Mainland China ¹	RMB15,000,000	100	100	100	100	Mechanical and electrical engineering
Joint ventures:							
Talent Decade Holdings Limited (Note 8)	Hong Kong	10,000 shares paid up to HK\$10,000	40	—	—	—	Trading of building materials
珠海市景福工程有限公司 (Note 9)	Mainland China	HK\$5,000,000	80	—	—	—	In members' winding up
Joint operations:							
BBY HK Joint Venture (Notes 10 and 11)	Hong Kong	Not applicable	50	50	50	50	Mechanical and electrical engineering
BBY Macau Joint Venture (Notes 10 and 12)	Macau	Not applicable	60	60	60	60	Mechanical and electrical engineering in Macau

¹ These subsidiaries are limited liability companies incorporated in Mainland China.

Company name	Country/place of incorporation/ establishment	Registered/issued and paid-up capital	Attributable equity interest of the Group				Principal activities
			As at 30 June			As at the date of this report	
			2013	2014	2015		
(in percentage)							
BSY Joint Venture (Notes 10 and 13)	Hong Kong	Not applicable	33	33	33	33	Mechanical and electrical engineering
Hong Kong District Cooling DHY Joint Venture (Notes 10 and 14)	Hong Kong	Not applicable	25	25	25	25	Mechanical and electrical engineering

Notes:

- The statutory financial statements of these Hong Kong companies for the years ended 30 June 2013, 2014 and 2015 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
- The statutory financial statements of these Hong Kong companies for the years ended 30 June 2013, 2014 and 2015 were prepared in accordance with the HKFRSs and audited by Leslie Cheng & Co. Certified Public Accountants.
- The statutory financial statements of these Mainland China companies for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the Accounting Standard for Business Enterprises and Accounting System for Business Enterprises applicable to the enterprises in Mainland China and audited by 普華永道中天會計師事務所有限公司, 湖北中信會計師事務所有限責任公司, 北京安佳信會計師事務所有限公司 and 上海滬閩會計師事務所有限責任公司 respectively.
- The non-statutory financial statements of these Macau companies for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with Macao General Financial Reporting Standards and audited by Keng Ou CPAs.
- FSE Environmental Laboratory Services Limited was incorporated in Hong Kong on 22 October 2013, its statutory financial statements for the period ended 30 June 2014 and year ended 30 June 2015 were prepared in accordance with the HKFRSs and audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
- No statutory financial statements have been issued for EPS Environmental Technologies (Macao) Limited as it is newly incorporated on 7 July 2014.
- No statutory financial statements have been issued for these companies as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their places of incorporation.
- The joint venture, Talent Decade Holdings Limited, was dissolved during the year ended 30 June 2014.
- The joint venture, 珠海市景福工程有限公司, was dissolved during the year ended 30 June 2014. The final audited financial statements of the joint venture was prepared for the liquidation period from 1 June 2012 to 28 February 2014 in accordance with the Accounting Standard for Business Enterprises and Accounting System for Business Enterprises applicable to the enterprises in Mainland China and audited by 中興財光華會計師事務所有限公司廣東分行.
- The Group's attributable interest is equal to, greater or less than 50% in these entities. However, under the joint arrangement agreements, the joint operators have contractually agreed sharing of control over the relevant activities of these entities, hence all these entities are jointly controlled by the Group and the other joint operators. Furthermore, the relevant joint arrangement agreements specify that the Group and the other parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements in accordance with the attributable interest of the Group as disclosed above and the interest attributable to the other joint operators respectively, therefore these entities are classified as joint operations.

11. The non-statutory financial statements of the partnership for the years ended 30 June 2013 and 2014 were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. No audited non-statutory financial statements are issued for the year ended 30 June 2015 as the partnership has ceased its business.
12. The non-statutory financial statements of the partnership for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with Macao General Financial Reporting Standards and audited by PricewaterhouseCoopers, Certified Public Accountants, Macau.
13. The non-statutory financial statements of the partnership for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
14. The non-statutory financial statements of the partnership for the years ended 30 June 2013, 2014 and 2015 were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
15. 新創機電工程有限公司 is a limited liability company established in Mainland China. On 30 June 2010, the Group entered into a business operation agreement with the former owner of 新創機電工程有限公司 pursuant to which the Group obtained effective control over the financial and operations of, together with the rights and obligations relating to, the engineering business and related assets of 新創機電工程有限公司 (the "PRC Engineering Business"), while the former owner still maintained the entitlement of certain investments and bank balances held by 新創機電工程有限公司 (the "Retained Assets"). Since then, the PRC Engineering Business was owned and operated by the Group, and its results, assets and liabilities were consolidated by the Group. On 27 June 2014, after the Retained Assets and the associated benefits derived therefrom were distributed back to the former owner in the form of dividend, the Group acquired the entire equity interest in 新創機電工程有限公司 at a consideration of approximately RMB180,000,000 which represented the cash and bank balances retained in 新創機電工程有限公司 as at that date.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Listing Businesses, were under the common control of the Ultimate Controlling Shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the current group structure had been in existence throughout the periods presented, or since the date when the consolidated companies first came under the control of the Ultimate Controlling Shareholder, whichever is a shorter period.

The net assets of the consolidated companies were consolidated using the existing book values from the Ultimate Controlling Shareholder's perspective. No amount is recognised in consolidation for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time the business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from or disposed to a third party during each of the years ended 30 June 2013, 2014 and 2015, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

As explained in Note 1.2(15) above, the PRC Engineering Business of 新創機電工程有限公司 was owned and operated by the Group since 1 July 2010 and its results, assets and liabilities were consolidated by the Group throughout the Relevant Periods. The Retained Assets and the associated benefits derived therefrom were distributed back to the former owner before the Group acquired the entire equity interest in 新創機電工程有限公司, and therefore they were not included in the Financial Information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The financial information has been prepared under the historical cost convention, as modified by the revaluation of properties which are stated at fair value.

The Financial Information is prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for all the years presented.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

Impact of new or revised standards and amendments to existing standards that are effective after 30 June 2015

HKICPA has issued certain new standards, interpretations and amendments which are relevant to the Group's operation but not yet effective as at 30 June 2015 and the Group has not early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Disclosure initiative	1 January 2016
HKFRS 11 Amendment	Accounting for acquisition of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment entities: applying the consolidation exception	1 January 2016
HKAS 16 and HKAS 38 Amendments	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendments	Agriculture: bearer plants	1 January 2016
HKAS 19 (2011) Amendment	Defined benefit plans: employee contributions	1 January 2016
HKAS 27 Amendment	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures and measurement of certain items in the Financial Information. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on 1 July 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the Financial Information in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the Financial Information will be affected.

2.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Except for the business combination under common control as set out in Note 1.3, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the consolidated income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) *Group companies*

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- (3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks and brand names

Separately acquired trademarks and brand names are shown at historical cost. Trademarks and brand names acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 10 to 30 years.

2.7 Property, plant and equipment

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

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

When the asset is used, the amount of surplus representing the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve to retained profits.

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

All other repairs and maintenance costs are charged to the consolidated income statement during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated to allocate their costs to their residual values over their estimated useful lives using the straight-line method. Estimated useful lives are summarised as follows:

Leasehold land under finance leases and buildings	Shorter of 20 to 40 years, or the remaining lease terms
Leasehold improvement	Shorter of 5 years or the remaining lease terms
Plant and machinery	5 years
Furniture, fixtures and equipment	3 to 40 years
Motor vehicles	3 to 5 years

The residual values and estimated useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/losses, net" in the consolidated income statement.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in-first-out or weighted average basis for different type and nature of inventories. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.9 Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 2.17, less provision for anticipated losses and progress payments received and receivable. Cost comprises materials, direct labour and overheads attributable to bringing the work in progress to its present condition.

Gross amount due from customers for contract work for all contracts in progress represents costs incurred plus recognised profits (less recognised losses) which exceed progress billings. Progress billings not yet paid by customers and retention are included under current assets.

Gross amount due to customers for contract work for all contracts in progress represents progress billings which exceed costs incurred plus recognised profits (less recognised losses).

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.14 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is stated net of returns, rebates and discounts, allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Engineering contracts

Revenue from engineering service contracts is recognised using the percentage of completion method when the outcome of contracts can be estimated reliably and it is probable that the contract will be profitable. Revenue from engineering service contracts is measured by reference to the proportion of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

(ii) *Service fee income*

Maintenance service fee and consultancy fee are recognised when services are rendered.

(iii) *Sales of goods*

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(iv) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(v) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.18 Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Bonus plan*

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Defined contribution schemes*

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme and employee pension schemes established by municipal government in Mainland China, are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

2.19 Borrowings

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

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

2.20 Borrowing costs

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

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

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

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.22 Land use rights

The up-front payments made for the land use rights are expensed in consolidated income statement on a straight-line basis over the period of the rights or where there is impairment, the impairment is recognised in consolidated income statement.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Group's treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

(i) Credit risk

The credit risk of the Group and the Company mainly arises from trade and other receivables, amounts due from related companies and deposits with banks and financial institutions.

Deposits are mainly placed with high-credit-quality financial institutions. In respect of credit exposures to customers, the Group has policies in place to assess credit history of customers and carries out follow-up actions on overdue amounts to minimise the credit risk exposure. The Group and the Company have no significant concentrations of credit risk as they have a large number of customers.

Management regularly assess credit risk for amounts receivable from related companies by reviewing financial information of related companies on a regular basis to minimise credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each receivable in the balance sheet after deducting any impairment allowance.

(ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Group	
	Less than 1 year	Between 1 and 2 years
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2013		
Trade and other payables	755,665	999
Amounts due to related companies	<u>7,754</u>	<u>—</u>
	<u>763,419</u>	<u>999</u>
At 30 June 2014		
Trade and other payables	686,742	1,253
Amounts due to related companies	<u>126,295</u>	<u>—</u>
	<u>813,037</u>	<u>1,253</u>
At 30 June 2015		
Trade and other payables	540,229	445
Amounts due to related companies	<u>70</u>	<u>—</u>
	<u>540,299</u>	<u>445</u>

(iii) *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank balances. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include cash deposits.

The Group's interest rate risk concentrates on fluctuations of HIBOR as the Group's interest-bearing assets and liabilities are mainly Hong Kong dollar denominated.

Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of 3 months or below.

As at 30 June 2013, 2014 and 2015, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year before income tax would have been HK\$3.4 million, HK\$1.9 million and HK\$6.0 million higher/lower respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual end of the reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit for the period sensitivities.

(iv) *Foreign exchange risk*

The Group operates primarily in Hong Kong, Macau and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Entities in Macau and Mainland China are not exposed to significant exchange risk.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arise.

As at 30 June 2013, 2014 and 2015, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, the Group's profit for the year before income tax would have been HK\$28,000, HK\$36,000 and nil lower/higher respectively.

3.2 Fair value estimation

The carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. See Note 15 for disclosure of the land and buildings that are measured at fair value.

3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy is to maintain sufficient capital with the funds generated from operations.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated balance sheet. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to equity holder, or issue new shares.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 17.

4.2 Estimate of revenue and costs of contracting work

The Group recognises its contract revenue according to the percentage of completion of the individual contract of contracting work. The management estimates the percentage of completion of contracting work based on total costs incurred over total budgeted cost. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

4.3 Foreseeable losses in respect of contracting work

The management estimates the amount of foreseeable losses of contracting work based on the management budgets prepared for the work. Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

4.4 Income taxes

The Group is subject to income tax in Hong Kong, Macau and Mainland China. Significant judgement is required in determining the provision for taxation in these jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

4.5 Depreciation of property, plant and equipment

The expected useful lives and residual values of property, plant and equipment are determined by the management based on the internal accounting guidelines and industrial practices of similar property, plant and equipment. Management will revise the depreciation charges where useful lives and residual values are different to previously estimated.

4.6 Estimate of fair value of properties

The fair value of properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

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

5 REVENUE AND SEGMENT INFORMATION

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

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

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Turnover			
Contracting	2,182,792	2,360,664	2,625,541
Maintenance services	84,476	87,672	90,035
Sales of goods	113,316	106,681	109,531
	<u>2,380,584</u>	<u>2,555,017</u>	<u>2,825,107</u>

The CODM considers the business from product and service perspectives and the Group is organised into two major business segments according to the nature of products and services provided:

- (i) E&M engineering — Provision of engineering services and trading of building materials;
- (ii) Environmental — Trading of environmental products and provision of related engineering and consultancy services;

The CODM assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of changes in fair value of properties, unallocated corporate expenses and non-recurring events. In addition, finance income and costs and share of gains or losses of joint ventures are not allocated to segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Sales between segments are carried out at arm's length.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the balance sheet. Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, interests in joint ventures, deferred income tax assets, inventories, receivables, amounts due from related companies and cash and bank balances.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities.

