



ALLIED SUSTAINABILITY AND  
ENVIRONMENTAL CONSULTANTS GROUP LIMITED  
沛然環保顧問有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 8320

沛然

## PLACING

Sole Sponsor



Guotai Junan Capital Limited

Sole Bookrunner and Sole Lead Manager



Guotai Junan Securities (Hong Kong) Limited

\* For identification purpose only

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## IMPORTANT

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If you are in any doubt about this prospectus, you should obtain independent professional advice.



### ALLIED SUSTAINABILITY AND ENVIRONMENTAL CONSULTANTS GROUP LIMITED 沛然環保顧問有限公司\*

(Incorporated in the Cayman Islands with limited liability)

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

**Number of Placing Shares** : 204,000,000 Shares  
**Maximum Placing Price** : HK\$0.28 per Placing Share plus brokerage  
fee of 1.0%, SFC transaction levy of  
0.0027% and Stock Exchange trading  
fee of 0.005% (payable in full  
on application subject to refund  
on final pricing)  
**Nominal value** : HK\$0.01 per Share  
**Stock code** : 8320

*Sole Sponsor*



**Guotai Junan Capital Limited**

*Sole Bookrunner and Sole Lead Manager*



**Guotai Junan Securities (Hong Kong) Limited**

*Co-Lead Manager*



**Koala Securities Limited**

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Hong Kong Exchanges and Clearing Limited and 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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Placing Price is expected to be fixed by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around 7 October 2016, or such other date as may be agreed between our Company and the Sole Bookrunner. The Placing Price will not be more than HK\$0.28 per Placing Share and is expected to be not less than HK\$0.22 per Placing Share. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not proceed and will lapse. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the Placing Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Placing Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.asecg.com](http://www.asecg.com).

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Pursuant to the termination provisions contained in the Underwriting Agreement, the Sole Bookrunner (for itself or on behalf of the Underwriters) has the right in certain circumstances, in their sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Placing – Grounds for termination" in this prospectus. It is important that you refer to the said section for further details.

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**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

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## EXPECTED TIMETABLE<sup>(1)</sup>

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2016

Expected Price Determination Date<sup>(2)</sup> . . . . . Friday, 7 October

Announcement of the determination of the Placing Price,  
basis of allocation and the indication of the levels of interest in  
the Placing to be published on the Stock Exchange's website  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website  
at [www.asecg.com](http://www.asecg.com) on or before . . . . . Friday, 14 October

Allotment of Placing Shares to placees on or before . . . . . Friday, 14 October

Deposit of share certificate for the Placing Shares into CCASS  
on or before <sup>(3)</sup> . . . . . Friday, 14 October

Dealings in Shares on GEM  
to commence at 9:00 a.m. on . . . . . Monday, 17 October

*Notes:*

1. All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.
2. The Price Determination Date is expected to be on or around Friday, 7 October 2016, or such other date as may be agreed between our Company and the Sole Bookrunner. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not proceed and will lapse.
3. Share certificates for the Placing Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or before Friday, 14 October 2016 for credit to the respective CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued.
4. All share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. Hong Kong time on the Listing Date.

Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms we will make announcements as soon as possible.

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## CONTENTS

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters 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 or contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters, any of their respective directors or affiliates or any other persons or parties involved in the Placing. The contents of our website at [www.asecg.com](http://www.asecg.com) does not form part of this prospectus.*

	<i>Page</i>
<b>Characteristics of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited</b> .....	i
<b>Expected timetable</b> .....	ii
<b>Contents</b> .....	iii
<b>Summary and highlights</b> .....	1
<b>Definitions</b> .....	15
<b>Glossary</b> .....	23
<b>Forward-looking statements</b> .....	25
<b>Risk factors</b> .....	27
<b>Information about this prospectus and the Placing</b> .....	44
<b>Directors and parties involved in the Placing</b> .....	48
<b>Corporate information</b> .....	51
<b>Industry overview</b> .....	53
<b>Summary of principal legal and regulatory provisions</b> .....	74

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## CONTENTS

---

	<i>Page</i>
<b>History, development and reorganisation</b> . . . . .	83
<b>Business</b> . . . . .	104
<b>Connected transaction</b> . . . . .	184
<b>Relationship with our Controlling Shareholders</b> . . . . .	185
<b>Substantial Shareholders</b> . . . . .	190
<b>Directors and senior management</b> . . . . .	192
<b>Share capital</b> . . . . .	205
<b>Financial information</b> . . . . .	208
<b>Future plans and use of proceeds</b> . . . . .	274
<b>Underwriting</b> . . . . .	287
<b>Structure and conditions of the Placing</b> . . . . .	297
<b>Appendix I – Accountants’ report</b> . . . . .	I-1
<b>Appendix II – Unaudited pro forma financial information</b> . . . . .	II-1
<b>Appendix III – Summary of the constitution of the Company and Cayman Islands company law</b> . . . . .	III-1
<b>Appendix IV – Statutory and general information</b> . . . . .	IV-1
<b>Appendix V – Documents delivered to the Registrar of Companies and available for inspection</b> . . . . .	V-1

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## SUMMARY AND HIGHLIGHTS

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in the Placing 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 Placing Shares. Various expressions used in this section are defined or explained in the section headed “Definitions” in this prospectus.*

### OVERVIEW

We are a Hong Kong-based environmental consulting company specialised in providing (a) green building certification consultancy; (b) sustainability and environmental consultancy; (c) acoustics, noise and vibration control and audio-visual design consultancy; and (d) environmental social and governance (“ESG”) reporting and consultancy business. We ranked (i) the first in the entire green building certification consultancy market in Hong Kong in 2015, with market share of approximately 11.6%; (ii) the fourth in the entire sustainability and environmental consultancy market in Hong Kong in 2015 with market share of approximately 7.2%; and (iii) the fifth in the entire acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong in 2015 with market share of approximately 4.1%, in terms of revenue, according to the F&S Report. With over 20 years of operating history, we have developed expertise as an environmental consultancy service provider, and we have built up network with well-established clients who are often engaged in large-scale property projects including listed-property developers and owners, government authority and public bodies, architects and designers and contractors in Hong Kong.

We have an in-house consultancy team comprising experienced and qualified professionals possessing different qualifications and membership accreditations from relevant industry bodies and professional institutes including BEAM Professional, LEED Accredited Professional, member of Hong Kong Institute of Acoustics, Hong Kong Institute of Engineers, Certified Carbon Auditor Professional, Registered Energy Assessor, the Institute of Acoustics UK, the Chartered Institution of Water and Environmental Management, the Association for Project Management UK, the Hong Kong Institute of Environmental Impact Assessment and the Institution of Mechanical Engineers. Our team is led by Ms. Grace Kwok, our executive Director, who has over 17 years of experience in the industry and is the current chairman of Hong Kong Institute of Acoustics and serves as one of the board of directors of Hong Kong Institute of Qualified Environmental Professionals Limited. For details, please refer to the section headed “Directors and Senior Management” on pages 192 to 204 of this prospectus.

### OUR SERVICES

The table below sets out a breakdown of the revenue derived from our consultancy services by major segments for the years indicated:

	Year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Green building certification consultancy	17,050	60.2	19,307	59.3
Sustainability and environmental consultancy	7,632	26.9	8,461	26.0
Acoustics, noise and vibration control and audio-visual design consultancy	3,665	12.9	4,258	13.1
ESG reporting and consultancy	—	—	513	1.6
Total	<u>28,347</u>	<u>100.0</u>	<u>32,539</u>	<u>100.0</u>

#### Green building certification consultancy

Green building certification consultancy refers to the consulting services provided to our customers in relation to their application of green building certification for a newly built or existing building or building interiors by measuring a series of assessment parameters of the

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## SUMMARY AND HIGHLIGHTS

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building such as energy saving, water efficiency and indoor environment quality. The most commonly applied green building certifications in Hong Kong, China and Macau are BEAM Plus, LEED and China GBL, according to F&S Report. Our service scope includes (i) advising our clients on criteria and requirements of the relevant certification, and providing evaluation and suggestions on any green building performance or design for improvements for the buildings for the purpose of meeting such performance criteria; (ii) coordinating green building design support for project team, preparing green building design specification, monitoring and reviewing contractors' performance and submission, and attending to the certification application process on behalf of our clients; and (iii) compiling the certification application documents in a manner to fulfill the particular rating requirements. Demands for green building certification consultancy are mainly driven by government policies (e.g. pursuant to the Sustainable Building Design Guidelines and Joint Practice Notes issued by departments including the Buildings Department, a BEAM Plus certification is required for the grant of GFA concessions for certain green and amenity features in development projects in Hong Kong).

### **Sustainability and environmental consultancy**

Sustainability and environmental consultancy generally refers to the consulting services which are engaged in the process of environmental impact assessment to identify, predict, evaluate and mitigate the biophysical, social and other relevant effects of property development proposal prior to major decisions being taken and commitments made. Types of such consultancy include air quality, water quality, waste management, noise assessment and other environmental impact assessment services such as oil spill management, according to F&S Report. Our service scope include the assessment and evaluation on major aspects of environmental impacts including air quality, asbestos investigation, drainage impact, sewage impact, air ventilation, water quality, water supply, ecological impact, noise impact, odour impact, land contamination, waste management, landscape and visual impact, hazard assessment and health impact assessment. We are mainly engaged by government authorities, property developers, architectural/engineering design firms and contractors to provides services in relation to the compliance of the relevant statutory requirements and to prepare reports and assessment of the impact on environment in respect of a potential development project. Relevant statutory requirements include the Environmental Impact Assessment Ordinance, Town Planning Ordinance, Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance and Building Energy Efficiency Ordinance. For details, please refer to the section headed "Summary of Principal Legal and Regulatory Provisions" on pages 74 to 82 of this prospectus.

### **Acoustics, noise and vibration control and audio-visual design consultancy**

Acoustics, noise and vibration control and audio-visual design consultancy covers acoustic analysis, design, and control in all kinds of spaces and buildings in order to design a satisfactory acoustic environment that is important to the project's success, according to F&S report. Our service scope include (i) architectural acoustic design for performing art venues, offices, clubhouse, food and beverage outlets, hotels and retailers; (ii) sound insulation design for building's façade and internal partitions; (iii) mechanical, electrical, and plumbing services noise and vibration control for different types of buildings; (iv) detailed design and construction supervision of acoustic treatment and noise mitigation design for construction and transportation system; and (v) audio-visual design for performing art venues, churches, hotels and clubhouse.

### **ESG reporting and consultancy**

In addition to the above consultancy services, we also commenced ESG reporting and consultancy business in November 2015 targeted at Hong Kong-listed companies and corporates committed to environmental and corporate social responsibilities. Our ESG reporting and consultancy include conducting assessment of the ESG system of our clients, preparing report in compliance with the Stock Exchange's requirement pursuant to the ESG Guide, assisting our clients in establishing comprehensive solutions to enhance ESG system and providing training and seminars to our clients.

### **OUR PROJECTS**

During the Track Record Period, we have completed 74 green building consultancy projects, 95 sustainability and environmental consultancy projects and 28 acoustics, noise and vibration control and audio-visual design consultancy projects in Hong Kong, Macau and the PRC. As at the



## SUMMARY AND HIGHLIGHTS

Latest Practicable Date, we had 118 green building consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$22.6 million; 54 sustainability and environmental consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$10.6 million; 38 acoustics, noise and vibration control and audio-visual design consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$3.8 million; and 14 ESG reporting and consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$1.7 million.

Examples of completed landmark projects include (i) the built environment studies and BEAM platinum project for the tallest commercial building in Hong Kong located at Kowloon Station; (ii) the LEED platinum certification project for centennial campus of a local university located at Pok Fu Lam; (iii) the advisory on design and construction of a headquarter building of a government authority located at North Point; (iv) the trackside noise barrier or enclosure for a public railway operator for five sites alongside railway in Hong Kong; and (v) the acoustic design services for a performance hall of an international musical school located at Diamond Hill. Our other projects cover a broad range of buildings and facilities, ranging from commercial buildings including office and industrial buildings, mall and plaza, data centre and mixed usage buildings, residential buildings including public housings and private housings, public usage buildings and infrastructure, academic buildings, government complex, district cooling system, football pitch, public library, public transport interchange, hospital and swimming pool.