There are no unallocated assets and unallocated liabilities as at 30 June 2013 and 2014. As at 30 June 2015, unallocated assets and unallocated liabilities represented trade and other receivables and trade and other payables of the Company respectively.

Capital expenditure comprises mainly additions to land use rights (Note 16), property, plant and equipment (Note 15), and intangible assets (Note 17), including additions resulting from acquisition through business combination.

(a) As at and for the year ended 30 June 2013

The segment results for the year ended 30 June 2013 and other segment items included in the consolidated income statement are as follows:

	E&M engineering	Environmental	Inter- segment elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue — external	2,339,158	41,426	—	2,380,584
Revenue — internal	—	1,584	(1,584)	—
Total revenue				2,380,584
Operating profit before unallocated corporate expenses	128,066	7,483	—	135,549
Unallocated corporate expenses				—
Operating profit				135,549
Finance income, net (Note 10)				2,917
Share of losses of joint ventures (Note 19)				(281)
Profit before income tax				138,185
Income tax expenses				(24,453)
Profit for the year				113,732
Other items				
Depreciation (Note 15)	9,278	330	—	9,608
Amortisation of intangible assets (Note 17)	650	—	—	650
Amortisation of land use rights (Note 16)	571	—	—	571
Provision for employee termination benefits	34,695	—	—	34,695

The segment assets and liabilities as at 30 June 2013 and capital expenditure for the year then ended are as follows:

	<u>E&M engineering</u> <i>HK\$'000</i>	<u>Environmental</u> <i>HK\$'000</i>	<u>Inter- segment elimination</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Segment assets	1,786,537	35,957	—	1,822,494
Unallocated assets				<u>—</u>
Total assets				<u><u>1,822,494</u></u>
Total assets include:				
Interests in joint ventures (<i>Note 19</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment liabilities	1,125,963	11,089	—	1,137,052
Unallocated liabilities				<u>—</u>
Total liabilities				<u><u>1,137,052</u></u>
Capital expenditure	6,758	715	—	7,473
Unallocated capital expenditure				<u>—</u>
Total capital expenditure				<u><u>7,473</u></u>

(b) As at and for the year ended 30 June 2014

The segment results for the year ended 30 June 2014 and other segment items included in the consolidated income statement are as follows:

	<u>E&M engineering</u> <i>HK\$'000</i>	<u>Environmental</u> <i>HK\$'000</i>	<u>Inter- segment elimination</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Revenue — external	2,503,135	51,882	—	2,555,017
Revenue — internal	—	1,699	(1,699)	<u>—</u>
Total revenue				<u><u>2,555,017</u></u>
Operating profit before unallocated corporate expenses	132,072	8,272	—	140,344
Unallocated corporate expenses				<u>—</u>
Operating profit				140,344
Finance income, net (<i>Note 10</i>)				8,774
Share of losses of joint ventures (<i>Note 19</i>)				<u>(848)</u>
Profit before income tax				148,270
Income tax expenses				<u>(17,070)</u>
Profit for the year				<u><u>131,200</u></u>
Other items				
Depreciation (<i>Note 15</i>)	12,840	839	—	13,679
Amortisation of intangible assets (<i>Note 17</i>)	650	—	—	650
Amortisation of land use rights (<i>Note 16</i>)	606	—	—	606
Impairment loss on intangible assets	11,951	—	—	11,951
Reversal of provision for employees termination benefits	(48,959)	—	—	(48,959)
Transaction costs borne (<i>Note 7</i>)	<u>20,131</u>	<u>—</u>	<u>—</u>	<u><u>20,131</u></u>

The segment assets and liabilities as at 30 June 2014 and capital expenditure for the year then ended are as follows:

	<u>E&M engineering</u> <i>HK\$'000</i>	<u>Environmental</u> <i>HK\$'000</i>	<u>Inter- segment elimination</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Segment assets	1,900,933	30,306	—	1,931,239
Unallocated assets				<u>—</u>
Total assets				<u><u>1,931,239</u></u>
Total assets include:				
Interests in joint ventures (<i>Note 19</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment liabilities	1,369,257	22,436	—	1,391,693
Unallocated liabilities				<u>—</u>
Total liabilities				<u><u>1,391,693</u></u>
Capital expenditure	4,031	2,504	—	6,535
Unallocated capital expenditure				<u>—</u>
Total capital expenditure				<u><u>6,535</u></u>

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

The segment results for the 30 June 2015 and other segment items included in the consolidated income statement are as follows:

	<u>E&M engineering</u> <i>HK\$'000</i>	<u>Environmental</u> <i>HK\$'000</i>	<u>Inter- segment elimination</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Revenue — external	2,780,553	44,554	—	2,825,107
Revenue — internal	—	9,648	(9,648)	<u>—</u>
Total revenue				<u><u>2,825,107</u></u>
Operating profit before unallocated corporate expenses	153,419	5,004	—	158,423
Unallocated corporate expenses				<u>(5,535)</u>
Operating profit				152,888
Finance income, net (<i>Note 10</i>)				16,209
Share of losses of joint ventures (<i>Note 19</i>)				<u>—</u>
Profit before income tax				169,097
Income tax expenses				<u>(19,946)</u>
Profit for the year				<u><u>149,151</u></u>
Other items				
Depreciation (<i>Note 15</i>)	6,954	942	—	7,896
Amortisation of intangible assets (<i>Note 17</i>)	370	—	—	370
Amortisation of land use rights (<i>Note 16</i>)	587	—	—	<u>587</u>

The segment assets and liabilities as at 30 June 2015 and capital expenditure for the year then ended are as follows:

	<u>E&M engineering</u> <i>HK\$'000</i>	<u>Environmental</u> <i>HK\$'000</i>	<u>Inter- segment elimination</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Segment assets	1,620,867	29,723	—	1,650,590
Unallocated assets				<u>1,002</u>
Total assets				<u>1,651,592</u>
Total assets include:				
Interests in joint ventures (<i>Note 19</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment liabilities	1,141,233	11,542	—	1,152,775
Unallocated liabilities	—	—		<u>2,655</u>
Total liabilities				<u>1,155,430</u>
Capital expenditure	5,510	564	—	6,074
Unallocated capital expenditure				<u>—</u>
Total capital expenditure				<u>6,074</u>

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

Turnover is allocated based on the countries in which the customers are located as follows:

	<u>Year ended 30 June</u>		
	<u>2013</u> <i>HK\$'000</i>	<u>2014</u> <i>HK\$'000</i>	<u>2015</u> <i>HK\$'000</i>
Turnover			
Hong Kong	1,502,379	1,742,120	1,561,927
Mainland China	506,873	594,715	382,695
Macau	<u>371,332</u>	<u>218,182</u>	<u>880,485</u>
	<u>2,380,584</u>	<u>2,555,017</u>	<u>2,825,107</u>

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

	<u>Year ended 30 June</u>		
	<u>2013</u> <i>HK\$'000</i>	<u>2014</u> <i>HK\$'000</i>	<u>2015</u> <i>HK\$'000</i>
Customer A	596,559	739,350	599,915
Customer B	249,353	N/A	N/A
Customer C	285,417	N/A	N/A
Customer D	N/A	252,304	N/A
Customer E	N/A	N/A	411,179
Customer F	N/A	N/A	357,465

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

The non-current assets are allocated based on the countries in which the non-current assets are located as follows:

	As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Non-current assets (Note)			
Hong Kong	313,314	148,019	153,007
Mainland China	29,234	32,792	32,854
Macau	24,940	44,955	46,487
	<u>367,488</u>	<u>225,766</u>	<u>232,348</u>

Note: Non-current assets represented non-current assets other than financial instruments (financial instruments include interests in joint ventures) and deferred tax assets.

6 OTHER INCOME/GAINS, NET

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Exchange gain, net	6,928	679	3,937
(Loss)/gain on disposal of property, plant and equipment and land use rights, net	(3,874)	1,455	201
Gain on disposal of subsidiaries (Note 32)	—	2,701	—
Sundries	1,834	2,187	1,026
	<u>4,888</u>	<u>7,022</u>	<u>5,164</u>
Other income	<u>330</u>	<u>887</u>	<u>439</u>
	<u>5,218</u>	<u>7,909</u>	<u>5,603</u>

7 OPERATING PROFIT

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Operating profit is stated after charging/(crediting):			
Changes in inventories of finished goods and work in progress	68,311	64,951	64,159
Raw materials and consumables used	514,124	784,619	928,391
Subcontracting fees	1,163,879	1,096,949	1,122,909
Provision for inventories	1,024	385	1,427
Write back of provision for inventories	(27)	(147)	(343)
Amortisation of land use rights	571	606	587
Amortisation of intangible assets	650	650	370
Depreciation of property, plant and equipment	9,608	13,679	7,896
Staff costs (including Directors' emoluments) (Notes 8 and 9)			
Salaries and allowances	328,755	394,261	401,464
Pension cost on defined contribution schemes	16,215	18,443	20,395
Operating lease rental for land and buildings	20,366	21,521	25,884
Impairment loss on trade and other receivables	1,336	58	—
Impairment loss on property, plant and equipment	—	329	17
Impairment loss on intangible assets	—	11,951	—
Reversal of impairment loss on trade receivables	(783)	(356)	(377)
Provision for/(reversal of provision for) employee termination benefits (Note a)	34,695	(48,959)	488
Transaction costs borne (Note b)	—	20,131	—
Listing expenses	—	—	5,235
Auditor's remuneration			
Provision for the year	2,617	2,741	3,574
Under-provision for prior years	—	2	163

Notes:

- (a) For the year ended 30 June 2013, the Group had prepared and released a detailed formal plan to shift part of the staff employed under 新創機電工程有限公司 to another PRC subsidiary so as to result in the proposed transfer of the engineering and mechanical businesses in 新創機電工程有限公司 to another PRC subsidiary. The plan was communicated to the senior management and the relevant personnel. Management was of the view that such employee transfer plan gave rise to a constructive obligation for the Group to pay the employee termination benefits and a further provision of approximately HK\$34 million was made for the year ended 30 June 2013, together with the provision made in past years giving a total provision of approximately HK\$52 million. However, as the employee transfer plan was terminated in the year ended 30 June 2014, and the employee termination benefits would not be required to be settled, the provision of HK\$52 million was reversed accordingly.
- (b) Amount represents the direct costs, including transaction costs, stamp duty and other taxes, borne by the Group and NWS Holdings (China) Limited, a related company of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder, for the acquisition of the entire equity interest in 新創機電工程有限公司 as set out in Note 1.2 (15).

8 STAFF COSTS

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and bonuses	328,579	393,516	400,691
Contributions to defined contribution schemes	16,215	18,443	20,395
Medical insurance plan	176	193	712
Other welfare expenses	—	552	61
	<u>344,970</u>	<u>412,704</u>	<u>421,859</u>

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Fees	260	260	260
Salaries and other emoluments	5,455	6,208	6,404
Contributions to defined contribution schemes	426	453	481
	<u>6,141</u>	<u>6,921</u>	<u>7,145</u>

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(a) Directors' emoluments

(i) The remuneration of each Director for the year ended 30 June 2013 is set out below:

<u>Executive directors:</u>	<u>Salary & bonuses</u>	<u>Other benefits</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wong Kwok Kin, Andrew	—	80	—	80
Poon Lock Kee, Rocky	3,130	80	241	3,451
Doo William Junior Guilherme	—	—	—	—
Lee Kwok Bong	—	80	—	80
Soon Kweong Wah	2,325	20	185	2,530
	<u>5,455</u>	<u>260</u>	<u>426</u>	<u>6,141</u>

(ii) The remuneration of each Director for the year ended 30th June 2014 is set out below:

<u>Executive directors:</u>	<u>Salary & bonuses</u>	<u>Other benefits</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wong Kwok Kin, Andrew	—	80	—	80
Poon Lock Kee, Rocky	3,508	80	257	3,845
Doo William Junior Guilherme	—	—	—	—
Lee Kwok Bong	—	80	—	80
Soon Kweong Wah	2,700	20	196	2,916
	<u>6,208</u>	<u>260</u>	<u>453</u>	<u>6,921</u>

(iii) The remuneration of each Director for the year ended 30th June 2015 is set out below:

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

Notes:

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

Executive directors	Date of appointment
Wong Kwok Kin, Andrew	22 June 2015
Poon Lock Kee, Rocky	18 August 2015
Doo William Junior Guilherme	22 June 2015
Lee Kwok Bong	1 July 2015
Soon Kweong Wah	18 August 2015

All of the directors are designated as executive directors on 28 August 2015.