During the Track Record Period, we offered services to projects located in Hong Kong, the PRC and Macau, and revenue derived from projects located in Hong Kong accounted for more than 90% of our revenue. The table below sets out the breakdown of our revenue by geographical locations of the projects for the years indicated:

	Year ended 31 March			
	2015	%	2016	%
	HK\$'000		HK\$'000	
Hong Kong	25,644	90.5	29,675	91.2
PRC	1,818	6.4	2,336	7.2
Macau	885	3.1	528	1.6
Total	28,347	100.0	32,539	100.0

The table below sets forth the range and average contract value, gross profit margin, average project duration and tender success rate by segments for the years indicated:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
<b>Green building certification consultancy</b>		
Highest contract value	1,795	1,795
Lowest contract value	4	11
Average contract value (Note 1)	447	502
Gross profit margin	62.7%	64.1%
Average project duration (Note 2)	1,078 days	1,177 days
Tender success rate (Note 3)	18.6%	11.3%
<b>Sustainability and environmental consultancy</b>		
Highest contract value	1,680	1,680
Lowest contract value	13	4
Average contract value (Note 1)	237	259
Gross profit margin	68.2%	62.7%
Average project duration (Note 2)	727 days	637 days
Tender success rate (Note 3)	19.0%	17.5%

## SUMMARY AND HIGHLIGHTS

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Acoustics, noise and vibration control and audio-visual design consultancy</b>		
Highest contract value	2,150	2,150
Lowest contract value	6	10
Average contract value ( <i>Note 1</i> )	292	292
Gross profit margin	45.8%	48.1%
Average project duration ( <i>Note 2</i> )	791 days	702 days
Tender success rate ( <i>Note 3</i> )	30.8%	26.4%
<b>ESG reporting and consultancy</b>		
Highest contract value	N/A	300
Lowest contract value	N/A	95
Average contract value ( <i>Note 1</i> )	N/A	219
Gross profit margin	N/A	61.8%
Average project duration ( <i>Note 2</i> )	N/A	228 days
Tender success rate ( <i>Note 3</i> )	N/A	21.1%

*Notes:*

1. The average contract value is calculated by dividing the total contract value of all projects by the number of projects undertaken during the year indicated.
2. The average project duration is calculated by dividing the total number of days spent on all projects, upon receiving confirmation of engagement from customers to completion of project, by the number of projects undertaken during the year indicated.
3. The tender success rate is calculated by dividing the total number of contracts awarded by the number of quotations or tenders issued.

### OUR BUSINESS MODEL

#### Our operational flow

Our customers generally contract the consultancy works to us on project basis. We mainly obtain our business opportunities through open tendering and direct invitation for fee quotation.

The table below sets forth the aggregate number and value of new contracts obtained through open tendering and direct invitation for fee quotation and revenue attributable to all contracts we obtained through open tendering and direct invitation for fee quotation for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of new contracts obtained ( <i>Note 1</i> )	97	84
Aggregate value of new contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 1</i> )	23,485	22,450
Revenue attributable to all contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 2</i> )	26,977	31,033
Percentage to the total revenue for the corresponding period	95.2%	95.4%

*Contracts obtained through open tendering*

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of new contracts obtained ( <i>Note 1</i> )	2	2
Aggregate value of new contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 1</i> )	1,740	1,141
Revenue attributable to all contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 2</i> )	1,329	1,321
Percentage to the total revenue for the corresponding period	4.7%	4.1%

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## SUMMARY AND HIGHLIGHTS

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### *Contracts obtained through direct invitation for fee quotation*

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of new contracts obtained ( <i>Note 1</i> )	95	82
Aggregate value of new contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 1</i> )	21,745	21,309
Revenue attributable to all contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 2</i> )	25,648	29,712
Percentage to the total revenue for the corresponding period	90.5%	91.3%

*Notes:*

1. The number and value of contract obtained represent the total number and aggregate value of new contracts obtained by our Group through open tendering and direct invitation for fee quotation in the respective year.
2. The amount represents the revenue attributed by all the contracts, including new contracts, on-going contracts and completed contracts which were obtained by our Group through open tendering and direct invitation for fee quotation.

During the Track Record Period, we entered into 297 contracts which we provided services as a sub-contractor with customers including developers, contractors, architects and designers and engineering companies who may act as the main contractors of construction projects and may have entered into main contracts with project owners. The table below sets forth the number of and revenue attributable to the projects which we provided service as a sub-contractor for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of projects which we provided service as a sub-contractor	223	210 ( <i>Note</i> )
Revenue attributable to the projects obtained in the capacity of a sub-contractor ( <i>HK\$'000</i> )	22,034	24,592
Percentage to the total revenue for the corresponding period	77.7%	75.6%

*Note:* Among these 210 projects, 136 were on-going projects and were brought forward from the year ended 31 March 2015.

During the Track Record Period, we did not have the capacity and did not undertake any project as the main contractor of construction project.

In some cases, we also participate in an “all-inclusive tender” initiated and led by the main contractors or architectural firms which lead the project team of a project in the capacity of main contractor or consultant, respectively. Upon successful award of the tender, we will separately enter into contract in the capacity of subcontractor with the main contractors or consultants, as the case may be. For information on risk associated with providing services as a sub-contractor, please refer to the section headed “Risk Factors – Risks relating to our business – We are subject to risks of termination or other adverse changes of main contracts entered into by our customers with other parties” on pages 32 to 33 of this prospectus. Generally, we receive progress payments from our customers based on the stage of our work done, report delivered or certification awarded, pursuant to the tender documents and contracts for the relevant projects. The duration from origination to completion of a project could range from under one year to over 48 months depending on the size and complexity of the project. We recognise revenue on a progressive basis based on the contracted costs incurred to date as a percentage of total estimated costs over the term of the project. We render most of the core services by our in-house staff and may sub-contract part of the ancillary works to sub-contractors depending on our capacity and resources. Our major cost of services provided comprise direct labour costs for our staff and sub-contractor costs. Please see the section headed “Financial Information – Combined statements of profit or loss and other comprehensive income – Cost of services provided” on pages 240 to 244 of this prospectus for further information.

## SUMMARY AND HIGHLIGHTS

### Our customers

During the Track Record Period, our customers mainly include property developers and owners, government authorities and public bodies, architectural and designer firms and contractors in Hong Kong. For each of the two years ended 31 March 2016, we had 108 and 122 customers, respectively. We have established a stable and long-term relationship with our customers. Our top five customers during the Track Record Period have relationship with us from over nine years to over 20 years. During the Track Record Period, approximately 78.0% of our projects in terms of revenue were derived from recurring customers\*. For further details on our customers, please refer to the section headed “Business – Our customers” on pages 147 to 158 of this prospectus.

The table below sets forth a breakdown of the revenue by customer type for the years indicated:

	Year ended 31 March			
	2015	<i>% to total revenue for the corresponding period (%)</i>	2016	<i>% to total revenue for the corresponding period (%)</i>
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Property developers and owners (Note 1)	10,154	35.8	12,348	37.9
Contractors	9,032	31.9	7,560	23.2
Architects and designers	4,850	17.1	7,085	21.8
Government authority and public bodies	3,297	11.6	4,778	14.7
Others (Note 2)	1,014	3.6	768	2.4
<b>Total</b>	<b>28,347</b>	<b>100.0</b>	<b>32,539</b>	<b>100.0</b>

*Notes:*

1. Owner represents the landlord and property owners.
2. Others mainly refer to professional firms and property management offices.

We have to determine our tender price and service fee of our project at the time of submitting the tender and fee proposal. The tender price and service fee are determined by factors including the scope of works, the estimated length of the project period, the total time cost and sub-contractors cost involved. During the Track Record Period, we had not experienced a material loss in relation to any of our projects due to substantial inaccurate cost estimate or failure to negotiate for additional fee on variation orders.

For each of the two years ended 31 March 2016, our revenue derived from our five largest customers accounted for approximately 37.8% and 33.6% of our total revenue for the corresponding period. For the same period, the aggregate revenue derived from our largest customer accounted for approximately 9.4% and 11.9% of our total revenue for the corresponding period. All of our five largest customers during the Track Record Period are Independent Third Parties.

### Our suppliers

Our suppliers mainly include sub-contractors engaged by us to perform site measurements, laboratory testing, asbestos investigation, ecological study and suppliers of software and technical support. For each of the two years ended 31 March 2016, our sub-contracting costs accounted for approximately 34.8% and 28.8% respectively of our total cost of services provided for the corresponding period.

\* “Recurring customers” refers to customers which engage us for two times or more on the same or different projects.

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## SUMMARY AND HIGHLIGHTS

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We sub-contract our services to our sub-contractors (i) if sub-contracting such services will incur lower cost than we perform such services, such as data collection; (ii) when our in-house staff are almost fully occupied with other duties and do not have capacity to carry out such works; or (iii) when we require laboratory testing services as we do not own our in-house laboratory. Since we may be held liable for the works conducted by our sub-contractors, we have derived a set of measures in monitoring the works performed by our sub-contractors through review of their works and on-site evaluation of our sub-contractors. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint or demand for any kind of compensation from our customers due to quality issue in relation to services provided by us or works performed by our sub-contractors.

For each of the two years ended 31 March 2016, the sub-contracting costs incurred in respect of our five largest suppliers accounted for approximately 83.6% and 83.7% of our total sub-contracting costs incurred for the corresponding period. For the same period, the sub-contracting costs incurred in respect of our largest supplier accounted for approximately 32.7% and 41.2% of our total sub-contracting costs incurred for the corresponding period. Save as Kindle Maple Company Limited (a company controlled by Ms. Grace Kwok) and Man Acoustics Limited (a company controlled by Dr. James Wong) and Dr. James Wong, all of our five largest suppliers during the Track Record Period are Independent Third Parties.

### Marketing and promotion

We adopt direct marketing strategies and keep contacts with our existing customers and keep them informed of our recent developments through our website, social networking media and e-mails. We also promote our Group through sponsorship for and participation in industry conferences. Our executive Director also promotes our Group through delivering presentations and organising seminars to our customers.

### OUR INDUSTRY

According to the F&S Report, the environmental consultancy services market in Hong Kong is fragmented. In particular, there are over 300 players in the entire environmental consultancy services market of Hong Kong.

The (a) green building certification consultancy; (b) sustainability and environmental consultancy; (c) acoustics, noise and vibration control and audio-visual design consultancy; and (d) ESG reporting and consultancy, is aggregate represented 42.6% of the entire environmental consultancy market in Hong Kong in 2015, in terms of revenue contribution. For details of the different segments in the environmental consultancy services market in Hong Kong, please refer to the section headed “Industry Overview – Environmental consultancy services” on pages 55 to 57 of this prospectus.

### COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and distinguish us from our competitors:

- We have provided services to a broad range of customers consisting of government authorities, academic institutions, property developers, architects and designers as well as contractors and we have been able to secure new business from some of our major customers from time to time on a project-by-project basis through bidding
- We have a well-established presence and proven track records in the industry
- We are able to provide a wide spectrum of consultancy services
- We have experienced management personnel and professional consultancy in-house team
- We are a local consulting company which enables us to establish close business connections with our customers and partners based in Hong Kong

Please refer to the section headed “Business – Our competitive strengths” from pages 105 to 108 of this prospectus.

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## SUMMARY AND HIGHLIGHTS

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### OUR BUSINESS STRATEGIES AND OBJECTIVES

Our business objective is to maintain a sustainable growth in our existing business and to be one of the leading service providers by pursuing the following strategies:

- Expand into the PRC market through establishment of subsidiaries, co-operation with other third parties and/or acquisitions
- Further expand and develop the ESG reporting and consultancy
- Further strengthen and expand our in-house team of professional staff
- Expansion through mergers and acquisitions in Hong Kong

Please refer to the section headed “Business – Our business strategies and objectives” from pages 108 to 112 of this prospectus.

### RISK FACTORS

There are risks associated with our business and investment in the Placing. These risks include (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong; and (iv) risks relating to the Shares and the Placing. Some of the particular risks are set out in the section headed “Risk Factors” from pages 27 to 43 of this prospectus.

The following highlights some of the risks which our Directors consider to be material:

- Over 90% of our revenue were derived from projects awarded through bidding which are not recurrent in nature and there is no assurance that our customers will provide us new businesses
- Our pricing and revenue recognition are determined based on the estimated time and costs to be involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results
- Our customers pay us by way of progress payment and there is no guarantee that progress payment is paid to us on time and in full. Our failure to bill the contract works and eventually collect the accounts receivable on a timely basis will adversely affect our financial conditions and may result in impairment loss for such accounts receivables
- We may not be able to secure or retain experienced and competent management personnel and employees of our operations
- We engage sub-contractors on our own to carry out certain parts of our project works which accounted for about 30% of our cost of services provided and the work performance of the sub-contractors may be beyond our control
- We rely on the maintenance of business relationship with our top five customers which accounted for over 30% of our total revenue
- We may not be able to timely respond to changes in the rating requirements and credits by a certification organisation/institution and environmental regulations and this may adversely affect our operational results

### SUMMARY OF FINANCIAL INFORMATION

The following tables present the summary combined financial information of our Group. The summary of combined statements of profit or loss and other comprehensive income information for each of the two years ended 31 March 2016 and the summary of combined statements of cash flows information for each of the two years ended 31 March 2016 are derived from, and should be read in conjunction with, our combined financial information, including the notes thereto, set out in the Accountants’ Report in Appendix I to this prospectus.

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## SUMMARY AND HIGHLIGHTS

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### Summary of combined statements of profit or loss and other comprehensive income information

	Year ended 31 March	
	2015 HK\$'000	2016 HK\$'000
Revenue	28,347	32,539
Gross profit	17,576	20,043
Gross profit margin	62.0%	61.6%
Profit before tax	12,057	7,607*
Profit and total comprehensive income for the year	9,997	5,448*
Net profit margin	35.3%	16.7%*

\* After charging of Listing expenses of approximately HK\$5.4 million.

Our total revenue increased by approximately HK\$4.2 million or 14.8% from approximately HK\$28.3 million for the year ended 31 March 2015 to approximately HK\$32.5 million for the year ended 31 March 2016. Our gross profit increased by approximately HK\$2.4 million, or 14.0% from approximately HK\$17.6 million for the year ended 31 March 2015 to approximately HK\$20.0 million for the year ended 31 March 2016 which was primarily due to the increase in gross profit of green building certification consultancy, resulting from the increase in revenue recognised primarily due to the substantial progress of the contracted services work for our on-going green building certification consultancy projects attained during the year ended 31 March 2016. Our gross profit margin remained relatively stable at approximately 62.0% for the year ended 31 March 2015 and approximately 61.6% for the year ended 31 March 2016. Our profit for the year decreased by approximately HK\$4.6 million or 45.5% from approximately HK\$10.0 million for the year ended 31 March 2015 to approximately HK\$5.4 million for the year ended 31 March 2016, and our net profit margin decreased from approximately 35.3% for the year ended 31 March 2015 to approximately 16.7% for the year ended 31 March 2016, which was primarily attributable by the increase in administrative expenses by approximately HK\$2.0 million or 37.8% from approximately HK\$5.3 million for the year ended 31 March 2015 to approximately HK\$7.3 million for the year ended 31 March 2016, and the increase in Listing expenses of approximately HK\$5.4 million, which is non-recurring, for the year ended 31 March 2016. The increase in administrative expenses was due to the full year effect of the increase in rental expenses of approximately HK\$0.7 million for a new office since December 2014, and the increase in staff costs resulted from salary increment and increase in headcounts of approximately HK\$0.6 million for the year ended 31 March 2016. For further information, please refer to the section headed “Financial Information – Year to year comparison of results of operations” of this prospectus.

### Summary of combined statements of financial position information

	As at 31 March	
	2015 HK\$'000	2016 HK\$'000
Total current assets	36,421	50,146
Total current liabilities	7,289	6,588
Net current assets	29,132	43,558

We recorded net current assets of approximately HK\$29.1 million and HK\$43.6 million as at 31 March 2015 and 2016 respectively. We recorded increase in net current assets position as at 31 March 2016, as compared to 31 March 2015 due to an increase in contract assets of approximately HK\$9.2 million and a decrease in contract liabilities of approximately HK\$2.7 million, an increase in cash and cash equivalents of approximately HK\$5.9 million and a decrease in accounts receivable of approximately HK\$4.0 million. For further information, please refer to the section headed “Financial Information – Net current assets” of this prospectus.

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## SUMMARY AND HIGHLIGHTS

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### Summary of combined statements of cash flows information

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Cash generated from operating activities before changes in working capital	12,583	7,607 <sup>Note 1</sup>
Net cash generated from/(used in) operating activities	4,439	(3,097)
Net cash used in investing activities	(247)	(221)
Net cash generated from financing activities	8,207	9,202
Net increase in cash and cash equivalents	12,399	5,884
Cash and cash equivalents at the end of year	12,959	18,843

*Notes:*

1. The amount is derived from the profit before tax for the year ended 31 March 2016 after charging of Listing expenses of approximately HK\$5.4 million.
2. The amount represented net cash used in operating activities after Listing expenses. The amount of net cash generated from operating activities amounted to approximately HK\$2.3 million before the charging of Listing expenses of approximately HK\$5.4 million.

Our cash generated from operating activities before changes in working capital decreased from approximately HK\$12.6 million for the year ended 31 March 2015 to approximately HK\$7.6 million for the year ended 31 March 2016, resulting from the charging of Listing expenses of approximately HK\$5.4 million to the profit before income tax during the year ended 31 March 2016.

Our cash generated from operations for the year ended 31 March 2015 reflects our profit before income tax and working capital changes of approximately HK\$12.6 million and net of the working capital outflows of approximately HK\$6.0 million primarily resulting from the increase in accounts receivable of approximately HK\$3.9 million which was driven by the prolonged negotiation process with our customers and the decrease in accounts payable of approximately HK\$3.2 million which was driven by the late billing from a major subcontractor, and offset by the increase in other payables of approximately HK\$1.2 million which was driven by an accrual for the amount payable to a sub-contractor resulting from the late billing by that sub-contractor, and the increase in contract liabilities of approximately HK\$0.9 million which was driven by the increase in the revenue recognised for our work performed to projects in which billings were made in advance for the year ended 31 March 2015.

Our cash used in operations for the year ended 31 March 2016 reflects our profit before income tax and working capital changes of approximately HK\$7.6 million and net of the working capital outflows of approximately HK\$10.6 million primarily resulting from the increase in contract assets of approximately HK\$9.2 million which was driven by the increase in our work performed in relation to green building certification consultancy projects with relatively larger contract sum before reaching the respective billing milestone for the year ended 31 March 2016, and the decrease in contract liabilities of approximately HK\$2.7 million, offset by the decrease in accounts receivable of approximately HK\$3.7 million which was mainly driven by the implementation of a better receivable collection procedure since April 2015. As a result of the above factors, we had a negative operating cash flow during the year ended 31 March 2016.

Our net cash used in investing activities for the two years ended 31 March 2015 and 2016 were due to the additions of office equipment, including accounting system, servers, design software and computers.

Our net cash generated from financing activities for the year ended 31 March 2015 was primarily due to the capital contributions by the Controlling Shareholder of approximately HK\$11.0 million after receiving funds from First Tranche Pre-IPO Investors, offset by the payment of dividend of approximately HK\$2.7 million. Our net cash generated from financing activities for the year ended 31 March 2016 was primarily due to the capital contribution by the Second Tranche Pre-IPO Investor of approximately HK\$10.9 million, offset by payment of expenses relating to placing of shares of approximately HK\$0.9 million and repayment of amount due to a director of approximately HK\$0.7 million.



## SUMMARY AND HIGHLIGHTS

Below sets out our key financial ratios for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Return on equity (%)	36.4	12.4
Return on total assets (%)	27.0	10.8
Interest coverage ratio ( <i>times</i> )	928.5	692.5
	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
Gearing ratio (%)	0.3	0
Net debt to equity ratio (%)	Net cash	Net cash
Current ratio	5.0	7.6
Quick ratio	5.0	7.6

Our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus, taking into account the financial resources presently available to us, including the estimated net proceeds from the Placing, available banking facilities and cash flows from our operations.

### RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

#### New and completed projects

Subsequent to 31 March 2016 and up to the Latest Practicable Date, we have been awarded 18 and completed eight green building certification consultancy projects, awarded 20 and completed nine sustainability and environmental consultancy projects, awarded 14 and completed four acoustics, noise and vibration control and audio-visual design consultancy projects, and awarded 13 and completed three ESG reporting and consultancy projects, with total contract value of projects awarded of approximately HK\$11.6 million, and we have submitted tenders and quotations in respect of 100 green building certification consultancy projects, 126 sustainability and environmental consultancy projects, and 25 acoustics, noise and vibration control and audio-visual design consultancy projects, and 36 ESG reporting and consultancy projects, with total tender sum of approximately HK\$146.7 million.

#### Project backlog

Backlog represents projects that had been secured and remain to be completed as of a certain date. The table below sets forth the breakdown of the backlog, the range and average contract value and expected duration of our on-going projects by segments as at the Latest Practicable Date:

	<b>As at the Latest Practicable Date</b>			
	<b>Green building certification consultancy</b>	<b>Sustainability and environmental consultancy</b>	<b>Acoustics, noise and vibration control and audio-visual design consultancy</b>	<b>ESG reporting and consultancy</b>
Number of on-going projects in the backlog	118	54	38	14
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total contract sum ( <i>Note 1</i> )	58,531	17,766	12,793	2,486
Aggregate value of projects backlog ( <i>Note 2</i> )	22,649	10,601	3,839	1,745
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2017	11,747	4,971	1,648	842
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2018	6,514	2,661	1,539	759

## SUMMARY AND HIGHLIGHTS

	As at the Latest Practicable Date			
	Green building certification consultancy <i>HK\$'000</i>	Sustainability and environmental consultancy <i>HK\$'000</i>	Acoustics, noise and vibration control and audio-visual design consultancy <i>HK\$'000</i>	ESG reporting and consultancy <i>HK\$'000</i>
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2019	1,903	1,409	330	144
Estimated amount of projects backlog revenue that will be recognised after the year ending 31 March 2019	2,485	1,560	322	–
Highest contract value ( <i>Note 3</i> )	1,100	1,280	406	305
Lowest contract value ( <i>Note 3</i> )	1 ( <i>Note 6</i> )	6	1 ( <i>Note 6</i> )	49
Average contract value ( <i>Note 4</i> )	189	204	104	125
Expected average project duration ( <i>Note 5</i> )	363 days	319 days	298 days	350 days

*Notes:*

- Total contract sum represents the total contract value of the project backlog.
- Aggregate value of project means the total contract value for the remaining work of the project before the percentage of completion of such projects reach 100% as of the end of the relevant year.
- The highest/lowest contract value represents the outstanding contract value of our on-going projects in the backlog as at the Latest Practicable Date.
- The average contract value is calculated by dividing the aggregate value of our project backlog by the number of on-going projects in the backlog as at the Latest Practicable Date.
- The expected average project duration is calculated by dividing the total number of days expected to be spent on our project backlog, to expected completion date of project, by the number of on-going projects in the backlog as at the Latest Practicable Date.
- There are some projects we have substantially completed which are pending final approval or certification, thus the backlog contract value remains approximately HK\$1,000.

We confirm that from 31 March 2016 and up to the Latest Practicable Date, there has been no material interruption to our business and there has been no material interruption to our business and no material adverse change in the financial condition and market condition in the environmental consultancy industry in Hong Kong, the PRC and Macau.

Our Directors confirm that, since 31 March 2016 and up to the date of this prospectus, save as disclosed above, there has been no adverse change in our business, financial or market position or prospects and no event has occurred that would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

### SHAREHOLDERS' INFORMATION

Immediately following completion of the Placing and the Capitalisation Issue, Gold Investments will be interested in approximately 60.14% of the issued share capital of our Company. Hence, Gold Investments, Ms. Grace Kwok and Mr. Wu Dennis Pak Kit will be our Controlling Shareholders. We have undergone two tranches of pre-IPO investments and raised approximately HK\$20.7 million. Please refer to the sections headed "History, Development and Reorganisation – The First Tranche Pre-IPO Investments" and "History, Development and Reorganisation – The Second Tranche Pre-IPO Investment" from pages 93 to 102 respectively for details of the Pre-IPO Investors.

To demonstrate the commitment to our Group, our Controlling Shareholders have voluntarily undertaken to the Stock Exchange and us that they will not (a) dispose of our Shares for a period of the first 24 months after the Listing Date; and (b) within the further 12 months

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## SUMMARY AND HIGHLIGHTS

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commencing on the expiry of the first 24-month period, dispose of our Shares which will result in any of our Controlling Shareholders cease to hold over 30% interests. Further details of such undertakings are set out under the section headed “Underwriting – Underwriting arrangements and expenses – Other undertakings” on pages 291 to 295 of this prospectus.

The First Tranche Pre-IPO Investors undertake that they shall not dispose of their Shares within three years from the completion date of the First Tranche Pre-IPO Agreements so long as Ms. Grace Kwok remaining as one of the directors and the single largest shareholder, directly or through Gold Investments, of our Company.

Our Directors are of the view that as of the Latest Practicable Date, none of our Controlling Shareholders or any of their respective close associates had any interests in any business, apart from the business operated by our Group, that competes or is likely to compete, directly or indirectly, with our business.

### PLACING STATISTICS

We have prepared the following offer statistics on the basis of indicative Placing Prices without taking into account the 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

	<b>Based on Placing Price per Share of HK\$0.22</b>	<b>Based on Placing Price per Share of HK\$0.28</b>
Market capitalisation of our Shares	HK\$264.0 million	HK\$336.0 million
Unaudited pro forma adjusted net tangible asset value per Share	HK\$0.06	HK\$0.07

*Notes:*

- (1) The calculation of our market capitalisation upon completion of the Placing is based on the assumption that 1,200,000,000 Shares will be in issue and outstanding immediately following the completion of the Placing.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information – Unaudited Pro Forma Adjusted Combined Net Tangible Assets” set out on page II-1 of Appendix II in this prospectus and on the basis of a total of 1,200,000,000 Shares in issue immediately following the Placing.

### DIVIDEND

During the year ended 31 March 2015, we declared dividend of approximately HK\$3.6 million. On 13 June 2016, we declared a dividend of HK\$2.8 million to our then shareholders, which is expected to be paid in October 2016 out of internal funds.

As at the Latest Practicable Date, we did not have any pre-determined dividend payout ratio. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any historical declarations of dividends may or may not reflect our future declarations of dividends after the year ended 31 March 2016, which will be the absolute discretion of our Directors. For additional details regarding dividends paid by us and the factors taken into account for declarations of dividends, please refer to the section headed “Financial Information – Dividend” from pages 270 to 271 in this prospectus.

### FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Placing, assuming a Placing Price of HK\$0.25 per Placing Share (being the mid-point of the Placing Price range stated in this prospectus), are estimated to be approximately HK\$28.7 million. Underwriting fees and commissions and estimated expenses

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## SUMMARY AND HIGHLIGHTS

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payable by us in connection with the Placing will be funded by our Group's internal funding. We intend to use the net proceeds of the Placing for the following purposes:

<b>Amount of proceeds (%)</b>	<b>Use of proceeds</b>
HK\$11.48 million (40.0%)	For establishment of subsidiaries, co-operation with other third parties, and/or acquisition in order to expand to PRC market
HK\$5.74 million (20.0%)	For expansion through mergers and acquisitions of companies in Hong Kong
HK\$5.74 million (20.0%)	For developing business on ESG reporting and consultancy
HK\$4.30 million (15.0%)	For expansion of our in-house professional team
HK\$1.44 million (5.0%)	For working capital and other general corporate purpose

For details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" from pages 274 to 286 of this prospectus.

### REASONS FOR THE PLACING

We are in need of funds to support our expansion and implementation plan and our Directors believe that net proceeds from the Placing will be able to finance part of our financial needs in this regard by maintaining our Group's gearing ratio at a low level. Our Directors believe that the Placing will bring us with benefits including providing an access to the capital market to further raise fund to support our future growth and development, assist us in positioning our Group as a reliable business partner of our customers, bringing us in line with our international competitors and enhance our competitiveness. Additionally, as a listed company, we will be able to award our staff through the grant of options under the Share Option Scheme and this will provide us the competitive edge in retaining experienced and qualified professionals. Please refer to the section headed "Future Plans and Use of Proceeds – Reasons for the Placing" from pages 274 to 277 of this prospectus for details of the reasons for the Placing.

### FAILURE ON TAX REGISTRATION IN MACAU AND POTENTIAL PRC TAX EXPOSURES

During the Track Record Period, we failed to register with the Macau Finance Bureau for taxation purpose under Article 9 of the Macau Industrial Contribution Regulation. We may also expose to PRC EIT and VAT for projects located in the PRC. On 18 September 2015, AEC Hong Kong has duly registered with the Macau Finance Bureau for taxation purpose. Please refer to the sections headed "Business – Potential PRC tax exposures" and "Business – Failure to register with the Macau Finance Bureau" from pages 178 to 180 of this prospectus.

### LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new shares are recognised and directly deducted from equity while any expenses attributable to listing of existing Shares are charged to profit or loss in the period in which the expenses are incurred. The total expenses for the Listing are estimated to be approximately HK\$22.3 million (based on the Placing price of HK\$0.25, being the midpoint of the indicative Placing Price range of HK\$0.22 to HK\$0.28 per Placing Share), of which approximately HK\$5.4 million is directly attributable to the issue of new Shares in the Placing and to be accounted for as a deduction from equity and approximately HK\$5.4 million of the Listing expenses was charged to profit or loss for the year ended 31 March 2016 and the remaining amount is expected to be charged to profit or loss for the year ending 31 March 2017. Please refer to the section headed "Risk Factors – Risks relating to our business – We experienced a negative impact on our financial results, including the net profit and net profit margin of our Group for the year ended 31 March 2016 comparing to the year ended 31 March 2015 due to the non-recurring Listing expenses. Our net profit was approximately HK\$10.0 million and HK\$5.4 million for each of the two years ended 31 March 2016, respectively and our financial results for the year ending 31 March 2017 would be adversely affected by the Listing expenses and we will have a thin net profit margin or even incur a net loss for the year ending 31 March 2017" on page 32 of this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.*

“AEC BVI”	AEC Group Limited (沛然集團有限公司), a company incorporated in the BVI with limited liability on 30 January 2015 and is our direct wholly-owned subsidiary
“AEC China”	AEC China Development Limited (沛然中國發展有限公司), a company incorporated in Hong Kong on 30 November 2015 and is our wholly-owned subsidiary
“AEC Hong Kong”	Allied Environmental Consultants Limited (沛然環境評估工程顧問有限公司), a company incorporated in Hong Kong on 15 September 1994 and is our indirect wholly-owned subsidiary
“Allied Sustainability”	Allied Sustainability Consultants Limited (沛然可持續顧問有限公司), a company incorporated in Hong Kong on 30 November 2015 and is our wholly-owned subsidiary
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on 23 September 2016 and to take effect on the Listing Date as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are open for general banking transactions
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information – Further information about our Company and its subsidiaries – Resolutions in writing of all our Shareholders passed on 23 September 2016” in Appendix IV to this prospectus

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## DEFINITIONS

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“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 a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Companies (WUAM) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of our Board, which as at the date of this prospectus consist of Ms. Grace Kwok, Mr. Wu Dennis Pak Kit and Gold Investments
“core connected person”	has the meaning ascribed to in under Chapter 1 of the GEM Listing Rules

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## DEFINITIONS

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“Deed of Indemnity”	a deed of indemnity dated 23 September 2016 entered into between the Controlling Shareholders and our Company as referred to in the section headed “Statutory and General Information – Other information – Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 23 September 2016 given by each of the Controlling Shareholders in favour of our Company as set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings” of this prospectus
“Director(s)”	the director(s) of our Company as at the date of this prospectus
“Dr. James Wong”	Wong Wing Ho James (黃永豪), our Shareholder and honourable adviser
“EOI”	expression of interest
“ESG”	environmental, social and governance
“ESG Guide”	the environmental, social and governance reporting guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange and Appendix 20 to the GEM Listing Rules
“First Tranche Pre-IPO Investments”	the pre-IPO investments made by the First Tranche Pre-IPO Investors, details of which are set out in the section headed “History, Development and Reorganisation – The First Tranche Pre-IPO Investments” of this prospectus
“First Tranche Pre-IPO Investors”	Allied Investments Limited, Mr. Lee Ho Leung William, Ms. Siu Siu Yuk and Mr. Choi Kwok Keung, background information of which are set forth in the section headed “History, Development and Reorganisation – The First Tranche Pre-IPO Investments – Background of the First Tranche Pre-IPO Investors” of this prospectus
“F&S Report”	the report entitled “Sustainability and Environmental Consultancy, Acoustics, Noise and Vibration Control and Audio-Visual Design Consultancy and Green Building Certification Consultancy Industry Independent Market Research of Hong Kong, Macau and China” dated 27 September 2016 issued by Frost & Sullivan
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market operated by the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GFA”	gross floor area
“Gold Investments”	Gold Investments Limited, a company incorporated in the BVI on 13 April 2015 and is held as to 70% by Ms. Grace Kwok and 30% by Mr. Wu Dennis Pak Kit and is one of our Controlling Shareholders
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of their respective associates
“Latest Practicable Date”	21 September 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date expected to be on or about 17 October 2016, on which the Shares are listed and from which dealings therein are permitted to take place on GEM
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Legal Adviser”	Rato, Ling, Lei & Cortés, Advogados, our legal adviser as to Macau law



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## DEFINITIONS

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“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, adopted on 23 September 2016, as supplemented, amended or otherwise modified from time to time
“Ministry of Finance” or “MOF”	the PRC Ministry of Finance (中華人民共和國財政部)
“MOP”	Macau Pataca, the lawful currency of Macau
“Ms. Grace Kwok”	Kwok May Han Grace (郭美珩), our Controlling Shareholder and executive Director
“National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
“Nomination Committee”	the nomination committee of our Board
“Placing”	the conditional placing by the Sole Bookrunner (for itself and on behalf of other Underwriters) of the Placing Shares for cash at the Placing Price, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$0.28 at which the Placing Shares are to be subscribed for and issued pursuant to the Placing, to be determined as further described in the section headed “Structure and Conditions of the Placing – Placing Price” in this prospectus
“Placing Shares”	204,000,000 new Shares being initially offered by our Company pursuant to the Placing subject to terms and conditions as described in the section headed “Structure and Conditions of the Placing” in this prospectus
“PRC Company Law”	the Company Law of the PRC 《中華人民共和國公司法》, as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December, 1993 and effective on 1 July, 1994, as amended, supplemented or otherwise modified from time to time
“PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

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## DEFINITIONS

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“PRC Legal Adviser”	Grandall Law Firm (Shanghai), our legal adviser as to the laws of the PRC
“Pre-IPO Investors”	the First Tranche Pre-IPO Investors and the Second Tranche Pre-IPO Investor
“Price Determination Date”	the date, expected to be on or around Friday, 7 October 2016 but no later than Tuesday, 11 October 2016, on which the Placing Price is to be fixed by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) for the purposes of the Placing
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation arrangements we have undergone in preparation for the listing of our Shares on GEM which are more particularly described in the section headed “History, Development and Reorganisation” to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by the Shareholders, particulars of which are set out in the section headed “Statutory and General Information – Further information about our Company and its subsidiaries – Repurchase of Shares by our Company” in Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Second Tranche Pre-IPO Investment”	the pre-IPO investments made by the Second Tranche Pre-IPO Investor, details of which are set out in the section headed “History, Development and Reorganisation – The Second Tranche Pre-IPO Investment” of this prospectus
“Second Tranche Pre-IPO Investor” or “City Beat”	City Beat Limited, a company incorporated in the BVI on 18 February 2015, details of which are set out in the section headed “History, Development and Reorganisation – Background of the Second Tranche Pre-IPO Investor” of this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 23 September 2016, the principal terms of which are summarised in the section headed “Statutory and General Information – Other information – Share Option Scheme” in Appendix IV to this prospectus

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## DEFINITIONS

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“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s)
“Sole Bookrunner” or “Sole Lead Manager”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Sole Sponsor” or “Guotai Junan Capital”	Guotai Junan Capital Limited, a licenced corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Track Record Period”	the period comprising the two financial years ended 31 March 2016
“Underwriters”	the Underwriters to the Placing whose names are set out in the paragraph headed “Underwriters” in the section headed “Underwriting” of this prospectus
“Underwriting Agreement”	the underwriting agreement dated 29 September 2016 made between our Company, our executive Director, our non-executive Director, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters relating to the Placing, brief particulars of which are summarised in the section headed “Underwriting” in this prospectus
“United States”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

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## DEFINITIONS

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“we”, “us”, “our”, “our Company”, and “our Group”	Allied Sustainability and Environmental Consultants Group Limited 沛然環保顧問有限公司*, incorporated as an exempted company with limited liability in the Cayman Islands on 11 November 2015 and, unless the context otherwise requires, all of its subsidiaries, or where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
“%”	per cent

*Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.*

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

*In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at the then prevailing exchange rates. The exchange rates used in this prospectus is for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.*

*The English names of PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are for identification purpose only.*

\* For identification purpose only

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## GLOSSARY

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*This glossary contains an explanation of certain technical terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

“Association of Energy Engineers”	a non-profit professional society founded in 1977 of 17,500 professionals in 98 countries with a mission to promote the scientific and educational interests of those engaged in the energy industry and to foster action for sustainable development
“BEAM”	the Building Environmental Assessment Method, which is a comprehensive standard and the leading initiative in Hong Kong to assess, improve, certify and label the performance of buildings of all types. It has been developed to set criteria for exemplary performance in buildings verified independently, and acknowledged by the issuing of certification
“BEAM Plus”	the BEAM standard further developed in 2010 to meet higher expectation of the public and community. BEAM Plus evaluation currently covers building interiors, new buildings, and existing buildings
“BEAM Professionals”	green building professionals accredited by the Hong Kong Green Building Council in various aspects of the entire green building life cycle
“built environment”	the human-made surroundings that provide the setting for human activity
“China GBL”	the China Green Building Label, which is a rating system for building sustainability in the PRC issued and managed by the PRC government. In 2008, China GBL was further developed into two separate certification labels: one being the Green Building Design Label for buildings in the design stage, and the other being the Green Building Operation Label for buildings in the operation stage
“Green Building Faculty”	a pool of experienced experts who are available to support the Hong Kong Green Building Council Limited and BEAM Society Limited. Such support may include task force work related to green building initiatives, acting as members in BEAM Expert Panels, providing expert advice on green building related matters, adjudication of BEAM Plus Final Appeals and various other kinds of pro bono services

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## GLOSSARY

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“Hong Kong Green Building Council Limited”	a non-profit, member led organisation established in 2009 which strives to promote the standards and developments of sustainable buildings in Hong Kong
“Hong Kong Institute of Acoustics”	an institute founded in 1993 in Hong Kong by a group of local acousticians which aims to promote the knowledge and practice of acoustics and also maintain and present the integrity and status of the profession to the public and the government
“Hong Kong Institute of Environmental Impact Assessment”	a professional institute founded in 1996 with an objective to promote the advancement of the knowledge and management of environmental impact assessment and to facilitate the exchange of ideas, knowledge and information on environmental impact assessment process by means of meetings and publications
“Hong Kong Institute of Qualified Environmental Professionals Limited”	a company established in 2015 by a group of environmental experts hailing from across the public sectors and private sectors and environmental professional institutions to support Hong Kong’s reputation and position as an international leader in environmental management, and in ensuring the quality of work contractor generally across the growing environmental field in Hong Kong and the Pearl River Delta
“ISO 9001”	a set of internationally agreed standards that provide guidelines for quality management
“ISO 14001”	a set of internationally agreed standards that provide guidelines for environmental management
“LEED”	the Leadership in Energy and Environmental Design, which is a global green building certification system developed and issued by the U.S. Green Building Council that provides third-party verification of the features, design, construction, maintenance, operation and effectiveness of green buildings
“LEED Accredited Professionals”	individuals who maintain a LEED professional credential
“U.S. Green Building Council”	a non-profit membership-based organisation established in 1993 that promotes sustainability in buildings design, construction and operation

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “aim”, “intend”, “project”, “anticipate”, “seek”, “may”, “will”, “would” and “could” or similar words or statements, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors described in this prospectus, and the following:

- our business and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions in Hong Kong and PRC;
- changes to regulatory and operating conditions in the industries and markets in which we operate including the Hong Kong and PRC Market;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in the section headed “Financial information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other factors beyond our Group’s control.