- (c) During the years ended 30 June 2013, 2014 and 2015, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the years ended 30th June 2013, 2014 and 2015 include two directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years are as follows:

	Year ended 30th June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind & bonuses	6,642	7,486	7,622

The emoluments fell within the following bands:

	Year ended 30th June		
	2013	2014	2015
	<i>Number of individuals</i>		
Emolument bands			
Nil–HK\$1,000,000	—	—	—
HK\$1,000,001–HK\$1,500,000	—	—	—
HK\$1,500,001–HK\$2,000,000	1	—	—
HK\$2,000,001–HK\$2,500,000	2	1	1
HK\$2,500,001–HK\$3,000,000	—	2	2
	—	2	2

10 FINANCE INCOME AND FINANCE COSTS

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Finance income			
Interest on bank deposits	2,917	8,774	16,435
Finance costs			
Interest on bank borrowings wholly repayable within five years	—	—	(226)
Net finance income	2,917	8,774	16,209

11 INCOME TAX EXPENSES

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current income tax			
Hong Kong profits tax	8,658	6,533	9,254
Mainland China taxation	7,664	6,689	7,157
Macau taxation	9,182	9,567	2,686
Over-provision in prior years	(472)	(3,968)	(4,742)
Deferred income tax (credit)/expense (Note 20)	(579)	(1,751)	5,591
	24,453	17,070	19,946

For each of the years ended 30 June 2013, 2014 and 2015, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 12.5% for the year ended 30 June 2013 and range from 12% to 25% for the years ended 30 June 2014 and 2015 respectively. Certain subsidiaries of the Group located in Mainland China are entitled to a two-year exemption from income tax followed by a 50% reduction in income tax rate at 12.5% for another three years, and then taxed at 25% thereafter.

The taxation on the Group's profit before income tax of the Group differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	138,185	148,270	169,097
Share of losses of joint ventures (Note 19)	281	848	—
	138,466	149,118	169,097
Calculated at a tax rate of 16.5%	22,847	24,604	27,901
Effect of different taxation rates in other countries	670	1,286	(1,732)
Income not subject to taxation	(6,839)	(2,210)	(5,766)
Expenses not deductible for taxation purposes	1,364	4,697	840
Temporary difference not recognised, net	5,797	(7,642)	27
Utilisation of previously unrecognised tax losses	(2,013)	(2,057)	(475)
Tax losses not recognised	3,099	2,360	3,893
Over-provision in prior years	(472)	(3,968)	(4,742)
Income tax expenses	24,453	17,070	19,946

12 LOSS ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY

For the period from 22 June 2015 to 30 June 2015, loss attributable to equity holder of the Company is dealt with in the financial statements of the Company to the extent of HK\$5,535,000.

13 EARNINGS PER SHARE**(a) Basic**

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

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 30 June 2013, 2014 and 2015.

	Year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	113,691	131,200	149,151
Weighted average number of ordinary shares in issue (<i>shares in thousands</i>)	300,000	300,000	300,000
Basic earnings per share (<i>HK\$</i>)	<u>0.38</u>	<u>0.44</u>	<u>0.50</u>

(b) Diluted

As the Company did not have any dilutive potential ordinary shares during the years ended 30 June 2013, 2014 and 2015, the diluted earnings per share equals the basic earnings per share.

14 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 30 June 2013, 2014 and 2015 represented dividends declared by the companies now comprising the Group to then equity holder of the companies, Fung Seng Enterprises Limited for the years ended 30 June 2013 and 2014, and FSE Holdings Limited, for the year ended 30 June 2015, after elimination of intra-group dividends.

The Company's subsidiaries made the following distributions to their then shareholders:

	Year ended 30 June					
	2013		2014		2015	
	Dividend per share	Total dividends	Dividend per share	Total dividends	Dividend per share	Total dividends
	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$'000</i>
Dividends declared and paid/ payable to their then equity holder by:						
Extensive Trading Company Limited	0.47	4,000	0.82	7,000	2.35	20,000
FSE Engineering Group Limited	1.00	<u>50,000</u>	5.60	<u>280,000</u>	3.60	<u>180,000</u>
		<u>54,000</u>		<u>287,000</u>		<u>200,000</u>

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land and buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures, equipment and others	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group							
Year ended 30 June 2013							
Opening net book amount	33,077	185,173	3,269	18	4,386	1,588	227,511
Additions	—	925	1,469	40	1,211	565	4,210
Disposals	—	(2,201)	(83)	—	(23)	—	(2,307)
Exchange differences	—	7	23	—	98	14	142
Depreciation charge	—	(5,296)	(1,139)	(25)	(2,238)	(910)	(9,608)
Adjustment on revaluation	2,809	70,768	—	—	—	—	73,577
Closing net book amount	35,886	249,376	3,539	33	3,434	1,257	293,525
At 30 June 2013							
Cost or valuation	35,886	249,376	16,198	913	49,821	7,896	360,090
Accumulated depreciation	—	—	(12,659)	(880)	(46,387)	(6,639)	(66,565)
Net book amount	35,886	249,376	3,539	33	3,434	1,257	293,525
Year ended 30 June 2014							
Opening net book amount	35,886	249,376	3,539	33	3,434	1,257	293,525
Additions	—	—	2,661	265	3,237	372	6,535
Disposals	—	—	(348)	—	(264)	—	(612)
Disposal of subsidiaries (Note 32)	—	(137,500)	(1)	—	(16)	—	(137,517)
Impairment	—	(329)	—	—	—	—	(329)
Exchange differences	—	(80)	(8)	—	(21)	(3)	(112)
Depreciation charges	—	(9,448)	(1,537)	(67)	(1,937)	(690)	(13,679)
Adjustment on revaluation	434	16,806	—	—	—	—	17,240
Closing net book amount	36,320	118,825	4,306	231	4,433	936	165,051
At 30 June 2014							
Cost or valuation	36,320	118,825	15,742	1,177	27,464	7,541	207,069
Accumulated depreciation	—	—	(11,436)	(946)	(23,031)	(6,605)	(42,018)
Net book amount	36,320	118,825	4,306	231	4,433	936	165,051
Year ended 30 June 2015							
Opening net book amount	36,320	118,825	4,306	231	4,433	936	165,051
Additions	—	—	1,798	192	1,980	2,104	6,074
Disposals	—	—	(22)	—	(39)	(22)	(83)
Impairment	—	(17)	—	—	—	—	(17)
Exchange differences	—	6	1	—	3	1	11
Depreciation charge	—	(3,724)	(1,485)	(103)	(1,868)	(716)	(7,896)
Adjustment on revaluation	(80)	9,522	—	—	—	—	9,442
Closing net book amount	36,240	124,612	4,598	320	4,509	2,303	172,582
At 30 June 2015							
Cost or valuation	36,240	124,698	16,517	1,369	28,462	8,545	215,831
Accumulated depreciation	—	(86)	(11,919)	(1,049)	(23,953)	(6,242)	(43,249)
Net book amount	36,240	124,612	4,598	320	4,509	2,303	172,582

Notes:

- (a) None of the above property, plant and equipment was pledged as security as at 30 June 2013, 2014 and 2015.
- (b) The carrying amount of the Group's leasehold land and buildings would have been HK\$112,599,000, HK\$46,373,000 and HK\$44,932,000 had they been stated at cost less accumulated depreciation and impairment losses, as at 30 June 2013, 2014 and 2015 respectively.
- (c) The Group's land and buildings at their carrying values are analysed as follows:

	Year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong			
Medium-term leases (10 to 50 years)	<u>237,900</u>	<u>104,500</u>	<u>110,300</u>
Mainland China and Macau			
Freehold	37,090	38,700	38,700
Short-term leases (below 10 years)	1,262	2,620	2,690
Medium-term leases (10 to 50 years)	8,492	9,325	9,162
Long-term leases (over 50 years)	<u>518</u>	<u>—</u>	<u>—</u>
	<u>47,362</u>	<u>50,645</u>	<u>50,552</u>

- (d) Valuation processes of the Group

The Group measures its properties held for own use in Hong Kong, Mainland China and Macau under the revaluation model. The properties were revalued annually by independent firms of qualified valuers having appropriate qualifications and experience in the valuation of properties in the relevant locations. As at 30 June 2013, the properties were revalued by American Appraisal China Limited and as at 30 June 2014 and 2015, the properties were revalued by DTZ Debenham Tie Leung Limited.

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

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

At the end of each reporting period, the Group:

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table presents the Group's land and buildings that are measured at fair value using significant unobservable inputs (Level 3) at 30 June 2013, 2014 and 2015 as follows:

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements			
Freehold land — Macau	35,886	36,320	36,240
Leasehold land and buildings			
— Industrial — HK	237,900	104,500	110,300
— Commercial — Mainland China	3,043	3,267	3,198
— Residential — Mainland China	5,967	6,058	5,964
— Commercial — Macau	2,233	4,580	4,720
— Residential — Macau	233	420	430
	<u>285,262</u>	<u>155,145</u>	<u>160,852</u>

There were no transfers between levels 1, 2 and 3 during the years ended 30 June 2013, 2014 and 2015.

(e) Valuation techniques and inputs

Fair values of properties in Hong Kong, Mainland China and Macau were generally derived using direct comparison approach. There were no changes to the valuation technique during the years ended 30 June 2013, 2014 and 2015. Direct comparison method is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

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

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

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

<u>Description</u>	<u>Fair value at 30 June 2013</u>	<u>Valuation technique(s)</u>	<u>Unobservable inputs</u>	<u>Range of unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
	<i>HK\$'000</i>				
Properties in Hong Kong	237,900	Direct comparison approach	Prevailing market price per square foot	Industrial: HK\$2,024–HK\$8,196 per square foot	The higher the price per square foot, the higher the fair value
Properties in Mainland China	9,010	Direct comparison approach	Prevailing market price per square foot	Commercial: RMB2,028–RMB4,956 per square metre Residential: RMB1,871–RMB3,052 per square metre	The higher the price per square foot, the higher the fair value
Properties in Macau — freehold land	37,090	Direct comparison approach	Prevailing market price per square foot	Commercial: HK\$12,056 per square foot Residential: HK\$4,594 per square foot	The higher the price per square foot, the higher the fair value
Properties in Macau — others	1,262	Direct comparison approach	Prevailing market price per square foot	Commercial: HK\$643 per square foot	The higher the price per square foot, the higher the fair value
<u>Description</u>	<u>Fair value at 30 June 2014</u>	<u>Valuation technique(s)</u>	<u>Unobservable inputs</u>	<u>Range of unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
	<i>HK\$'000</i>				
Properties in Hong Kong	104,500	Direct comparison approach	Prevailing market price per square foot	Industrial: HK\$2,024–HK\$3,771 per square foot	The higher the price per square foot, the higher the fair value
Properties in Mainland China	9,325	Direct comparison approach	Prevailing market price per square metre	Commercial: RMB2,815–RMB4,248 per square metre Residential: RMB1,252–RMB3,942 per square metre	The higher the price per square metre, the higher the fair value
Properties in Macau — freehold land	38,700	Direct comparison approach	Prevailing market price per square foot	Commercial: HK\$12,311 per square foot Residential: HK\$6,036 per square foot	The higher the price per square foot, the higher the fair value
Properties in Macau — others	2,620	Direct comparison approach	Prevailing market price per square foot	Commercial: HK\$1,335 per square foot	The higher the price per square foot, the higher the fair value

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

The movements for the years ended 30 June 2013, 2014 and 2015 in the balance of recurring Level 3 fair value measurements, with one or more of the significant inputs based on unobservable inputs, are as follows:

	<u>Commercial properties</u>		<u>Residential properties</u>		<u>Industrial properties</u>	<u>Total</u> HK\$'000
	<u>Mainland China</u>	<u>Macau</u>	<u>Mainland China</u>	<u>Macau</u>	<u>Hong Kong</u>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2012	2,892	33,592	6,319	1,747	173,700	218,250
Exchange differences	—	—	7	—	—	7
Addition	—	—	925	—	—	925
Disposal	—	—	(2,201)	—	—	(2,201)
Depreciation charge	(86)	(71)	(85)	(10)	(5,044)	(5,296)
Increase in fair value recognised in other comprehensive income	237	2,015	1,002	1,079	69,244	73,577
At 30 June 2013	<u>3,043</u>	<u>35,536</u>	<u>5,967</u>	<u>2,816</u>	<u>237,900</u>	<u>285,262</u>
At 1 July 2013	3,043	35,536	5,967	2,816	237,900	285,262
Exchange differences	(60)	—	(20)	—	—	(80)
Disposal of subsidiaries	—	—	—	—	(137,500)	(137,500)
Depreciation charge	(93)	(81)	(120)	(11)	(9,143)	(9,448)
Impairment	—	—	(329)	—	—	(329)
Increase in fair value recognised in other comprehensive income	377	2,165	560	895	13,243	17,240
At 30 June 2014	<u>3,267</u>	<u>37,620</u>	<u>6,058</u>	<u>3,700</u>	<u>104,500</u>	<u>155,145</u>
At 1 July 2014	3,267	37,620	6,058	3,700	104,500	155,145
Exchange differences	6	—	—	—	—	6
Depreciation charge	(99)	(166)	(118)	(19)	(3,322)	(3,724)
Impairment	—	—	(17)	—	—	(17)
Increase in fair value recognised in other comprehensive income	24	236	41	19	9,122	9,442
At 30 June 2015	<u>3,198</u>	<u>37,690</u>	<u>5,964</u>	<u>3,700</u>	<u>110,300</u>	<u>160,852</u>

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

16 LAND USE RIGHTS

HK\$'000

Group	
Year ended 30 June 2013	
Opening net book amount	25,020
Additions	3,263
Disposals	(2,405)
Exchange differences	(6)
Amortisation	<u>(571)</u>
Closing net book amount	<u>25,301</u>
At 30 June 2013	
Cost	26,971
Accumulated amortisation	<u>(1,670)</u>
Net book amount	<u>25,301</u>
Year ended 30 June 2014	
Opening net book amount	25,301
Exchange differences	(41)
Amortisation	<u>(606)</u>
Closing net book amount	<u>24,654</u>
At 30 June 2014	
Cost	26,302
Accumulated amortisation	<u>(1,648)</u>
Net book amount	<u>24,654</u>
Year ended 30 June 2015	
Opening net book amount	24,654
Exchange differences	8
Amortisation	<u>(587)</u>
Closing net book amount	<u>24,075</u>
At 30 June 2015	
Cost	26,310
Accumulated amortisation	<u>(2,235)</u>
Net book amount	<u>24,075</u>

The Group's interest in land use rights represents prepaid operating lease payments and their net book value are analysed as follows:

	As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Outside Hong Kong			
Leases of over 50 years	813	—	—
Leases of between 10 and 50 years	20,833	21,106	20,637
Leases of below 10 years	<u>3,655</u>	<u>3,548</u>	<u>3,438</u>
	<u>25,301</u>	<u>24,654</u>	<u>24,075</u>

17 INTANGIBLE ASSETS

	Goodwill	Trademarks and brand names	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group			
Year ended 30 June 2013			
Opening net book amount	38,512	10,800	49,312
Amortisation	—	(650)	(650)
Closing net book amount	<u>38,512</u>	<u>10,150</u>	<u>48,662</u>
At 30 June 2013			
Cost	38,512	12,100	50,612
Accumulated amortisation	—	(1,950)	(1,950)
Net book amount	<u>38,512</u>	<u>10,150</u>	<u>48,662</u>
Year ended 30 June 2014			
Opening net book amount	38,512	10,150	48,662
Amortisation	—	(650)	(650)
Impairment	(4,671)	(7,280)	(11,951)
Closing net book amount	<u>33,841</u>	<u>2,220</u>	<u>36,061</u>
At 30 June 2014			
Cost	38,512	12,100	50,612
Accumulated amortisation	—	(2,600)	(2,600)
Accumulated impairment	(4,671)	(7,280)	(11,951)
Net book amount	<u>33,841</u>	<u>2,220</u>	<u>36,061</u>
Year ended 30 June 2015			
Opening net book amount	33,841	2,220	36,061
Amortisation	—	(370)	(370)
Closing net book amount	<u>33,841</u>	<u>1,850</u>	<u>35,691</u>
At 30 June 2015			
Cost	38,512	12,100	50,612
Accumulated amortisation	—	(2,970)	(2,970)
Accumulated impairment	(4,671)	(7,280)	(11,951)
Net book amount	<u>33,841</u>	<u>1,850</u>	<u>35,691</u>

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's various CGUs identified. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation for each CGU is presented below.

	As at 30th June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mechanical and engineering services	33,841	33,841	33,841
Trading of building materials	4,671	—	—
	<u>38,512</u>	<u>33,841</u>	<u>33,841</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using zero growth rates. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU operates.

The key assumptions used for value-in-use calculations of each CGU are as follows:

CGU in relation to the provision of mechanical and engineering services:

	2013	2014	2015
Gross margin	8.8%	10%	10.3–10.6%
Growth rate	1.5%	5%	3–4.5%
Discount rate	14%	14%	14%

CGU in relation to the provision of trading of building materials:

	2013	2014	2015
Gross margin	35.4%	37.2%	N/A
Growth rate	8–16.3%	6–8.5%	N/A
Discount rate	14%	14%	N/A

These assumptions have been used for the analysis of each group of CGUs within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2013 and 2015.

An impairment loss of HK\$4,671,000 was recognised in full on goodwill and HK\$7,280,000 was recognised in full on trademark and brand names in the consolidated income statement for the year ended 30 June 2014.

The impairment loss arose from a CGU in relation to the provision of trading of building materials (included in the E&M engineering segment) following the management's assessment of its operation results as compared with budget, as a result of challenging environment of industry and keen competition. The recoverable amount of this CGU with impaired goodwill and brand names was HK\$52,127,000 as at 30 June 2014.

If the discount rate used for the CGU had been increased by 5% as at 30 June 2013, 2014 and 2015, the Group will still have sufficient headroom and no additional provision for impairment loss is necessary.

The amortisation charges and impairment loss are all recognised in arriving at operating profit and are included in general and administrative expenses.

18 SUBSIDIARIES

	Company As at 30 June 2015
	<u>HK\$'000</u>
Unlisted shares, at cost	<u>501,697</u>

Note: Details of principal subsidiaries are stated in Note 1.2.

19 INTERESTS IN JOINT ARRANGEMENTS

(a) Joint ventures

	Group As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	7,668	—	—
Share of post acquisition reserves	(6,352)	—	—
Amount due from a joint venture	3,481	—	—
Impairment	(4,797)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

The Group's interests in joint ventures are analysed as follows:

	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of year	788	—	—
Share of losses for the year	(281)	(848)	—
Dividends	(640)	—	—
Exchange difference	9	—	—
Contribution to interests in joint ventures	124	848	—
	<u>—</u>	<u>—</u>	<u>—</u>

Details of principal joint ventures are stated in Note 1.2.

Amount due from a joint venture are considered as equity in nature and are repayable in more than one year after the balance sheet date.

Set out below is, in aggregate, the carrying amounts of the Group's interest in all individually immaterial joint ventures that are accounted for using the equity method:

	Year ended 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of losses for the year	(281)	(848)	—
Share of other comprehensive income	9	—	—
	<u>(272)</u>	<u>(848)</u>	<u>—</u>

There are no commitments or contingent liabilities relating to the Group's interests in the joint ventures, and no commitments or contingent liabilities of the entities themselves.

(b) Joint operations

Details of principal joint operations are stated in Note 1.2.

20 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	Group As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets	268	268	268
Deferred income tax liabilities	(51,651)	(29,986)	(36,879)
	<u>(51,383)</u>	<u>(29,718)</u>	<u>(36,611)</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. Deferred income tax assets are expected to be recovered after more than twelve months while deferred income tax liabilities are expected to be settled after more than twelve months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax assets

	Group As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
At beginning of year and end of year			
Accelerated accounting depreciation	153	153	153
Tax losses	115	115	115
	<u>268</u>	<u>268</u>	<u>268</u>

Deferred income tax liabilities

	Fair value adjustment on trademarks and brand names	Revaluation surplus on property, plant and equipment	Other temporary difference	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2012	(1,782)	(38,576)	(71)	(40,429)
Charge to equity	—	(11,801)	—	(11,801)
Credited to consolidated income statement	107	472	—	579
As at 30 June 2013	(1,675)	(49,905)	(71)	(51,651)
Charge to equity	—	(2,484)	—	(2,484)
Credited to consolidated income statement	1,309	442	—	1,751
Disposal of subsidiaries	—	22,398	—	22,398
As at 30 June 2014	(366)	(29,549)	(71)	(29,986)
Charge to equity	—	(1,302)	—	(1,302)
Credited/(debited) to consolidated income statement	61	417	(6,069)	(5,591)
As at 30 June 2015	<u>(305)</u>	<u>(30,434)</u>	<u>(6,140)</u>	<u>(36,879)</u>

As at 30 June 2013, 2014 and 2015, the Group did not recognise deferred income tax assets of HK\$25 million, HK\$19 million and HK\$19 million respectively, arising from unused tax losses of HK\$153 million, HK\$116 million and HK\$116 million respectively. Except for tax losses of HK\$9 million, HK\$16 million and HK\$15 million as at 30 June 2013, 2014 and 2015 respectively which will expire within three years and except for tax losses of HK\$4 million, HK\$5 million and HK\$4 million as at 30 June 2013, 2014 and 2015 respectively which will expire within five years, the remaining tax losses have no expiry date. In addition, as at 30 June 2013, the Group did not recognise deferred income tax assets in respect of other temporary difference of HK\$53 million due to the unpredictability of future profit streams of a wholly owned subsidiary.

21 INVENTORIES

	Group As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,588	1,258	1,027
Finished goods	21,215	20,717	17,047
	<u>22,803</u>	<u>21,975</u>	<u>18,074</u>

22 CONTRACTS IN PROGRESS

	Group As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus attributable profits less foreseeable losses	2,534,564	3,407,024	4,985,534
Progress payments received and receivable	<u>(2,575,964)</u>	<u>(3,748,682)</u>	<u>(5,359,693)</u>
	<u>(41,400)</u>	<u>(341,658)</u>	<u>(374,159)</u>
Representing			
Amounts due from customers for contract works	146,149	117,136	113,818
Amounts due to customers for contract works	<u>(187,549)</u>	<u>(458,794)</u>	<u>(487,977)</u>
	<u>(41,400)</u>	<u>(341,658)</u>	<u>(374,159)</u>

23 TRADE AND OTHER RECEIVABLES

	Group As at 30 June			Company As at 30 June
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables				
Third parties	118,736	151,311	151,050	—
Related companies (<i>Note 33 (c)</i>)	<u>64,737</u>	<u>56,318</u>	<u>41,803</u>	—
	183,473	207,629	192,853	—
Less: provision for impairment				
Third parties	(8,135)	(7,004)	(6,752)	—
Related companies (<i>Note 33 (c)</i>)	<u>(501)</u>	<u>(470)</u>	—	—
	<u>(8,636)</u>	<u>(7,474)</u>	<u>(6,752)</u>	—
	174,837	200,155	186,101	—
Retention receivables				
Third parties	108,641	144,821	191,170	—
Related companies (<i>Note 33 (c)</i>)	<u>79,771</u>	<u>88,409</u>	<u>102,917</u>	—
	188,412	233,230	294,087	—
Accrued contract revenue	110,010	204,564	156,288	—
Other receivables and prepayments	<u>54,081</u>	<u>49,126</u>	<u>38,019</u>	1,002
	<u>527,340</u>	<u>687,075</u>	<u>674,495</u>	<u>1,002</u>

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

	<u>Credit period</u>
E&M engineering	30–60 days
Environmental	30–60 days

The ageing analysis of the Group's trade receivables, based on the invoice due date, and net of provision for impairment, is as follows:

	<u>As at 30 June</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	143,542	173,618	170,303
4 to 6 months	9,456	11,888	7,756
Over 6 months	21,839	14,649	8,042
	<u>174,837</u>	<u>200,155</u>	<u>186,101</u>

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debtor is impaired.

Trade receivables can be further analysed as follows:

The ageing analysis of the Group's trade receivables that are past due but not impaired is set out in the table below. These relate to a number of independent customers for whom there is no recent history of default.

	<u>As at 30 June</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	51,093	74,868	70,864
4 to 6 months	9,456	11,888	7,756
Over 6 months	21,839	14,649	8,042
	<u>82,388</u>	<u>101,405</u>	<u>86,662</u>

At 30 June 2013, 2014 and 2015, the Group's trade receivables of HK\$8,636,000, HK\$7,474,000 and HK\$6,752,000 were impaired respectively.

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

	<u>Group</u>			<u>Company</u>
	<u>As at 30 June</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>30 June</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<u>2015</u>
				<i>HK\$'000</i>
Hong Kong dollars	320,426	428,103	485,109	1,002
Renminbi	174,190	129,366	86,720	—
Macau patacas	25,094	122,071	96,295	—
United States dollars	31	4	11	—
Others	7,599	7,531	6,360	—
	<u>527,340</u>	<u>687,075</u>	<u>674,495</u>	<u>1,002</u>

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

	As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	8,336	8,636	7,474
Exchange differences	(33)	22	(10)
Receivables written off during the year	(220)	(886)	(335)
Reversal of provision during the year	(783)	(356)	(377)
Provision for the year	1,336	58	—
At end of year	<u>8,636</u>	<u>7,474</u>	<u>6,752</u>

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

Other classes within trade and other receivables do not contain material impaired assets.