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## **FORWARD-LOOKING STATEMENTS**

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We caution you that, 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 out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.



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## RISK FACTORS

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*Potential investors of the Placing Shares should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decisions in relation to our Company. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the market price of the Placing Shares could fall significantly and you may lose all or part of your investment.*

*This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this prospectus. Factors that could cause or contribute to such differences are set out below as well as in other parts in this prospectus.*

### RISKS RELATING TO OUR BUSINESS

**Over 90% of our revenue were derived from projects awarded through bidding which are not recurrent in nature and there is no assurance that our customers will provide us with new businesses**

Our revenue is mainly derived from projects which are non-recurrent in nature. Our customers are not obliged to award projects to us as we have to bid for new businesses on a project-by-project basis. As such, there is no guarantee that we will be able to secure new businesses from customers. Accordingly, the number and scale of projects and the amount of revenue we are able to secure may vary significantly from period to period, and it may be difficult to forecast the volume of future business accurately.

In addition, almost all of our new businesses during the Track Record Period were obtained through bidding in direct invitation for quotation by customers and open tendering process. Our revenue derived from contracts awarded through bidding accounted for approximately 95.2% and 95.4%, respectively of our total revenue for each of the two years ended 31 March 2016. Our success rate on bidding depends on a range of factors, including but not limited to our price, experience, quality of our services and our performance ratings in the internal rating systems of the customers according to the past projects. We may or may not meet the bidding requirements set by our customers from time to time. Even if we are able to meet the prerequisite requirements for bidding, our bids may or may not be selected by our customers and thus our business and financial positions may be adversely affected. Additionally, if we fail to maintain our relationship with our customers or if we fail to remain on the approved list of service providers of the relevant government authority and our customers or if we are unable to maintain our service quality, corporate image or reputation in the industry, our ability to obtain new businesses and thus our business and financial positions may be adversely and materially affected.

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## RISK FACTORS

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**Our pricing and revenue recognition are determined based on the estimated time and costs to be involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results**

Our contracts are normally awarded to us through tendering process or direct invitation for fee quotation. We have to determine the tender price and service fee of our project at the time of submitting the tender and fee proposal. The tender price and service fee are determined by factors including the scope of works, the estimated length of the project period, the total time cost and sub-contractors cost involved. In general, most of our projects are priced on fixed costs based on a pre-agreed scope of works and our estimation of time cost and sub-contractors cost involved. We are typically responsible for all of our costs including those of sub-contractors, and our ability to achieve our target profitability on any project is, to a large extent, dependent on our ability to accurately estimate and control these costs.

The actual time taken and costs incurred in completing our projects may be adversely affected by many factors which may be beyond our control such as delay in deliverables by sub-contractors, changes in project scope or conditions, extended construction period, unforeseen technical constraints or circumstances and change in customers' requests. Any of these can result in delays in completion of our projects or costs overrun. There is no assurance that the actual amount of time and costs would not exceed our estimation during the implementation of our projects. Any material inaccurate estimation in the time and costs involved in a project may cause the gross profit realised from a contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids and fee proposals, and in turn adversely affect our profit margin and results of operations. Failure to complete a project according to the project specifications and quality standard on a timely basis may also result in disputes, contract termination, liabilities and/or lower returns than anticipated on the project concerned. Such delays or failures to complete and/or unilateral termination of projects by our customers will in turn affect our reputation and have material adverse effect on our business operations and financial results.

**Our customers pay us by way of progress payment and there is no guarantee that progress payment is paid to us on time and in full. Our failure to bill the contract works and eventually collect the accounts receivable on a timely basis will adversely affect our financial conditions and may result in impairment loss for such accounts receivable**

We normally receive progress payments from our customers with reference to the stages of our services rendered, typically from concept design to issuance of final reports according to the terms as stipulated in the project agreements. Our average accounts receivable turnover days for each of the two years ended 31 March 2016 were approximately 150 days and 129 days, respectively. There can be no assurance that progress payment will be paid to us on time and in full upon completion of each stage of our services. Any failure by our customers to make payment on time and in full may have an adverse effect on our future liquidity position.

Accounts receivable primarily comprised amounts billed to our customers for services already provided but have not yet been collected. In general, we bill our customers upon we deliver our reports or deliverables to our customers. As at 31 March 2015 and 2016, our accounts receivables amounted to approximately HK\$13.4 million and HK\$9.4 million, respectively. For each of the two years ended 31 March 2016, we recognised impairment provision of approximately HK\$0.2 million and HK\$0.6 million, respectively. As at 31 March 2015 and 2016, our

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## RISK FACTORS

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contract assets amounted to approximately HK\$8.2 million and HK\$17.4 million, respectively. Should we fail to bill the contract works and eventually collect any accounts receivable on a timely basis, and according to our impairment policy, provisions for such uncollected accounts receivable have to be made, our financial results and liquidity may be adversely affected.

### **We may not be able to secure or retain experienced and competent management personnel and employees for our operations**

The success of our Group depends to a large extent on the continued efforts of our executive Director, non-executive Director, senior management and other professional staff including the project directors of our Group as a whole. Ms. Grace Kwok, our executive Director, is responsible for the overall planning, management and strategic development of and overseeing the operations of our business, while Mr. Wu Dennis Pak Kit, our non-executive Director, is responsible for strategic development and financial planning of our Group. Our principal consultants, Mr. Ho Tin Kit and Mr. Sze Wing Hong, and associate director Mr. Ip Chee Wang Rodney, are responsible for acoustics, environment and green building project management, coordination with various parties and progress monitoring. Mr. Chan Chi Kee Henry, our associate director, is responsible for acoustics, environmental and green building project management, coordination with various parties and progress monitoring. For details of our executive Director, non-executive Director and senior management, please see the section headed “Directors and Senior Management” in this prospectus. There is no assurance that these key executives or personnel will not terminate their employment with our Group. If any of these executive Director, non-executive Director or senior management ceases to be involved in the management of our Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business and results of operations of our Group. The loss of service of any of the above mentioned personnel without a suitable and timely replacement or the inability to attract and retain other professional staff could adversely affect our Group’s ongoing success, and hence, our Group’s revenue and results of operations.

We believe hiring, motivating and retaining experienced employees are critical to our success. Our success depends, to certain extent, upon our ability to attract, retain and motivate a sufficient number of experienced and competent employees in order to manage our existing operations as well as our future growth. Our in-house consultancy team comprises BEAM Professionals, LEED Accredited Professionals, member of Hong Kong Institute of Acoustics and UK Institute of Acoustics, Registered Professional Engineer, Certified Carbon Auditor Professional and Registered Energy Assessor, the Institute of Acoustics UK, the Chartered Institution of Water and Environmental Management, the Association for Project Management UK, the Hong Kong Institute of Environmental Impact Assessment and the Institution of Mechanical Engineers. We plan to develop and implement a number of employee recruiting and retention incentives to attract, retain and motivate a sufficient number of qualified employees for our business operation and planned expansion. We offer on-job meetings and seminars on a monthly basis and provide recruitment training to our new employees. If we cannot successfully implement all or any of these incentives or, if implemented, these incentives do not achieve the intended benefits generally or within our desired timeframe, we may not be able to successfully recruit, motivate and retain sufficient number of employees with the necessary professional qualifications at commercially reasonable costs, or at all. Our failure to have and retain enough qualified employees could delay our expansion plans or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees or changes in laws and regulations relating to minimum wages, maximum mandatory provident fund contribution could also require us to pay higher wages, which could result in higher staff costs.

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## RISK FACTORS

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### **There are risks associated with our future plans and expansion which may or may not be materialised**

One of our business strategies is to explore and develop new market in the PRC where we have limited operating experience. We plan to use approximately HK\$11.5 million, representing approximately 40.0% of the net proceeds from the Placing (assuming a Placing Price of HK\$0.25 per Placing Share, being the mid-point of the Placing Price range stated in this prospectus) to expand into the PRC market. Different regions in the PRC which we target to have business operations may have different business environments, market conditions, consumer preferences, local regulatory requirements, local practice and discretionary spending patterns from our existing operations.

Potential customers in the PRC generally may not be familiar with our brand or management team and we may need to build up the brand awareness or business relationship in such markets through greater investments in marketing and promotional activities than we originally planned. We may find it more difficult to hire, train and retain qualified employees in the PRC who share our business philosophy and culture. Additionally, the way of business generation, the bidding process, the payment terms and cycle, the requirements and preferences of customers and the statutory requirements may be very different from those in Hong Kong, where most of our projects are located, accounted for approximately 90.5% and 91.2% respectively of our revenue for each of the two years ended 31 March 2016. Our experience in Hong Kong may not be completely applicable in business generation and meeting customers' requirements and preferences in the PRC. We cannot assure that we will be able to secure similar payment terms from any new PRC customers as our existing customers. All these will create uncertainties and restrictions on our abilities to generate the expected revenue and profits. Any inability to execute our expansion plans for the PRC market could adversely affect our business, growth, financial condition and results of operations.

One of our strategies is to expand and further develop our green building certification consultancy and environmental, social and governance reporting. These current expansion plans and strategies contemplate a more rapid pace of expansion and growth than we have previously undergone. Our expansion and development strategies may place substantial demands on our management and our operational, technological, financial and other resources. Our planned expansion will also impose significant burden on us to maintain consistent service quality across a larger operational network and to preserve our corporate culture across a larger and more diverse employee base to ensure that our brand does not suffer as a result of any deterioration, whether actual or perceived, in the quality of our services rendered.

We cannot assure you that the future plans and expansion will materialise or that the strategies of the Group will be materialised and any failure to do so may materially and adversely affect our ability to capitalise on new business opportunities, which in turn may have a material adverse effect on our business and financial results.

### **We engage sub-contractors on our own to carry out certain parts of our project works which accounted for about 30% of our cost of services provided and the work performance of the sub-contractors may be beyond our control**

Subject to the needs of our customers, the project requirements and our own capacity and resources, we may engage sub-contractors on our own to undertake certain tasks of a project. For each of the two years ended 31 March 2016, our sub-contracting costs accounted for approximately 34.8% and 28.8%, respectively of our total cost of services provided.

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## RISK FACTORS

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We cannot guarantee the service quality provided by these sub-contractors and we cannot assure you that our monitoring of the work and performance of our sub-contractors will be sufficient to control the quality of their work. In the event that the quality of our sub-contractors fail to meet the requirements of us or our customer's and other operating standards or those standards required by the relevant laws and regulations in the regions we operate, we may be liable to our customers or third parties for negligence, losses and damages caused. Costs associated with rectifying any problems caused by our sub-contractors may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if we are unable to maintain a cooperative relationship with any of our sub-contractors or find replacements on equal or more favourable terms in a timely manner, or at all, our work schedule may be delayed, which may have a material adverse effect on our business, financial condition and results of operations.

Under our contracts with some of our sub-contractors, they are liable to compensate us for any loss or damages we may suffer due to their substandard work or breach of contract. However, we cannot assure you that we will not be involved in any legal claims with respect to such outsourced works or we will not be liable to third parties and our customers for losses or damages caused by our sub-contractors. If a third party institutes legal action against us relating to our outsourced works, we may be required to incur costs and devote resources to defend ourselves against such claims. Costs and expenses incurred by us as a result of any acts or omissions of our sub-contractors or of any unsatisfactory services they render to us may have a material adverse effect on our business, financial condition and results of operations.

### **We rely on the maintenance of business relationship with our top five customers which accounted for over 30% of our total revenue**

Our revenue derived from our five largest customers during the Track Record Period accounted for approximately 37.8% and 33.6% of our total revenue for each of the two years ended 31 March 2016, respectively.

Notwithstanding our efforts in marketing and promotion or established relationship with our customers, there is no assurance that these customers will continue to engage us for our services at fees acceptable to our Group or we can maintain the business relationship with them in the future. In the event that our Group is unable to retain these customers, or expand our customer base, our business, results of operations, profitability and liquidity may be adversely affected.