24 AMOUNTS DUE FROM RELATED COMPANIES

	Group			Company
	As at 30 June			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Subsidiaries	—	—	—	10,776
Related companies (<i>Note 33 (c)</i>)	289,537	144,460	—	—
Partners of joint operations	3,246	322	63	—
	<u>292,783</u>	<u>144,782</u>	<u>63</u>	<u>10,776</u>

(a) The carrying amounts of the amounts due from related companies of the Group and the Company are denominated in the following currencies:

	Group			Company
	As at 30 June			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Hong Kong dollars	166,433	144,782	16	10,776
Renminbi	126,350	—	—	—
Macau patacas	—	—	47	—
	<u>292,783</u>	<u>144,782</u>	<u>63</u>	<u>10,776</u>

(b) The amounts are unsecured, interest free and repayable on demand.

25 CASH AND BANK BALANCES

	Group		
	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	336,548	198,335	610,029
Short-term bank deposits	129,115	535,902	2,497
	<u>465,663</u>	<u>734,237</u>	<u>612,526</u>

At 30 June 2013, 2014 and 2015, the effective interest rates on bank deposits range from 0.5% to 4.8%, 1.5% to 4.3% and 1.49% per annum respectively. These deposits have maturities ranging from 1 to 3 months as at 30 June 2013, 2014 and 2015.

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

	As at 30 June		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	170,226	573,910	425,553
Hong Kong dollars	270,693	111,230	176,907
Macau patacas	18,543	43,696	7,486
United States dollars	970	1,053	778
Others	5,231	4,348	1,802
	<u>465,663</u>	<u>734,237</u>	<u>612,526</u>

26 SHARE CAPITAL

The Company was incorporated in Cayman Islands on 22 June 2015. At the date of incorporation, an authorised share capital of HK\$100,000 comprising 1,000,000 ordinary shares of HK\$0.1 each and 1 share was allotted and issued nil paid to Sharon Pierson which was transferred to FSE Holdings on the same date. On 30 June 2015, the remaining 999,999 shares in the authorised share capital of Company were allotted and issued nil paid to FSE Holdings. On 30 June 2015, the authorised share capital of the Company has been increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new shares of HK\$0.1 each. On 30 June 2015, the entire share capitals in the BVI Holding Companies held by FSE Management Company Limited were transferred to the Company, in consideration of the issue and allotment of 299,000,000 shares by the Company to FSE Holdings, each credited as fully paid, as the initial capital of the Company for the acquisition of the entire interest and control of the Listing Businesses.

The numbers of the Company's shares authorised and issued as of 30 June 2015 are as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:		
Issued during the period from 22 June 2015 to 30 June 2015 and as at 30 June 2015	<u>300,000,000</u>	<u>30,000</u>

27 RESERVES

	Group					Company		
	Combined capital	Exchange reserve	Property, plant and asset revaluation reserve	Statutory reserves (note a)	Retained earnings	Total	Retained	Total
							earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2012	355,283	7,023	63,882	6,718	125,935	558,841	—	—
Profit for the year	—	—	—	—	113,691	113,691	—	—
Dividend	—	—	—	—	(54,000)	(54,000)	—	—
Exchange differences	—	1,838	—	—	—	1,838	—	—
Appropriation to statutory reserves	—	—	—	3,495	(3,495)	—	—	—
Revaluation gain on property, plant and equipment	—	—	73,577	—	—	73,577	—	—
Deferred income tax on revaluation gain on property, plant and equipment	—	—	(12,188)	—	—	(12,188)	—	—
Realisation of fair value gain upon disposal of property, plant and equipment	—	—	(399)	—	399	—	—	—
Reversal of deferred income tax on fair value gain upon disposal of property, plant and equipment	—	—	68	—	—	68	—	—
Realisation of fair value gain through use of property, plant and equipment	—	—	(1,956)	—	1,956	—	—	—
Reversal of deferred income tax on fair value gain through use of property, plant and equipment	—	—	319	—	—	319	—	—
At 30 June 2013	<u>355,283</u>	<u>8,861</u>	<u>123,303</u>	<u>10,213</u>	<u>184,486</u>	<u>682,146</u>	<u>—</u>	<u>—</u>
At 1 July 2013	355,283	8,861	123,303	10,213	184,486	682,146	—	—
Profit for the year	—	—	—	—	131,200	131,200	—	—
Dividend	—	—	—	—	(287,000)	(287,000)	—	—
Exchange differences	—	(1,556)	—	—	—	(1,556)	—	—
Appropriation to statutory reserves	—	—	—	3,782	(3,782)	—	—	—
Disposal of subsidiaries	—	—	(65,720)	—	65,720	—	—	—
Revaluation gain on property, plant and equipment	—	—	17,240	—	—	17,240	—	—
Deferred income tax on revaluation gain on property, plant and equipment	—	—	(2,830)	—	—	(2,830)	—	—
Realisation of fair value gain through use of property, plant and equipment	—	—	(2,082)	—	2,082	—	—	—
Reversal of deferred income tax on fair value gain through use of property, plant and equipment	—	—	346	—	—	346	—	—
At 30 June 2014	<u>355,283</u>	<u>7,305</u>	<u>70,257</u>	<u>13,995</u>	<u>92,706</u>	<u>539,546</u>	<u>—</u>	<u>—</u>

	Group							Company			
	Combined capital	Share premium	Merger reserve (Note b)	Exchange reserve	Property, plant and asset revaluation reserve	Statutory reserves (Note a)	Retained earnings	Total	Share premium	Accumulated loss	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014	355,283	—	—	7,305	70,257	13,995	92,706	539,546	—	—	—
Profit/(loss) for the year	—	—	—	—	—	—	149,151	149,151	—	(5,535)	(5,535)
Issuance of shares	(355,283)	471,697	(146,414)	—	—	—	—	(30,000)	471,697	—	471,697
Dividend	—	—	—	—	—	—	(200,000)	(200,000)	—	—	—
Exchange differences	—	—	—	(675)	—	—	—	(675)	—	—	—
Appropriation to statutory reserves	—	—	—	—	—	3,999	(3,999)	—	—	—	—
Revaluation gain on property, plant and equipment	—	—	—	—	9,442	—	—	9,442	—	—	—
Deferred income tax on revaluation gain on property, plant and equipment	—	—	—	—	(1,679)	—	—	(1,679)	—	—	—
Realisation of fair value gain through use of property, plant and equipment	—	—	—	—	(2,286)	—	2,286	—	—	—	—
Reversal of deferred income tax on fair value gain through use of property, plant and equipment	—	—	—	—	377	—	—	377	—	—	—
At 30 June 2015	—	471,697	(146,414)	6,630	76,111	17,994	40,144	466,162	471,697	(5,535)	466,162

Notes:

- (a) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the years ended 30 June 2013, 2014 and 2015, the board of directors of the PRC companies resolved to appropriate approximately HK\$3,495,000, HK\$3,782,000 and HK\$3,999,000, respectively, from retained earnings to statutory reserves.

- (b) Merger reserve arises from the difference between the consideration for the acquisition of the BVI Holding Companies by the Company and their issued share capital upon the completion of the Reorganisation as disclosed in Note 1.2.

28 TRADE AND OTHER PAYABLES

	Group As at 30 June			Company As at 30 June
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables				
Third parties	69,440	74,249	99,666	—
Related companies (Note 33 (c))	4,087	—	1	—
	73,527	74,249	99,667	—
Bills payable				
Third parties	4,159	6,458	4,678	—
Retention payables				
Third parties	114,448	120,740	151,850	—
Related companies (Note 33 (c))	—	—	201	—
	114,448	120,740	152,051	—
Accrued expenses	126,321	107,286	115,157	2,655
Provision for contracting costs	453,625	386,930	198,871	—
Other creditors and accruals	90,166	49,443	43,890	—
	862,246	745,106	614,314	2,655

The carrying amounts of the balances approximate their fair values.

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

	Group As at 30 June			Company As at 30 June
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	566,990	430,003	413,811	2,655
Renminbi	229,379	178,009	148,972	—
Macau patacas	52,234	120,195	45,756	—
United States dollars	2,001	2,284	541	—
Malaysian ringgits	8,689	8,544	971	—
Euros	2,945	6,009	4,221	—
Others	8	62	42	—
	862,246	745,106	614,314	2,655

The ageing analysis of the Group's trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current to 3 months	59,970	40,415	94,930
4 to 6 months	727	30,373	2,264
Over 6 months	12,830	3,461	2,473
	73,527	74,249	99,667

29 AMOUNTS DUE TO RELATED COMPANIES

	Group			Company
	As at 30 June			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Current:				
Subsidiaries	—	—	—	14,658
Related companies (Note 33 (c))	—	126,295	—	—
Partners of joint operations	7,754	—	70	—
	<u>7,754</u>	<u>126,295</u>	<u>70</u>	<u>14,658</u>

The carrying amounts of the amounts due to related companies of the Group and the Company are mainly denominated in Hong Kong dollars.

Amounts due to subsidiaries, related companies and partners of joint operations are unsecured, interest-free and repayable on demand.

30 COMMITMENTS

(a) Capital commitments for property, plant and equipment:

	As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Authorized but not contracted for	—	—	5,000
Contracted but not provided for	—	—	—
	<u>—</u>	<u>—</u>	<u>5,000</u>

(b) Operating lease commitments

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

	As at 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
No later than one year	20,809	24,248	28,681
Later than one year and no later than five years	14,459	13,161	8,933
	<u>35,268</u>	<u>37,409</u>	<u>37,614</u>

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations:

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	138,185	148,270	169,097
Interest income	(2,917)	(8,774)	(16,435)
Interest expenses	—	—	226
Amortisation of land use rights	571	606	587
Amortisation of intangible assets	650	650	370
Depreciation of property, plant and equipment	9,608	13,679	7,896
Share of losses of joint ventures	281	848	—
Provision for inventories	1,024	385	1,427
Write back of provision for inventories	(27)	(147)	(343)
Reversal of impairment loss on trade and other receivables	(2,431)	(356)	(712)
Provision for/(reversal of provision for) employee termination benefits	34,695	(48,959)	488
Impairment loss on trade and other receivables	1,336	58	—
Impairment loss on property, plant and equipment	—	329	17
Impairment loss on intangible assets	—	11,951	—
Gain on disposal of subsidiaries	—	(2,701)	—
Loss/(gain) on disposal of property, plant and equipment	1,886	576	(201)
Loss/(gain) on disposal of land use rights	1,988	(2,031)	—
Exchange differences	(2,536)	(3,350)	(748)
Operating cash flows before changes in working capital	182,313	111,034	161,669
Change in working capital:			
— Inventories	(1,530)	585	2,817
— Net amounts due to customers for contract works	(313,759)	300,258	32,501
— Trade and other receivables	103,562	(159,697)	14,304
— Trade and other payables	119,824	(82,188)	(125,883)
— Balances with related companies	(43,763)	(10,578)	(13,130)
Cash generated from operations	<u>46,647</u>	<u>159,414</u>	<u>72,278</u>

Notes:

Major non-cash transactions:

- (i) During the year ended 30 June 2013, the Company has declared dividends to its shareholders amounting to HK\$54,000,000, the dividends were settled through amount due from a related company.
- (ii) During the year ended 30 June 2014, the Company has declared dividends to its shareholders amounting to HK\$287,000,000, except for an amount of HK\$101,047,000 which was settled in cash during the year ended 30 June 2015, the remaining dividends were settled through amount due from a related company.

32 DISPOSAL OF SUBSIDIARIES

On 20 June 2014, the Group disposed of its 100% equity interest in certain subsidiaries, DMI Development Limited, Kenbase Engineering Limited and Onglory International Limited, holding the own-used properties, to related companies at a consideration of HK\$132,671,468. Since the Group lost control on the subsidiaries, relevant assets and liabilities are deconsolidated from the Group's financial information.

On 23 September 2013, the Group disposed of its 51% equity interest in Trihan Engineering (Wuhan) Company Limited (武漢定安機電工程有限公司) to the joint venture partner at a cash consideration of RMB2,714,844. Since the Group lost control on the subsidiary, relevant assets and liabilities are deconsolidated from the Group's financial information.

The assets and liabilities disposed of are as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	137,517
Debtors and prepayments	260
Amounts due from related companies	14,694
Cash and bank balances	7,814
Creditors and accruals	(1,196)
Deferred income tax liabilities	(22,398)
Non-controlling interests	<u>(3,296)</u>
Net assets	133,395
Consideration	<u>136,096</u>
Gain on disposal of subsidiaries	<u>2,701</u>

Analysis of net cash outflow of cash and cash equivalents in respect of disposal of subsidiaries:

	<i>HK\$'000</i>
Consideration	136,096
Less: Receivables from related companies	(132,671)
Cash and cash equivalents disposed	<u>(7,814)</u>
Net cash outflow from disposal of subsidiaries	<u>(4,389)</u>

33 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the years ended 30 June 2013, 2014 and 2015.

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

<u>Name</u>	<u>Relationship</u>
FSE Management Company Limited	Note i
International Property Management Limited	Note i
Kiu Lok Service Management Company Limited	Note i
Nova Insurance Consultants Limited	Note i
Urban Property Management Limited	Note i
Fung Seng Enterprises Limited	Note i
DMI Development Limited	Note i
Kenbase Engineering Limited	Note i
Onglory International Limited	Note i
NWS Holdings Limited	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Seng Construction Company Limited (Formerly known as Waking Builders Limited)	Note ii
北京僑樂房地產管理服務有限公司	Note ii
大連僑樂物業服務有限公司	Note ii
Anway Limited	Note ii
New World Construction Company Limited	Note ii
Bright Link Engineering Limited	Note ii
Gammon-Hip Hing Joint Venture	Note ii
Hong Kong Island Development Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
北京祥和物業管理有限公司	Note ii

Name	Relationship
北京京廣中心有限公司	Note ii
K11 Concepts Limited	Note ii
New Town Project Management Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Property Management Company Limited	Note ii
NW Project Management Limited	Note ii
鹽城新世界百貨有限公司	Note ii
新世界百貨集團上海匯雅百貨有限公司	Note ii
成都心怡房地產開發有限公司	Note ii
新世界(瀋陽)房地產開發有限公司	Note ii
新世界(瀋陽)房地產開發第五有限公司	Note ii
協興建築(中國)有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
湖南梓山湖置業有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
湖南新城新世界物業服務有限公司	Note ii
新世界安信(天津)發展有限公司	Note ii
天津新世界百貨有限公司	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
廣州市新禦房地產開發有限公司	Note ii
East Concept Investments Ltd	Note ii
周大福鐘錶(香港)有限公司	Note ii
豐盛地產發展(上海)有限公司	Note i
上海豐昌物業管理有限公司	Note i
上海新富港房地產發展有限公司	Note iii

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder.
- (ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.
- (iii) 上海新富港房地產發展有限公司 was indirectly partially owned by the Ultimate Controlling Shareholder prior to its disposal to a third party on 17 July 2013. 上海新富港房地產發展有限公司 is not a related party to the Group with effective from 17 July 2013.

(b) Transaction with related parties

Save as disclosed elsewhere in the financial information, the Group had the following transactions with related companies during the years ended 30 June 2013, 2014 and 2015.

Related party transactions:

	Year ended 30 June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Contract revenue (<i>Note i</i>)			
Joint ventures	—	18	—
Related companies commonly controlled by the Ultimate Controlling Shareholder (<i>Note iii</i>)	149,791	59,803	37,973
Other related companies (<i>Note iv</i>)	731,636	906,050	712,027
	<u>881,427</u>	<u>965,871</u>	<u>750,000</u>
Disposal of subsidiaries			
Related companies commonly controlled by the Ultimate Controlling Shareholder (<i>Note iii</i>)	—	132,671	—
	<u>—</u>	<u>132,671</u>	<u>—</u>
Contract expenses			
Other related companies (<i>Note iv</i>)	5,865	2,300	2,060
	<u>5,865</u>	<u>2,300</u>	<u>2,060</u>
Insurance broking service expenses			
Related companies commonly controlled by the Ultimate Controlling Shareholder (<i>Note iii</i>)	14,676	16,469	11,586
	<u>14,676</u>	<u>16,469</u>	<u>11,586</u>
Rental expenses (<i>Note ii</i>)			
Related companies commonly controlled by the Ultimate Controlling Shareholder (<i>Note iii</i>)	—	—	4,438
Other related companies (<i>Note iv</i>)	183	208	185
	<u>183</u>	<u>208</u>	<u>4,623</u>
General expenses			
Related companies commonly controlled by the Ultimate Controlling Shareholder (<i>Note iii</i>)	21	29	25
Other related companies (<i>Note iv</i>)	301	248	212
	<u>322</u>	<u>277</u>	<u>237</u>
Management fee			
Related companies commonly controlled by the Ultimate Controlling Shareholder (<i>Note iii</i>)	9,440	9,940	12,600
	<u>9,440</u>	<u>9,940</u>	<u>12,600</u>

Notes:

- (i) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (ii) Rental expenses were recharged based on fixed amounts agreed by the parties.
- (iii) These related companies include companies which are commonly controlled by the Ultimate Controlling Shareholder.
- (iv) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

(c) Balances with related parties

	Group			Company
	As at 30 June			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Accounts receivables				
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	10,859	9,914	6,975	—
Other related companies (Note ii)	53,377	45,934	34,828	—
	<u>64,236</u>	<u>55,848</u>	<u>41,803</u>	<u>—</u>
Accounts payable				
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	—	—	1	—
Other related companies (Note ii)	4,087	—	—	—
	<u>4,087</u>	<u>—</u>	<u>1</u>	<u>—</u>
Amounts due from customers for contract works				
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	2,142	4,030	5,618	—
Other related companies (Note ii)	63,873	30,221	49,245	—
	<u>66,015</u>	<u>34,251</u>	<u>54,863</u>	<u>—</u>
Amounts due to customers for contract works				
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	4,079	2,209	5,393	—
Other related companies (Note ii)	50,085	102,867	120,177	—
	<u>54,164</u>	<u>105,076</u>	<u>125,570</u>	<u>—</u>
Amounts due from related companies				
Subsidiaries	—	—	—	10,776
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	289,537	144,460	—	—
Other related companies (Note ii)	3,246	322	63	—
	<u>292,783</u>	<u>144,782</u>	<u>63</u>	<u>10,776</u>
Amounts due to related companies				
Subsidiaries	—	—	—	14,658
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	—	126,286	—	—
Other related companies (Note ii)	7,754	9	70	—
	<u>7,754</u>	<u>126,295</u>	<u>70</u>	<u>14,658</u>

	Group			Company
	As at 30 June			As at
	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Retention receivables				
Related companies commonly controlled by the Ultimate Controlling Shareholder (Note i)	17,828	50	—	—
Other related companies (Note ii)	61,943	88,359	102,917	—
	<u>79,771</u>	<u>88,409</u>	<u>102,917</u>	<u>—</u>
Retention payables				
Other related companies (Note ii)	—	—	201	—
	<u>—</u>	<u>—</u>	<u>201</u>	<u>—</u>
Advance received for contract works				
Other related companies (Note ii)	2,275	528	1,061	—
	<u>2,275</u>	<u>528</u>	<u>1,061</u>	<u>—</u>

Notes:

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

(d) Key management compensation

Key management includes directors and senior managements of the Group. The compensation paid or payable to key management for employee services is show below:

	Year ended 30th June		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Fees	380	380	380
Salaries and other emoluments	16,298	18,529	19,070
Contributions to defined contribution schemes	1,259	1,352	1,455
	<u>17,937</u>	<u>20,261</u>	<u>20,905</u>

34 SUBSEQUENT EVENTS

There is no significant event took place subsequent to 30 June 2015.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2015 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Reporting Accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following 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 for illustrative purposes only, and is set forth below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2015 as if the Global Offering had taken place on 30 June 2015.

This unaudited pro forma statement of adjusted consolidated net tangible assets 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 as at 30 June 2015 or at any future dates following the Global Offering. It is prepared based on the consolidated financial information of the Group as at 30 June 2015 as set forth in the Accountant's Report of the Group, the text of which is set out in Appendix I to the prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2015 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 30 June 2015	Unaudited pro forma adjusted net tangible assets per share (Note 3)
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$</u>
Based on an Offer Price of HK\$2.68 per share	460,471	266,943	727,414	1.62
Based on an Offer Price of HK\$2.98 per share	460,471	299,512	759,983	1.69

Notes:

- (1) The audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 June 2015 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2015 of HK\$496,162,000 with an adjustment for the intangible assets as at 30 June 2015 of HK\$35,691,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer price of HK\$2.68 per Share and HK\$2.98 per Share after deduction of the underwriting fees and other related expenses payable by the Company.

- (3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 450,000,000 Shares were in issue assuming that the Global Offering has been completed on 30 June 2015 but takes no account of any Share which be allotted and issued or bought by the Company pursuant to the Issuing Mandate and the Buy-back Mandate and the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
- (4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2015.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF FSE ENGINEERING HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of FSE Engineering Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2015, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 26 November 2015, in connection with the proposed initial public offering of the shares of the Company. 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.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2015 as if the proposed initial public offering had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 30 June 2015, on which an accountant's report has been published.

Directors' Responsibility 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 ("**HKICPA**").

Reporting Accountant's 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 accountant complies with ethical requirements and plans and performs 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 a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed initial public offering at 30 June 2015 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 November 2015

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix V to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 20 November 2015. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *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 Directors may determine) and any preference shares may be issued on terms that they are 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 at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who 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 they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors 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 Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) *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.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors 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 members 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 Directors 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 they think fit, including the exercise thereof 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 Directors concerning his own appointment or the appointment of any of his associates 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 thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto 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

members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company 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 and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close

associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary 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 voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing 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 travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors 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, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an 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 Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have 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 company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants 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.

(viii) Retirement, appointment 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) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office 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.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. 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). Subject to the statutes and the provisions of the Articles, 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 additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they 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 Directors.

(ix) Borrowing powers

The Directors may from time to time at their 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 Directors 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 they think fit and in particular, but subject to the provisions of the Companies

Law, 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.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

- (iv) cancel any shares which at the date of the passing 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;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) 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 Law, 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 meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with the Articles 2(i) below for further details).

(f) Voting rights

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 on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast

by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, 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 or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are 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 accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

The Directors 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 and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted

accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors 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 member 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 Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. 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 such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions 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 Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear Business Days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and 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 the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon 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 Directors otherwise agree, 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 for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must 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 and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless 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 they may reasonably require 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).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors 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 periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors 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 Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors 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, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member 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. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof 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 thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member 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 in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him 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 will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will 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 time appointed, 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 Directors 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 member 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 Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised 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 not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be 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 members 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 shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members 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 properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The

liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus 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 shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear Business Days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear Business Days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that 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". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so 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.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept 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. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Cayman Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the

expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands 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.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

On 22 June 2015, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 1,000,000 shares having a par value of HK\$0.10 each. Upon incorporation of our Company, one Share was allotted and issued, nil paid, to Sharon Pierson as initial subscriber, which was transferred to FSE Holdings on the same day.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company**(a) Increase in authorised share capital**

- (i) On 30 June 2015, the authorised share capital of our Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new Shares pursuant to a resolution passed by our sole Shareholder on 30 June 2015.
- (ii) Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options as may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorised share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares, of which 450,000,000 Shares will be issued fully paid or credited as fully paid, and 550,000,000 Shares will remain unissued.
- (iii) Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options as may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of us and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of us.

Save as disclosed herein and in paragraphs 3 and 4 headed "Resolutions in writing of the sole Shareholder passed on 20 November 2015" and "Group reorganisation" respectively of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the sole Shareholder passed on 20 November 2015

By resolutions in writing of the sole Shareholder passed on 20 November 2015,

- (a) the Memorandum of Association and Articles was approved and adopted;
- (b) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming 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:
 - (i) the Global Offering and the grant of the Over-allotment Option by our Company 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;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to 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 carry into effect the Share Option Scheme;
 - (iii) conditional on 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 allot and issue a total of 37,500,000 Shares credited as fully paid at par to FSE Holdings as the sole Shareholder whose name appears on the register of members of our Company at the close of business on 20 November 2015 by way of capitalisation of the sum of HK\$3,750,000 standing to the credit of the share premium account of our Company, and the Shares be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with existing issued Shares;
 - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, options as may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares the aggregate number of which shall not exceed the sum of (aa) 20% of the aggregate number of Shares in issue immediately following 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, and (bb) the aggregate number of Shares which may be bought back by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Buy-back Mandate**”) was given to our Directors to exercise all powers of our Company to buy back Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares of not exceeding 10% of the aggregate number of Shares in issue 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 until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the aggregate number of Shares which may be bought back by the Company pursuant to paragraph (v) above.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange, which involved the following:

- (a) On 22 June 2015, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 1,000,000 shares having a par value of HK\$0.10 each. Upon incorporation of our Company, one Share was allotted and issued, nil paid, to Sharon Pierson as initial subscriber, which was transferred to FSE Holdings on the same day.
- (b) On 30 June 2015, the authorised share capital of our Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 new Shares.
- (c) On 30 June 2015, pursuant to a share swap agreement entered into among FSE Management as vendor and one of the warrantors and covenantors, our Company as purchaser and other parties as warrantors and covenantors, our Company acquired the entire issued share capital in each of FSE Engineering, Building Material and FSE Environmental (“our 3 Intermediary Holding Companies”) in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 299,000,000 new Shares to FSE Holdings; and (ii) credited as fully paid at par the 1,000,000 Shares issued as nil paid which were registered in the name of FSE Holdings.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

5. Our principal subsidiaries and joint ventures

Our principal subsidiaries and joint operations/ventures are set out in the accountant's report, the text of which is set out in Appendix I to this prospectus.