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## RISK FACTORS

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**We experienced a negative impact on our financial results, including the net profit and net profit margin of our Group for the year ended 31 March 2016 comparing to the year ended 31 March 2015 due to the non-recurring Listing expenses. Our net profit was approximately HK\$10.0 million and HK\$5.4 million for each of the two years ended 31 March 2016, respectively and our financial results for the year ending 31 March 2017 would be adversely affected by the Listing expenses and we will have a thin net profit margin or even incur a net loss for the year ending 31 March 2017**

Our net profit margin was approximately 35.3% and 16.7% for each of the two years ended 31 March 2016, respectively. The decrease in our net profit margin was principally due to the Listing expenses of approximately HK\$5.4 million incurred for the year ended 31 March 2016.

The estimated expenses to be incurred in connection with the Listing is approximately HK\$22.3 million. Such estimated expenses, which are non-recurrent in nature, are attributable as to (i) approximately HK\$5.4 million as incremental costs directly attributable to the proposed issue of new Shares under the Placing and is expected to be recognised as deduction against equity upon Listing; and (ii) approximately HK\$16.9 million as costs associated with the Listing to the extent they are incremental costs not attributable to the issue of new Shares and are to be charged to profit or loss. Approximately HK\$5.4 million of the Listing expenses was charged to profit or loss for the year ended 31 March 2016 and the remaining amount of approximately HK\$11.5 million is expected to be charged to profit or loss for the year ending 31 March 2017. Accordingly, the Shareholders and potential investors should be informed that our financial results for the year ending 31 March 2017 are expected to be adversely affected by the listing expenses and investors are specifically warned that given the expected increase in Listing expenses, our Group's financial results for the year ending 31 March 2017 will significantly decline as compared with the prior corresponding period and we will have a thin net profit margin or even incur a net loss after including the Listing expenses.

**We are subject to risks of termination or other adverse changes of main contracts entered into by our customers with other parties**

During the Track Record Period, we had entered into approximately 380 contracts. Among these contracts, approximately 297 contracts which we provided service as a sub-contractor and were entered into with customers including developers, contractors, architects and designers and engineering companies who may act as the main contractors of construction projects and may have entered into main contracts with the project owners and our services would be subject to the termination of the corresponding main contract, representing approximately 78.2% of the total number of contracts entered into by us during the Track Record Period. During the Track Record Period, we did not have the capacity and did not undertake any project as the main contractor of construction project.

Whether the main contracts, to which our Group is not a signing party, will be terminated is subject to many factors which are beyond our control. There can be no assurance that the main contracts will not be terminated by the relevant contracting parties in the future. Furthermore, the payment of service fee by our customers to us may be subject to the receipt of the corresponding amount by our customers from their own customers. Therefore, if any of the main contractors were to terminate its main contract with the end customer or in breach of its obligations under the main contract, there could be a risk that we might not be able to receive service fee for any of the work

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## RISK FACTORS

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already done by us. We may have already allocated the resources and time to the particular project and we may not be able to secure new projects on similar terms in a timely manner from other customers. We might not be able to successfully claim for damages against the main contractor for its breach of contract with us. As such, our results of operations, financial condition and business may be adversely affected.

### **The trend of our historical financial information may not necessarily reflect our financial performance in the future**

Our revenue amounted to approximately HK\$28.3 million and HK\$32.5 million for each of the two years ended 31 March 2016, respectively. We recorded profit and total comprehensive income for the year of approximately HK\$10.0 million and HK\$5.4 million for each of the two years ended 31 March 2016 respectively.

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which may adversely affect the future price of the Shares. Our revenues, expenses and operating results may vary from period to period due to a variety of factors beyond our control, including general economic conditions, special events or regulations in Hong Kong and the PRC and our ability to control costs and operating expenses. Potential investors should not rely on our historical results to predict our financial performance in the future or the future performance of our Shares.

### **We may not be able to timely respond to changes in the rating requirements and credits by a certification organisation/institution and environmental regulations and this may adversely affect our operational results**

Our consultancy services include the provision of advice and assistance and recommendation to our customers on whether a design has met or how to meet the rating requirements of a specific certification or statutory requirements. Though there is no statutory governing body on consultancy firms nor statutory requirements on the possession of certain licences for the provisions of such consultancy services in Hong Kong as at the Latest Practicable Date, the capability to provide such services may depend on the experiences and technical knowledge in the industry and the accredited qualifications and membership obtained by its employees by the relevant industry council/institute. The familiarity with the rating requirements and their submission format and materials and the capability to provide advice and recommendation to a design are crucial to successful award of a certification.

The rating requirements and credits are subject to changes by the relevant organisation/institution taking into account various factors including the relevant local environment, climate, regulations and rules. If we, our executive Director, senior management or other professional staff fail to respond to such changes in a timely manner with the requisite technical knowledge and competence in advising our customers, we may not be able to secure new business under the new rating system/requirements, and this in turn will adversely affect our operations and financial results.

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## RISK FACTORS

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**Over 90% of our revenue were derived from projects located in Hong Kong and our operating results depend heavily on, among others, the market of Hong Kong, the continuing promotion of green buildings and statutory control on environmental impacts in Hong Kong**

For each of the two years ended 31 March 2016, approximately 90.5% and 91.2% of our revenue were derived from projects located in Hong Kong. Additionally, our operation is primarily located in Hong Kong and we are subject and vulnerable to any changes in the laws and regulations and economic or social events and circumstances of Hong Kong. If any event or circumstance arises in Hong Kong that cause detrimental effect to us, our business, financial condition, results of operations and growth prospects may be adversely affected.

Our business performances are generally affected by factors such as the continuing promotion of green buildings and statutory control on environmental impacts in Hong Kong. There is no assurance that there will be no changes in the general public perception, government policies and environmental protection and control statutes relating to green building and environmental protection in Hong Kong as well as the implementation of such policies. Unfavourable changes in any of these factors may result in significant decrease in the demand for our services, thereby our results of operations may be adversely and materially affected.

**Low barriers of market entry could increase competition in our industry that may affect our financial performance**

The market entry barrier to the industry which we operate in is low as there are currently no specific laws and regulations governing the licensing and provision of the services which our Group provides, nor is there any heavy capital requirement or other major market entry barriers for new competitors to participate in the relevant business. Hence, we cannot assure you that there will not be any significant increase in the number of competitors in the industry. Any increase in market competition can adversely affect our Group's market share. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be adversely affected. Further information on our competitive landscape is set forth in the sections headed "Industry Overview – Green building certification consultancy service market – Competitive landscape analysis", "Industry Overview – Sustainability and environmental consultancy market – Competitive landscape analysis", "Industry Overview – Acoustics, noise and vibration control and audio-visual design consultancy market – Competitive landscape analysis" and "Business – Competition" of this prospectus.

**Acquisitions of new business or assets may involve risks**

Our business strategy includes expansions through acquisitions of companies operating in the acoustics and environmental consulting industry. We may not be able to identify suitable acquisition opportunity. Even if we identify appropriate acquisition opportunity, we may not be able to complete the acquisition due to various reasons such as failure to agree on the commercial terms which are acceptable to us. Additionally, acquisition of new business or assets involves risks. For example, the acquisition targets may not be as profitable as anticipated. We may incur unanticipated costs and expense or be exposed to unanticipated liabilities in connection with the acquisition. The integration of the newly acquired business or assets into our existing business may require substantial resources and management attention, and may ultimately be unsuccessful. If we fail to integrate the newly acquired business or assets into our existing business, this will affect the



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## RISK FACTORS

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efficiency of our operation and in turn our growth prospects and results of operations could be adversely affected. We cannot assure you that we will be able to achieve the financial returns as we expect at the time such acquisition is made. Any failure in the potential acquisition may have a material and adverse effect on our business, financial position and results of operations.

### **We may be exposed to indemnity liabilities**

At present, there is no statutory body governing our Group's business in Hong Kong. Despite the lack of a statutory monitoring system for our business, the capability to provide the services and standard of services provided depend on the requirements of our customers and other approval authorities. We are still subject to claims made against us by third parties in respect of our business and works alleging that they have sustained financial losses due to our breach of duty by reasons of negligent act, error or omission committed or allegedly committed by us.

As such, we may be exposed to potential indemnity liabilities and any claims in this regard, which in turn may bring a negative impact on our image and reputation which will have an adverse effect on our operations.

### **We may suffer certain losses not covered by insurance**

As at the Latest Practicable Date, we have maintained insurance that we believe are customary for businesses of our size and type and in line with the commercial practice in those jurisdictions where we have operations. For more details on our insurance policies, please refer the section headed "Business – Insurance" in this prospectus. However, there are certain types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. Further, the insurance premium payable by us depends on various factors, including the scope and contract sum of the projects undertaken by us and our insurance claim records with the insurer.

There is no assurance that the insurance premium payable by us will not increase in the future. If we were held liable for uninsured losses or the amounts and claims for insured losses exceed the limits of our insurance coverage or the insurance premium payable by us increases significantly, our business and results of operations may be materially and adversely affected.

### **We rely on certain third-party computer software licences and programs in our business operations**

In developing our designs and modelling for certain credits of green building certification consultancy, sustainability and environmental consultancy and acoustics, noise and vibration control and audio-visual design consultancy, we need to rely on certain third-party computer software licences and programs for our in-house team of engineering staff to perform certain technical calculations, modelling analysis and devise certain design details. We are therefore reliant on such computer software licences and programs in our business operations.

However, failures or disruptions in those computer programs may occur due to factors including but not limited to computer viruses, electricity or technical failure or other unforeseen problems. There is no assurance that our computer programs will function properly at all times, in which case we may be unable to provide services to our customers in a timely and professional manner, which in turn may affect our professional reputation, business operations and financial performance.

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## RISK FACTORS

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In addition, the rating and credit requirements for green building certification and the environmental regulations may become more stringent and complicated and we have to invest more resources in computer software and programs to support our analytical and modelling tasks. Further, we may have to maintain and update our computer software licences and programs from time to time. If we fail to invest in new and update computer software and programs in a timely manner, we may not be able to perform our tasks up to standards and requirements of our customers or statutory standards.

**We failed to register with the Macau Finance Bureau for taxation purpose during the Track Record Period and if the relevant authority imposes penalty on us, our financial conditions may be negatively affected**

During the Track Record Period, AEC Hong Kong provided acoustics and visual design and green building certification consultancy in relation to six projects in Macau. Although we do not have a physical presence in Macau nor the services were principally rendered in Macau, according to the Macau Legal Adviser, AEC Hong Kong is required to register with the Macau Finance Bureau for taxation purpose under Article 9 of the Macau Industrial Contribution Regulation. Our Macau Legal Adviser advised that the possible maximum aggregate of penalties which AEC Hong Kong may be liable is MOP690,000, which may be reduced to half pursuant to Article 43 of the Industrial Tax Regulation. On 18 September 2015, AEC Hong Kong has duly registered with the Macau Finance Bureau for the taxation purpose. Please refer to the section headed “Business – Failure to register with the Macau Finance Bureau” of this prospectus for details of this failure to register.

If any of the relevant laws are amended to the effect that penalties are imposed on such failure to register and such amendments have retrospective effect, this may have a negative impact on our financial conditions.

**We may be exposed to intellectual property infringement, misappropriation or other claims by third parties and a deterioration in our corporate image, which could adversely affect our business**

As at the Latest Practicable Date, we had registered two trademarks in Hong Kong. We believe that our trademarks and other intellectual property rights such as our designs, proposals and drawings are important to our success. We may rely on copyrights, trademarks, patents, confidentiality policies, non-disclosure and other contractual arrangements with our employees, customers and other parties to protect our intellectual property rights.

We cannot assure you that we will be able to detect any unauthorised use of, or to take appropriate, adequate and timely actions to enforce our intellectual property rights. Furthermore, we may not be able to effectively prevent unauthorised use of our trademarks or other intellectual property rights in other countries where such trademarks and intellectual property rights are not registered or protected. If there were any unauthorised use of our intellectual properties, it may have a negative impact on our reputation and our business may be materially and adversely affected.

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## RISK FACTORS

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On the other hand, there is no assurance that infringement claims against us from third parties will not occur. We may be subject to legal proceedings and claims from time to time alleging infringement of copyrights or trademarks, or misappropriation of creative ideas or designs, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may involve us in time consuming and costly litigation or investigation, which in turn divert significant management and staff resources or prevent us from using important content or drawings or other intellectual property, resulting in monetary liability or otherwise disrupt our operations.

**We are a holding company that is financially dependent on distributions from subsidiaries and our results could be adversely affected by those distributions that are not made in a timely manner or at all**

We are a holding company and conduct substantially all of our business through AEC Hong Kong, our operating subsidiary. We mainly rely on income generated from our business, distributions and other payments from our wholly-owned operating subsidiary for our cash and financing needs, including funds necessary to pay dividends to our Shareholders, to repay any debt we may incur and to pay our operating expenses. If our subsidiaries incur debt in the future, the instruments governing the debt may restrict their ability to make distributions to us.

**We may not be able to pay any dividends on the Shares**

We declared dividends of approximately HK\$3.6 million and HK\$2.8 million for each of the two years ended 31 March 2016, respectively. We cannot assure you that we will declare or pay dividends in the future, and potential investors should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. The payment and the amount of any dividends to be declared will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

The receipt of dividends from our operating subsidiaries may also be affected by the passing of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations, and other events out of our control. In addition, restrictive covenants in our credit facilities or other agreements that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may affect our ability to pay dividends to our Shareholders.

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## RISK FACTORS

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### RISKS RELATING TO OUR INDUSTRY

#### **We face keen competition from the other players in the market**

Our industry is highly competitive as there are few barriers to entry. According to the F&S Report, the environmental consultancy services market in Hong Kong is fragmented. In particular, there are over 300 players in the entire environmental consultancy services market of Hong Kong. Our Group competes with local, national and global players. Some of our competitors may have greater financial, marketing, management and other resources than we do. We compete with other consultancy companies on the basis of variety and quality of our services, pricing of our services and provision of value-added services. Some of our competitors may have:

- greater financial and other resources;
- larger variety of services;
- greater pricing flexibility;
- stronger brand recognition; or
- more established and solid customer base.

As a result, we may not be able to offer services which are similar to, or more desirable than, those offered by our competitors, market our services as effectively as our competitors or otherwise respond successfully to competitive pressures. We cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Increased competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial condition and results of operations.

#### **Our environmental consultancy services business is dependent on the performance of the property development markets in Hong Kong and PRC**

Our environmental consultancy services business is subject to the conditions of the Hong Kong and PRC property development markets. The number and availability of property development projects and redevelopment projects in Hong Kong, which are affected by factors including the general economic conditions in Hong Kong, the general conditions of property markets in Hong Kong, the changes in government policies relating to Hong Kong property markets, and the amount of investments in new construction projects. In general, any unfavourable changes may result in a decline in the number of the existing and planning property construction projects in Hong Kong. The PRC property market is affected by various factors, including changes in the PRC's political, economic and legal environment. Any over-development, market downturn, or fluctuations in the PRC real estate market in general could have a material adverse impact on our business, financial condition and results of operations. Furthermore, the PRC government may from time to time revise its fiscal and monetary policies to adjust the growth of the PRC national economy and local economies, and such policy changes may affect the real estate market in the regions where we have or will have business operation. We cannot assure you that our business will maintain at the levels we achieved during the Track Record Period.

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## RISK FACTORS

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### **Work progress of our projects could be affected by adverse weather conditions**

Some of our projects are located outdoors and any adverse weather condition such as rainstorms, tropical cyclones and continuous rain may interrupt or otherwise affect the progress of our projects. In the event that any delay is caused by such adverse weather condition, we may have to accelerate our work progress afterwards so as to meet the time for completion as scheduled, and such acceleration works will typically involve additional costs, thereby adversely affecting the profitability of our business. If there is any delay in completion of the projects, we may be subject to the payment of liquidated damages or penalties, which could materially and adversely affect our business, financial condition and results of operations.

### **RISKS RELATING TO HONG KONG**

#### **The state of economy in Hong Kong may adversely affect our performance and financial condition**

During the Track Record Period, we generated revenue from projects located in Hong Kong which accounted for approximately 90.5% and 91.2% of our revenue for each of the two years ended 31 March 2016, respectively. We plan to continue to base and capture business opportunities in Hong Kong following the completion of the Placing. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

#### **The state of political environment in Hong Kong may adversely affect our performance and financial condition**

Hong Kong is a special administrative region of the People's Republic of China and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since a substantial part of our operations are located in Hong Kong, any change of such political arrangements may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

#### **Our Group is exposed to delays in the approval of public infrastructure budget or changes in government policies which in turn may lead to delay or decrease in demand for our services**

The demand for our services is subject to the government's budgeting process on public infrastructure and building projects. The budgeting process on public infrastructure and building projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease owing to the decrease in the available funding of public sector projects in Hong Kong. The Hong Kong government policy and public spending patterns on the public infrastructure and building may also affect the availability of construction projects in Hong Kong, and therefore the demand for our services.

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## **RISK FACTORS**

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### **Devaluation of the Hong Kong dollars could affect our financial condition and results of operations**

Since 17 October 1983, Hong Kong dollars have been pegged to U.S. dollars at a rate of HK\$7.80 to US\$1.00. There is no indication that the Hong Kong Government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, part of our revenue is generated in the currency of Hong Kong dollars and part of our expenses is incurred in currencies other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial performance and liquidity positions may be adversely affected and our expenses incurred may drastically increase as a result.

### **Our prospects may be adversely affected by natural disasters, acts of God, occurrence of epidemics and terrorist activities**

Our business is subject to general economic and social conditions around the world, in particular in the PRC and Hong Kong. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect local economies, infrastructure and livelihoods. Some regions in the PRC, including those cities where we operate, and Hong Kong, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (“SARS”), Middle East Respiratory Syndrome (“MERS”), H5N1 avian flu, Ebola, as well as influenza caused by H7N9 and H3N2 or the human swine flu, also known as influenza A (H1N1) virus, these may have an adverse impact on the economies of these regions. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC and Hong Kong. A recurrence of SARS or an outbreak of any other epidemics in the PRC and Hong Kong, such as the H5N1 avian flu, MERS or the human swine flu, could interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. With respect to political and economic conditions, unpredictable events such as political turmoil, terrorist activities and civil unrest may occur unexpectedly in some countries or regions and these events may impair our future business development.

## **RISKS RELATING TO THE SHARES AND THE PLACING**

### **Potential conflict of interests between our Controlling Shareholders and other minority Shareholders**

Immediately following the Placing and the Capitalisation Issue, our Controlling Shareholders collectively will beneficially own approximately 60.14% of the Shares (assuming no exercise of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

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## RISK FACTORS

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Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, acquisitions and the sale of all or substantially all of the assets, election of Directors and other significant corporate action. In cases where their interests are aligned and they vote together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us. We cannot assure that our Controlling Shareholders will act entirely in our interest or that conflicts of interest will be resolved in our favour. The interests of our Controlling Shareholders may differ from the interests of our minority Shareholders and our Controlling Shareholders are entitled to vote according to their interests.

**There is no prior market for the Shares and the liquidity and market price of the Shares may be volatile**

Prior to the Placing, no public market for our Shares existed. We have made an application to the Stock Exchange for the listing and trading of our Shares. There is no assurance that the Listing will result in the development of an active, liquid public trading market for our Shares after the Placing.

In addition, the price and trading volume of our Shares may be volatile since factors such as variations in our Group's revenues, earnings and cash flows or any other developments, whether due to seasonal sales fluctuations or for any other reasons, may affect the volume and price at which our Shares will be traded.

**Issuance of new Shares or equity-linked securities may cause dilution in shareholding**

We may need to raise additional funds in the future to finance our future plans, whether in relation to existing operations, expanding business or otherwise. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, then (i) the shareholding interest of our existing Shareholders in our Company may be diluted, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

**Further sale of our Shares or major divestment of Shares by any major Shareholders could adversely affect the Share prices**

Future issues of securities by our Company or the disposal of our Shares by any of our major Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of our Shares. Shares held by our Controlling Shareholders are subject to certain lock-up period. See the section headed "Underwriting – Underwriting arrangements and expenses – Undertakings to the Stock Exchange under the GEM Listing Rules" of this prospectus for details. We cannot assure that our major Shareholders will not dispose of the Shares they may own now or in the future.

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## RISK FACTORS

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### **Statistics and industry information may come from various sources which may not be reliable**

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sole Sponsor have taken reasonable care to ensure that such facts and statistics in this prospectus are accurately reproduced, these facts and statistics have not been independently verified by us. Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors and advisers or any other parties involved in the Placing do not make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics in this prospectus may be inaccurate or may not be comparable from period to period to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

### **There are risks associated with the forward-looking statements contained in this prospectus**

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”, “estimate”, “expect”, and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions be proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

### **Investors may experience difficulties in enforcing their shareholder rights because the Company is incorporated in the Cayman Islands and the protection to minority Shareholders under the Cayman Islands laws may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minority shareholders is set out in Appendix III to this prospectus.



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## RISK FACTORS

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**Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Placing**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Placing. Prior to the publication of this prospectus, there may be press and media coverage regarding the Placing and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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### **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 Ordinance, Companies (WUAM) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading; and all opinions expressed in this prospectus by our Directors have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Copies of this prospectus are available, for information purpose only, at the respective offices of the Sole Lead Manager and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Friday, 30 September 2016 to Wednesday, 5 October 2016 (both dates inclusive).

### **PLACING SHARES ARE FULLY UNDERWRITTEN**

This prospectus sets out the terms and conditions of the Placing.

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

### **DETERMINATION OF THE PLACING PRICE**

The Placing Shares are being offered at the Placing Price which will be determined in Hong Kong dollars by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date. If, for whatever reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Placing Price by the Price Determination Date, the Placing will not proceed and will lapse. For full information relating to the determination of the Placing Price, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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### RESTRICTIONS ON PLACING OF PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm or by his/her/its acquisition of the Placing Shares will be deemed to confirm that he/she/it is aware of the restrictions on the Placing of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance 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 Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

### STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” in this prospectus.

### APPLICATION FOR LISTING ON GEM

Application has been made to the GEM Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. Under section 44B(1) of the Companies (WUAM) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the GEM Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription or, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Placing Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Placing Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Subject to compliance with the Articles, our fully-paid Shares are freely transferable. The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong.

Our Company's principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Codan Trust Company (Cayman) Limited, and our Company's branch register of members will be maintained in Hong Kong by our Hong Kong branch share registrar, Tricor Investor Services Limited.

All the Shares will be registered on the branch register of members of our Company in Hong Kong. Only Shares registered on our branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees. Dealings in the Placing Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance 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 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. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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### COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 17 October 2016. Shares will be traded in board lots of 10,000 each. The stock code for the Shares is 8320.

Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the branch register of members of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### ROUNDING AND EXCHANGE RATE

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding. Unless otherwise stated, the conversion of RMB into HK\$ in this prospectus is based on the approximate exchange rate of HK\$1.00 to RMB0.80 and the conversion of MOP into HK\$ in this prospectus is based on the approximate exchange rate of HK\$1.00 to MOP1.03.

Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into RMB or MOP at such rates or any other exchange rates, or vice versa.

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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### DIRECTORS

Name	Residential address	Nationality
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#### Executive Director

Kwok May Han Grace (郭美珩)	Flat 1, 21/F, Block C Imperial Court 62G Conduit Road Mid-levels Hong Kong	Chinese
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#### Non-executive Director

Wu Dennis Pak Kit (胡伯杰)	Flat 1, 21/F, Block C Imperial Court 62G Conduit Road Mid-levels Hong Kong	Chinese
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#### Independent non-executive Directors

Lam Kin Che (林健枝)	Flat H, 12/F, Block 8 Royal Ascot 1 Tsun King Road, Shatin New Territories Hong Kong	British
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Lie Kong Sang (李港生)	No. 15 Laurel Path Palm Springs Yuen Long New Territories Hong Kong	Chinese
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Wong Yee Lin Elaine (王綺蓮)	No. 14 Bauhinia Road West Section M, Fairview Park Yuen Long New Territories Hong Kong	Chinese
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For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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### PARTIES INVOLVED IN THE PLACING

<b>Sole Sponsor</b>	Guotai Junan Capital Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Sole Bookrunner and Sole Lead Manager</b>	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Co-Lead Manager</b>	Koala Securities Limited Room 803, 8/F Hong Kong Chinese Bank Building 61 Des Voeux Road Central Hong Kong
<b>Auditors and reporting accountants</b>	KPMG 8th Floor Prince's Building 10 Chater Road Central Hong Kong
<b>Legal advisers to our Company</b>	<i>as to Hong Kong law:</i> Watson Farley & Williams Units 1703-7 One Pacific Place 88 Queensway Hong Kong  <i>as to PRC law:</i> Grandall Law Firm (Shanghai) 23-25/F, Garden Square 968 West Beijing Road Shanghai 200041 PRC  <i>as to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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*as to Macau law:*

Rato, Ling, Lei & Cortés – Advogados  
Avenida da Amizade  
Macau Landmark  
Office Tower 23  
Macau

**Legal advisers to the Sole**

**Sponsor, the Sole Bookrunner,  
the Sole Lead Manager and  
the Underwriters**

*as to Hong Kong law:*

F. Zimmern & Co.  
Rooms 1002-3, 10/F.,  
York House  
The Landmark  
15 Queen's Road Central  
Hong Kong

**Tax consultant**

Joyce M.C. Li & Co.  
Room 1904, Tung Wah Mansion  
199-203 Hennessy Road  
Wanchai  
Hong Kong

**Compliance adviser**

Guotai Junan Capital Limited  
27/F., Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong



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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	19/F., Kwan Chart Tower 6 Tonnochy Road Wan Chai Hong Kong
<b>Company's website</b>	<a href="http://www.asecg.com">http://www.asecg.com</a> <i>(the information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Chong Hing Cheong (CPA) 17/F, Bowie Court 77 Pok Fu Lam Road Hong Kong
<b>Compliance officer</b>	Kwok May Han Grace
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Kwok May Han Grace Flat 1, 21/F, Block C Imperial Court 62G Conduit Road Mid-levels Hong Kong
	Chong Hing Cheong (CPA) 17/F, Bowie Court 77 Pok Fu Lam Road Hong Kong
<b>Audit committee of our Board</b>	Lie Kong Sang (Chairman) Lam Kin Che Wong Yee Lin Elaine
<b>Remuneration committee of our Board</b>	Wong Yee Lin Elaine (Chairman) Lie Kong Sang Lam Kin Che Wu Dennis Pak Kit
<b>Nomination committee of our Board</b>	Kwok May Han Grace (Chairman) Lie Kong Sang Wong Yee Lin Elaine Lam Kin Che