Further information about our Group's PRC subsidiaries

Our Group had interest in the registered capital of four companies established in the PRC as at the Latest Practicable Date, a summary of the corporate information of which is set out as follows:

Full name of company	Date of establishment	Economic nature	Registered holder(s)	Registered capital	Percentage equity interest attributable to our Group	Term of operation	Principal scope of business
1. PRC Engine (新創機電工程 有限公司)	23 July 2003	Limited liability company	(1) Young's Engineering Company Limited (2) Trident Engineering Company Limited	RMB150,000,000	100%	23 July 2003 to 23 July 2053	(1) Undertake the supply, installation, testing, maintenance and operation of the facilities, wiring and piping for civil engineering and building construction, industrial applications, public utilities and public infrastructure, including HVAC systems, lighting, dynamical and high/low voltage power system, fire services and smoke detection systems, drainage system, building automation system, sewage system and waste incinerator system; and (2) Consultancy services for building and construction
2. Far East Hubei (湖北遠東工程 服務有限公司)	24 June 1993	Limited liability company	Far East Engineering Services Limited	USD1,500,000	100%	24 June 1993 to 23 June 2043	Undertake: (1) decoration and installation works (including engineering design and construction of systems for drainage, HVAC systems, fire services, E&M services, public safety techniques and safety engineering, cable broadcasting and transmission, cable television, building automation and structural electric wiring); (2) repair and maintenance operations; and (3) installation and retailing of construction-related precision instrumentation and provision of related services

Full name of company	Date of establishment	Economic nature	Registered holder(s)	Registered capital	Percentage equity interest attributable to our Group	Term of operation	Principal scope of business
3. Beijing Far East and Young's E&M Equipment Repair Co Ltd* (北京遠東景福機電設備維修有限公司)	12 June 2002	Limited liability company	Far East Engineering Services Limited	USD150,000	100%	12 June 2002 to 11 June 2027	Installation and repair and maintenance of cooling and refrigeration facilities, building automation systems, draining facilities, air-conditioning systems and E&M facilities, and provision of related technical services
4. Young's Shanghai (景福機電安裝工程(上海)有限公司)	6 January 2011	Limited liability company	Young's Engineering Company Limited	RMB15,000,000	100%	6 January 2011 to 5 January 2061	Perform installation of E&M facilities, intelligent building engineering works, environmental protection engineering works, fire services engineering works and provide related consultancy services as a professional construction contractor

Further information about our Group's joint ventures

Our Group had interest in four joint ventures as at the Latest Practicable Date, a summary of the information of which is set out as follows:

Full name of joint venture	Date of joint venture agreement	Place of establishment	Economic nature	Joint venturer(s)	Registered capital	Percentage interest attributable to our Group	Principal scope of business
1. BBY HK Joint Venture	23 November 2006	Hong Kong	Body unincorporate	(1) Young's Engineering Company Limited (2) Gammon E&M Limited (formerly known as Balfour Beatty E&M Limited)	Not applicable	50% of all rights, interests, profits, liabilities, obligations, risks and losses arising out of the respective contract and/or the joint venture	Execution of building services and systems installation works forming part of the SkyPier Building Works at Hong Kong International Airport
2. BBY Macau Joint Venture	30 June 2005	Macau	Joint venture	(1) Young's Engineering (Macao) Company Limited (2) Gammon E&M Limited (formerly known as Balfour Beatty E&M Limited)	Not applicable	All rights, interests, profits, liabilities, obligations, risks and losses arising out of the respective contract and/or the joint venture shall be shared or borne in the following proportion: (1) 60% regarding the Cotai Project; (2) 50% regarding the Cotai Resort Development Project; and (3) 55% regarding the Cotai Parcels Project	(1) Design, supply and installation of HVAC and electrical installation works for the hotel tower and podium of a well-known casino resort hotel complex in Cotai, Macau ("Cotai Project"); (2) Construction and completion of electrical services, MVAC systems, fire services, ELV system, plumbing and drainage, water feature and filtration plant installation for a resort development in Cotai, Macau ("Cotai Resort Development Project"); and (3) Design, supply and installation of HVAC and electrical installation works for the casino resort and hotel complex and an external landscaped area in Cotai, Macau ("Cotai Parcels Project")

Full name of joint venture	Date of joint venture agreement	Place of establishment	Economic nature	Joint venturer(s)	Registered capital	Percentage interest attributable to our Group	Principal scope of business
3. BSY Joint Venture	14 May 2008	Hong Kong	Body unincorporate	(1) Young's Engineering Company Limited (2) Gammon E&M Limited (formerly known as Balfour Beatty E&M Limited) (3) Shinryo (Hong Kong) Limited	Not applicable	33% of all rights, interests, obligations and risks and all net profits or net losses arising out of the designated joint venture activities and the designated works	Design, construction, completion and maintenance of, among others, the government complex in Tamar, Hong Kong
4. Hong Kong District Cooling DHY Joint Venture	1 November 2010	Hong Kong	Body unincorporate	(1) Young's Engineering Company Limited (2) Hip Hing Engineering Company Limited (3) Dalkia Asia Pte. Limited	Not applicable	25% of all rights, interests, assets, liabilities, obligations and risks arising out of or in connection with the joint venture agreement or the designated contract and all net profits or net losses arising out of the joint execution and performance of the designated works	E&M and building services installation works, the civil and structure construction works, and the operation and maintenance works of the district cooling system in Kai Tak, Kowloon

6. Changes in the share capital of our subsidiaries

There has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Buy-back by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the buy-back by our Company of our own securities.

(a) Shareholders' approval

All proposed buy-backs of securities (which must be fully paid up in the case of shares) by a company listed 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 of a particular transaction.

(b) Source of funds

Buy-backs must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not buy back 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. Under the Cayman Islands laws, any buy-backs by our Company may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back or, if so authorised by the Articles and subject to the Companies Law, out of capital.

(c) Reasons for buy-backs

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to buy back Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such buy-backs will benefit our Company and the Shareholders.

(d) Funding of buy-backs

In buying back securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position of our Group disclosed in this prospectus. However, our Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Buy-back Mandate, on the basis of 450,000,000 Shares in issue immediately after the Listing, would result in up to 45,000,000 Shares being bought back by our Company during the period in which the Buy-back Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities buy-back, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("**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 buy-backs pursuant to the Buy-back Mandate.

Our Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Buy-back Mandate is exercised.

8. Registration under Part 16 of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Units 701–704, 7th Floor, Eastern Harbour Centre, No. 28 Hoi Chak Street, Quarry Bay, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Poon Lock Kee Rocky, our executive Director and chief executive officer, has been appointed as agent of our Company for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. 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 members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the agreement for sale and purchase dated 8 April 2014 entered into between NWS Holdings (China) Limited (as vendor) and Young's Engineering and Tridant Engineering (as purchasers) in respect of the acquisition of the entire registered and paid up capital of PRC Engine at the consideration of RMB177,121,740;
- (b) the instrument of transfer and the related bought and sold notes dated 20 June 2014 entered into between Young's Engineering Holdings Limited (as vendor) and Unison City Investments Limited (as purchaser) in respect of the disposal of our 100% interest in DMI Development Limited at the consideration of HK\$95,674,494;
- (c) the instrument of transfer and the related bought and sold notes dated 20 June 2014 entered into between Extensive Limited (as vendor) and Solution Ace Holdings Limited (as purchaser) in respect of the disposal of our 100% interest in Kenbase Engineering Limited at the consideration of HK\$29,918,399;
- (d) the instrument of transfer and the related bought and sold notes dated 20 June 2014 entered into between YDL Company Limited (as vendor) and Jetset Holdings Limited (as purchaser) in respect of the disposal of our 100% interest in Onglory International Limited at the consideration of HK\$7,078,575;
- (e) the share swap agreement dated 30 June 2015 entered into among FSE Management (as vendor and one of the warrantors and covenantors), our Company as purchaser and other parties as warrantors and covenantors pursuant to which our Company acquired the entire issued share capital in each of our 3 Intermediary Holding Companies in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 299,000,000 new Shares to FSE Holdings; and (ii) credited as fully paid at par the 1,000,000 Shares issued as nil paid which were registered in the name of FSE Holdings;
- (f) the deed of indemnity dated 20 November 2015 executed by FSE Holdings in favour of our Company (for itself and as trustee for the subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed "Estate duty, tax and other indemnities" of this appendix;

- (g) the non-compete undertakings dated 20 November 2015 executed by our Controlling Shareholders in favour of our Company containing the non-compete undertakings more particularly referred to in the paragraph headed “Competition” in the section headed “Relationship with Controlling Shareholders” in this prospectus; and
- (h) the Hong Kong Underwriting Agreement.

10. Intellectual property rights of our Group

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Registered trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Type and Class	Registered owner	Place of registration	Registration number	Name of licensee	Duration of validity/licence
1.		6, 11, 20	Extensive Trading	Hong Kong	300365157	Not applicable	02/02/2005– 01/02/2025
2.		11	Environmental P&S	Hong Kong	302550492	Not applicable	18/03/2013– 17/03/2023
3.		5	Environmental P&S	Hong Kong	303067362	Not applicable	15/07/2014– 14/07/2024
4.		42	Far East Engineering	PRC	7289550	Not applicable	28/12/2011– 27/12/2021
5.		37	PRC Engine	PRC	3834579	Not applicable	28/08/2006– 27/08/2016

(b) Trademarks under application for registration

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

No.	Trademark	Type and Class	Applicant	Place of application	Application number	Application Date
1.		1, 6, 7, 19, 37 and 42	Our Company	Hong Kong	303475260	17 July 2015
2.		1, 6, 7, 19, 37 and 42	Our Company	Hong Kong	303475279	17 July 2015
3.		1, 6, 7, 19, 37 and 42	Our Company	Hong Kong	303475288	17 July 2015

(c) Domain names

As at the Latest Practicable Date, our Group was the registrant of the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	CARLOS1990.COM.HK	Maning Century Limited	10/11/1997	01/10/2016
2.	EPSL.COM.HK	Environmental P&S	08/01/2001	01/10/2017
3.	EXTENSIVE.COM.HK	Extensive Trading	29/03/1999	01/10/2018
4.	FAREAST.COM.HK	Far East Engineering	31/05/1996	01/10/2016
5.	FSENG.COM.HK	our Company	21/06/2011	13/07/2021
6.	FSENV.COM.HK	Environmental P&S	02/07/2013	16/07/2018
7.	JONESON.COM.HK	Joneson	07/06/2000	26/05/2020
8.	MAJESTICENG.COM.HK	Majestic Engineering	09/05/2003	13/05/2017
9.	NWSE.COM.CN	PRC Engine	03/02/2004	03/02/2017
10.	NWSE.COM.HK	FSE Engineering	28/02/2002	01/03/2020
11.	YOUNGS.COM.HK	Young's Engineering	25/06/1999	06/02/2018

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual or industrial property rights which are material in relation to the business of our Group.

11. Connected transactions and related party transactions

Save as disclosed in the section headed "Connected Transactions" of this prospectus and in note 33 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we had not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**12. Directors****(a) Disclosure of interests of Directors**

- (i) Each of Dr. Henry Cheng, Mr. Doo Junior, Mr. Wong and Mr. Lee is interested in the Reorganisation.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years immediately preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

None of our Directors has entered into or proposes to enter into a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from 20 November 2015, which shall be renewed and extended

automatically for successive terms of one year upon expiry of the then current term. The appointment of each of our executive Directors may be terminated by either party by giving three months written notice to the other.

Each of our executive Directors is entitled to a basic salary subject to an annual increment after 30 June 2016 at the discretion of our Directors of not more than 10% of the annual salary immediately prior to such increase. In addition, each of our executive Directors is also entitled to a discretionary management bonus for the financial year ending 30 June 2016 and onwards provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 10% of the audited consolidated or (if applicable) combined net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him.

Each of our non-executive Director and independent non-executive Directors has been appointed for an initial term of one year commencing from 20 November 2015 renewable automatically for successive terms of one year upon expiry of the then current term. The appointment of each of our non-executive Director and independent non-executive Directors may be terminated by either party by giving three months' written notice to the other. Save for directors' fees payable to our non-executive Director and independent non-executive Directors as stated in paragraph (c) immediately below, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Director and independent non-executive Director respectively.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Remuneration of Directors

- (i) The basis annual salaries of our executive Directors and the basis annual director's fees of our non-executive Director and independent non-executive Directors are as follows:

<u>Name</u>	<u>Annual amount</u> (HK\$)
<i>Non-executive Director</i>	
Dr. Henry Cheng	0.3 million
<i>Executive Directors</i>	
Mr. Wong	1.8 million
Mr. Poon Lock Kee, Rocky	3.24 million
Mr. Doo Junior	1.44 million
Mr. Lee	1.2 million
Mr. Soon Kweong Wah	2.52 million
<i>Independent non-executive Directors</i>	
Mr. Kwong Che Keung, Gordon	0.25 million
Mr. Hui Chiu Chung, Stephen	0.2 million
Mr. Lee Kwan Hung	0.2 million

The basic annual salaries and the basic annual directors' fees may be reviewed annually after 30 June 2016 provided that the annual increment for executive Directors shall not be more than 10% of their respective salaries immediately prior to such increase.

- (ii) The executive Directors may be granted a discretionary management bonus for the financial year ending 30 June 2016 and onwards provided that the aggregate amount of bonuses for all our executive Directors for a financial year shall not exceed 10% of the audited consolidated or (if applicable) combined net profit of our Group (after taxation and minority interests and payment of such aggregated bonuses but before extraordinary or exceptional items) of that financial year.
- (iii) During the year ended 30 June 2015, the aggregate of the remuneration paid and benefits in kind granted by our Company and other members of our Group to our Directors were approximately HK\$7,145,000.
- (iv) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (excluding discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 30 June 2016, are expected to be approximately HK\$8 million.
- (v) No amount was paid to, or receivable by, our Directors, for each of the three financial years of our Company immediately preceding the issue of this prospectus as an inducement to join or upon joining our Company.
- (vi) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the three financial years of our Company immediately preceding the issue of this prospectus for the 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.
- (vii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years of our Company immediately preceding the issue of this prospectus.

(d) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options as may be granted under the Share Option Scheme, the interests or short positions of our Directors or the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed will be as follows:

<u>Name of Director</u>	<u>Our Company/ associated corporation</u>	<u>Capacity/ Nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Dr. Henry Cheng	FSE Holdings	Beneficial owner (Note 3)	90,000,000 shares of HK\$0.10 each (L)	18%
Mr. Doo Junior	FSE Holdings (Note 2)	Interest of controlled corporation (Note 4)	25,000,000 shares of HK\$0.10 each (L)	5%
	FSE Holdings (Note 2)	Interest of controlled corporation (Note 5)	20,000,000 shares of HK\$0.10 each (L)	4%
Mr. Wong	FSE Holdings (Note 2)	Interest of controlled corporation (Note 6)	45,000,000 shares of HK\$0.10 each (L)	9%
Mr. Lee	FSE Holdings (Note 2)	Interest of controlled corporation (Note 7)	5,000,000 shares of HK\$0.10 each (L)	1%

Notes:

- (1) The letter "L" denotes the long position of the Director in the shares of our Company or the relevant associated corporation.
- (2) FSE Holdings is the holding company of our Company and our associated corporation within the meaning under Part XV of the SFO.
- (3) These shares are held by CTF Nominee for Dr. Henry Cheng.

- (4) These shares are held by Master Empire Group, the entire issued share capital of which is owned by Mr. Doo Junior.
- (5) These shares are held by Supreme Win Enterprises, the entire issued share capital of which is owned by Mr. Doo Junior.
- (6) These shares are held by Frontier Star, the entire issued share capital of which is owned by Mr. Wong.
- (7) These shares are held by Lagoon Treasure, the entire issued share capital of which is owned by Mr. Lee.

13. Interest discloseable under the SFO and the Substantial Shareholders

So far as our Directors are aware, the following persons will, immediately following 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), have interests or short positions in our Shares or underlying Shares which would be required 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 will be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

(a) *Interests and short positions in our Company*

<u>Name of Shareholders</u>	<u>Our Company/ Name of our Group member</u>	<u>Capacity/Nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
FSE Holdings	Our Company	Beneficial owner (Note 2)	337,500,000 Shares (L)	75%
Sino Spring Global Limited	Our Company	Interest of controlled corporation (Notes 2 and 3)	337,500,000 Shares (L)	75%
Mr. Doo	Our Company	Interest of controlled corporation (Notes 2 and 3)	337,500,000 Shares (L)	75%
Mrs. Doo Cheng Sau Ha Amy ("Mrs. Doo")	Our Company	Interest of spouse (Notes 2, 3 and 4)	337,500,000 Shares (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) FSE Holdings is beneficially owned as to 63% by Sino Spring Global, 9% by Frontier Star, 5% by Master Empire Group, 4% by Supreme Win Enterprises, 18% by Dr. Henry Cheng (through CTF Nominee) and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring Global is deemed to be interested in all Shares held by FSE Holdings. Mr. Wong and Mr. Doo Junior are the directors of FSE Holdings.

- (3) Sino Spring Global is an investment holding company incorporated on 3 January 2014 in the BVI with limited liability and is wholly owned by Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is deemed to be interested in all Shares in which Sino Spring Global is interested. Mr. Doo is the sole shareholder of Sino Spring Global.
- (4) Mrs. Doo is the spouse of Mr. Doo. Under the SFO, Mrs. Doo is taken to be interested in all Shares in which Mr. Doo is interested.

(b) Interests in our subsidiaries

<u>Name of Shareholders</u>	<u>Name of our Group member</u>	<u>Capacity/ Nature of interest</u>	<u>Number and class of securities</u>	<u>Approximate percentage of shareholding</u>
Bioforte (Hong Kong) Environmental Engineering and Technology Company Limited (生物源(香港)環境工程與技術有限公司)	BioEnviroLink (Note 1)	Beneficial owner	30 shares	30%

Note:

- (1) A winding-up order granted by the High Court of Hong Kong dated 8 August 2012 was made against BioEnviroLink. As at the Latest Practicable Date, the winding-up was still in progress.

14. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of 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, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the total number of shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries;
- (b) none of our Directors and the chief executive of our Company has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors nor any of the experts referred to in the paragraph 22 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our

Company, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

- (d) none of our Directors nor any of the experts referred to in the paragraph 22 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in paragraph 22 below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our sole Shareholder on 20 November 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our 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 our Directors, it is expected that grantees of an option will make an effort to contribute to the development of us 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*

Our 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:

- (aa) 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 us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;
- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) 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 us;

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 us to any person who falls within any of the above classes of participants shall not, by itself, unless our 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 our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of us.

(iii) *Maximum number of the Shares*

- (aa) 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 us must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) 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 us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the Shares in issue on the Listing Date, being 45,000,000 Shares ("**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) 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 us 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 us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, 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.

- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) 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 Rule 17.02(2) (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of 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 us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates abstaining from voting. 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 our 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 our Directors, chief executive or Substantial Shareholders of our Company or their respective associates*

- (aa) 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 independent non-executive Director who or whose associates is the proposed grantee of the options).
- (bb) 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:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) 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. Our Company must send a circular to the Shareholders. All core connected persons of our Company must abstain from voting in favour at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. 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 our 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 our 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 our 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 our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a Business Day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association 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 reopening 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.

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 such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of our 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 our results for any year, 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, no offer for the grant of options may be made.

Our 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 the 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 our 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 our 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 us 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 us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our 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 our Directors does not bring the grantee or us 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 our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us 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 us by reason of the cessation of its relations with us 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 our 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 buy-back 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 of arrangement is formally proposed to shareholders, a grantee shall 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 fall 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 our 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 an 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 or nominal amount 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 adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (cc) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of 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

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

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 the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) 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.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) 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.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of 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.

- (cc) 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.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our 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.

(b) 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, such number being not less than that of the General Scheme Limit.

(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 option

As at the date of this prospectus, no options have been granted or agreed to be granted by our Company under the Share Option Scheme.

(iv) Value of options

Our 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. Our 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.

16. Estate duty, tax and other indemnities

FSE Holdings (the “Indemnifier”) has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (f) referred to in the paragraph headed “Summary of material contracts” above) to provide indemnities in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group, or taxation claims which any member of our Group are liable or sought to be made liable, in respect of any income, profits or gains, earned, accrued or received on or before the Listing Date, or transactions or events entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifier is under no liability under the deed of indemnity in respect of any taxation liability or claims mentioned in paragraph (b) immediately above:

- (i) to the extent that provision has been made for such taxation, liabilities or claim in the audited accounts of any member of our Group up to the end of the Track Record Period;
- (ii) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on after the Track Record Period and ended on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
 - (aa) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Track Record Period; or
 - (bb) carried out, made or entered into pursuant to a legally binding commitment created before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or
- (iii) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (iv) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the end of the Track Record Period and which is finally established to be an over-provision or an excessive reserve, in which case the

Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifier has also undertaken to us that it will indemnify and at all times keep us fully indemnified from any depletion in or reduction in value of assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with: (a) the implementation of the Reorganisation; (b) any relocation costs as may be incurred by us in the event that we have to relocate to other premises due to any lack of title or authority of the lessors to lease us the leased properties in the PRC as mentioned in the paragraph headed "Properties — Leased properties" in the section headed "Business" in this prospectus; and (c) any fine as may be imposed on us due to non-registration of the lease agreements in respect of our leased properties in the PRC with the relevant municipal land and real estate administration bureau of the PRC as mentioned in the paragraph headed "Properties — Leased properties" in the section headed "Business" in this prospectus.

17. Litigation, arbitration and claim of material importance

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 Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$43,000 and are payable by our Company.

19. Promoter

- (a) Our Company does not have any promoter for the purpose of the Listing Rules.
- (b) Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

20. Agency fees or commissions received

Except as disclosed in the paragraph headed "Total Commission and Expenses" in the section headed "Underwriting" in this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

21. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and the options as may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the

securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The sponsor's fees payable by us in respect of Halcyon Capital Limited's services as sole sponsor for the Listing is HK\$5,000,000 (excluding any disbursements).

22. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Conyers Dill & Pearman	Legal advisers as to Cayman Islands laws to our Company
DTZ Debenham Tie Leung Limited	Property valuer
Halcyon Capital Limited	Licensed corporation under the SFO to carry on type 6 (advising on corporate finance) of the regulated activities under the SFO
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jingtian & Gongcheng	Legal advisers as to PRC laws to our Company
PricewaterhouseCoopers	Certified Public Accountants

23. Consents of experts

Each of the experts referred to in paragraph 22 headed "Qualification of experts" immediately above has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its opinion, advice, report, valuation, letter or an extract therefrom (as the case may be) and the references to its name in the form and context in which it appears.

24. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

25. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which chargeable on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Certain stamp duties may be applicable, from time to time, on certain instruments executed in or brought into the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

26. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) 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;
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
 - (ii) 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; and
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since the end of the Track Record Period (being the end of the period reported on in the accountant's report set out in Appendix I to this prospectus);
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (d) none of the equity and debt securities of our Company is listed or dealt in on any other stock exchange or on which listing or permission to deal is being or is proposed to be sought;
- (e) there are no arrangements under which future dividends are waived or agreed to be waived; and
- (f) none of the members of our Group has any outstanding securities or debentures.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and 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 the paragraph headed “Consents of experts” of Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including 10 December 2015:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountant’s Report of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising our Group for each of the three years ended 30 June 2013, 2014 and 2015 (or such shorter period from the date of incorporation where the relevant member of our Group was incorporated on or after 1 July 2012);
- (d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the valuation report (including a letter, a summary of valuations and valuation certificates) and the letter on fair market rentals relating to the properties interests of our Group prepared by DTZ Debenham Tie Leung Limited;
- (f) the industry report prepared by Frost & Sullivan referred to in the section headed “Industry overview” in this prospectus;
- (g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (h) the Companies Law;
- (i) the legal opinion issued by our PRC Legal Advisers in respect of certain aspects of our Group and our property interests in the PRC;
- (j) the legal opinion issued by our Macanese legal advisers, Manuela Antonio Law Office, in respect of certain aspects of our Group and our property interests in Macau;
- (k) the service contracts referred to in the paragraph headed “Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus;
- (m) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus; and
- (n) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus.



FSE Engineering Holdings Limited
豐盛機電控股有限公司