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## CORPORATE INFORMATION

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**ESG committee of  
our Board**

Kwok May Han Grace (*Chairman*)  
Wu Dennis Pak Kit  
Lam Kin Che  
Lie Kong Sang  
Wong Yee Lin Elaine

**Risk management committee of  
our Board**

Kwok May Han Grace (*Chairman*)  
Wu Dennis Pak Kit  
Lie Kong Sang  
Lam Kin Che  
Wong Yee Lin Elaine

**Principal share registrar and  
transfer office in  
the Cayman Islands**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong branch share  
registrar and transfer office**

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

**Principal bankers**

The Hongkong and Shanghai Banking Corporation  
Limited  
Des Voeux Road Central Branch  
China Insurance Group Building  
141 Des Voeux Road Central,  
Hong Kong

Dah Sing Bank, Ltd.  
Dah Sing Financial Centre  
108 Gloucester Road  
Hong Kong

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## INDUSTRY OVERVIEW

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*We have extracted and derived the information in this section below, in part, from various government or official sources that are publicly available and the commissioned report from Frost & Sullivan. Unless otherwise specified, information concerning the green building certification consultancy, sustainability and environmental consultancy and acoustics, noise and vibration control and audio-visual design consultancy industry in Hong Kong, China and Macau is derived from the F&S Report. 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 Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers, or any party involved in the Placing and no representation is given as to its accuracy. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the F&S Report up to the date of this prospectus which may qualify, contradict or have an impact on the information in this section.*

### SOURCES OF INFORMATION

In connection with the Placing, we commissioned a research report from Frost & Sullivan to provide prospective investors with necessary information on the relevant industry. The research report titled “Sustainability and Environmental Consultancy, Acoustics, Noise and Vibration Control and Audio-Visual Design Consultancy and Green Building Certification Consultancy Industry Independent Market Research of Hong Kong, Macau and China” was commissioned by us for the purposes of preparing this prospectus. We paid at total of HK\$1,000,000 to Frost & Sullivan for the preparation and use of the F&S Report.

### ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

### RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in the F&S Report is summarised as below:

- Analyse the market to identify past problems faced by industry participants competing in the market, the key challenges they confront now and the opportunities that may arise.
- Conduct primary research obtained from various sources including data obtained directly from industry participants and secondary research.
- Design the data collection process and implement the secondary research phase. The sources of data may include relevant Frost & Sullivan syndicated publications, trade journals, government statistics, on-line database/internet searches, Frost & Sullivan’s in-house data and library, relevant annual reports and industry publications.

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## INDUSTRY OVERVIEW

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- Calculate market forecasts and market sizes by interviewing industry competitors and deriving each company's annual shipments or revenues from the defined market.

### ASSUMPTION FOR GROWTH AND FORECAST

Forecast data was projected on the basis of historical data analysis with reference to macroeconomic data as well as specific industry-related drivers, such as accelerating urbanisation and development of the environment impact assessment, building acoustic design and green building certification consultancy industry. Frost & Sullivan developed its forecast on the following bases and assumptions:

- That the social, economic and political environments being examined remain stable during the forecast period;
- Frost & Sullivan has considered related industry key drivers that are likely to drive the environment impact assessment, building acoustic design and green building certification consultancy market in the forecast period; and
- That there will be no natural disasters and climate changes affecting the market severely.

The research may be affected by the accuracy of these assumptions and the choice of these parameters.

### RELIABILITY OF INFORMATION IN THE FROST & SULLIVAN REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the F&S Report. Our Directors believe the F&S Report is reliable and not misleading as Frost & Sullivan is an independent professional research agency with extensive experience in its profession.

### MACRO ECONOMIC OVERVIEW

#### Overview of the economy and demand for commercial and residential premises

Hong Kong – The nominal GDP has increased from HK\$1.9 trillion in 2011 to HK\$2.4 trillion in 2015, with a CAGR of approximately 6.0%.

The floor area of newly completed commercial buildings enjoyed a steady growth from 174,300 square meters in 2011 to 200,400 square meters in 2015. With the further development of the tourism industry and a growing number of enterprises across the world targeting Hong Kong as their operation center of the Asia Pacific region, the floor area of newly completed commercial buildings in Hong Kong is expected to welcome further growth and amount to 231,700 square meters in 2020, representing a CAGR of 2.9% during the period from 2016 to 2020.

The floor area of newly completed residential buildings in Hong Kong suffered fluctuations from 2011 to 2015 with increase CAGR of 6.7%, increasing from 469,600 square meters in 2011 to 608,600 square meters in 2015. In January 2015, the Hong Kong government suspended the entire investment immigration scheme, which reduced the demand for the residential building sector and the floor area of newly completed residential building in Hong Kong is expected to go through a

## INDUSTRY OVERVIEW

gradual decrease over the next four years, reaching 551,900 square meters in 2020 with a negative CAGR of 2.1% from the 2016 to 2020.

China – The nominal GDP has increased from RMB48.4 trillion in 2011 to RMB67.7 trillion in 2015, with a CAGR of approximately 8.8%.

The completed areas of commercial buildings reached 154.5 million square meters in 2015 with an CAGR of 8.3% and is estimated to be 4.6% from 2016 to 2020. The downturn of CAGR is due to many reasons such as the slow-down of the national economy. Meanwhile, the retailing segment which accounts for a large proportion of the commercial real estate sector is undergoing industrial structure adjustment with many retailing business going online, which also reduces the demand of commercial buildings.

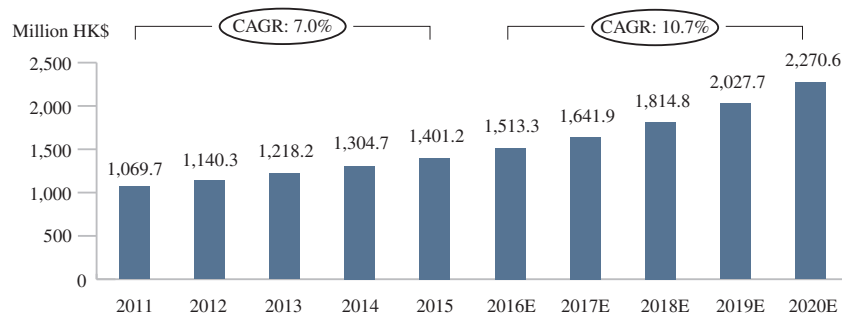
The completed area of residential buildings reached 825.9 million square meters in 2015 and is expected to reach 951.3 million square meters in 2020, representing a CAGR of 3.0% from the period of 2016 to 2020. The reason of the decline in growth rate is partially due to the government’s macro controls such as house purchase restriction. Also, the decline of investment in this sector as well as macro economy situation pose influences on the downturn of sold and completed areas of residential buildings.

### ENVIRONMENTAL CONSULTANCY SERVICES

Environmental consultancy refers to the multi-disciplinary consulting services employed at various stages of project development and operation to ensure the projects’ compliance with the environmental regulations or standards, to predict and manage potential environmental risks, and to promote the sustainable development by taking environmental and social aspects into consideration. The types of environmental consultancy services typically include sustainability and environmental consultancy, acoustics, noise and vibration and audio-visual design consultancy, green building certification consultancy, ESG reporting and consultancy, energy management consultancy, air quality management, chemical waste management, greenhouse gas management, solid and liquid waste management, hazard assessment, urban and regional planning and design, etc.

According to the F&S Report, the entire environmental consultancy services market in Hong Kong by revenue has increased from HK\$1,069.7 million in 2011 to HK\$1,401.2 million in 2015, showing a CAGR of 7.0%. Frost & Sullivan expects the market size will further increase to HK\$2,270.6 million in 2020, showing a CAGR of 10.7% from 2016.

The following diagram sets forth the actual and forecast market size by revenue in Hong Kong from 2011 to 2020:



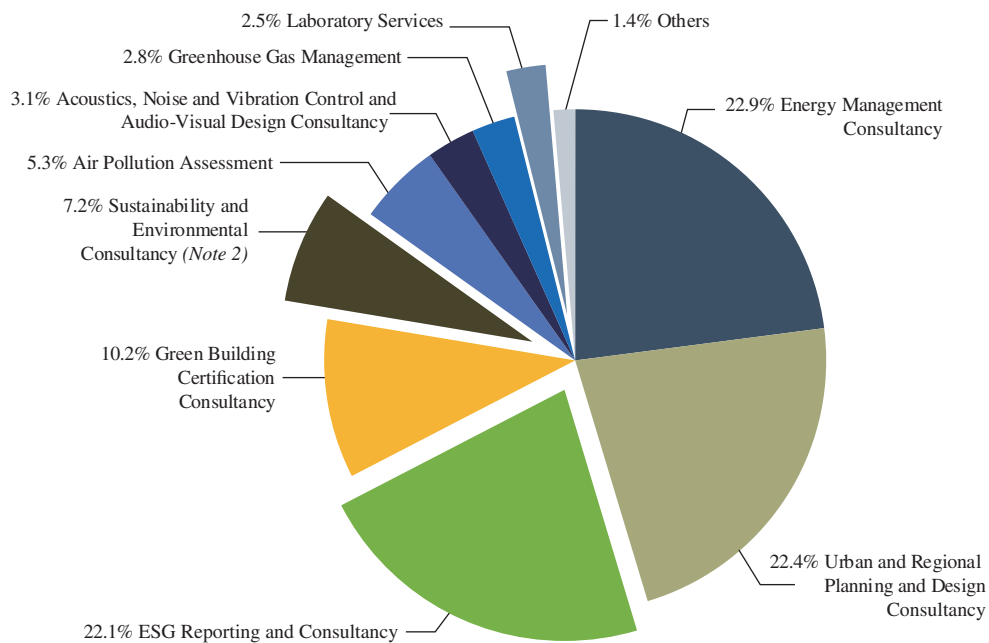
Source: Frost & Sullivan

## INDUSTRY OVERVIEW

The largest segment in terms of revenue contribution in the environmental consultancy market in Hong Kong in 2015 was energy management consultancy, which amounted to 22.9%, followed by urban and regional planning and design consultancy, which amounted to 22.4%. The (a) green building certification consultancy; (b) sustainability and environmental consultancy; (c) acoustics, noise and vibration control and audio-visual design consultancy; and (d) ESG reporting and consultancy, amounted to 10.2%, 7.2%, 3.1% and 22.1% respectively, and in aggregate represented 42.6% of the entire environmental consultancy services market in Hong Kong in 2015. Frost & Sullivan forecasts the aggregate percentage of revenue attributable to these segments will increase to 67.5% of the entire environmental consultancy services market in Hong Kong in 2020 in view of the development of these segments.

The environmental consultancy services market in Hong Kong is fragmented. There are over 300 players in the entire environmental consultancy services market of Hong Kong.

The chart below sets forth the percentage of revenue contribution by segments in the entire environmental consultancy services market in Hong Kong in 2015:



*Notes:*

1. The market size is calculated by the accumulated revenue generated by the players on yearly basis.
2. For further information on the aspects covered by sustainability and environmental consultancy, please refer to the paragraph headed “Sustainability and environmental consultancy market – Definition of sustainability and environmental consultancy” in this section.

*Source: Frost & Sullivan*

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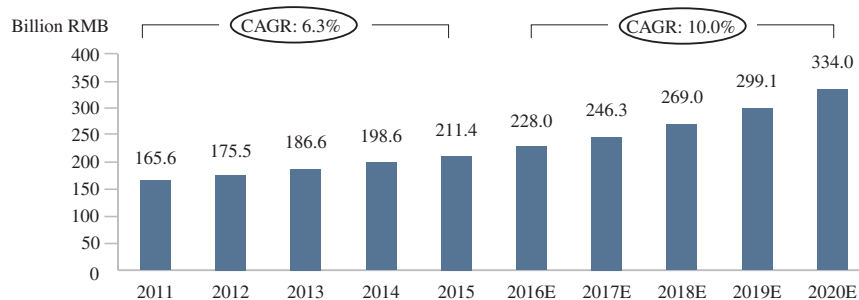
## INDUSTRY OVERVIEW

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The market size of environmental consultancy services market in the PRC reached RMB211.4 billion in 2015, at a CAGR of 6.3% from 2011. According to the F&S Report, the environmental consultancy market in the PRC will benefit from the implementation of the 13th Five-year Plan which provided guidance on sustainable development, infrastructure establishment and energy conservation and emission reduction.

Frost & Sullivan expects that there will be continuous growth in the coming years with the rising demand of environmental consultancy services in (i) the urban and regional planning and design consultancy sector due to the wide spreading tide of urbanisation and the infrastructure establishments across the PRC; (ii) the energy management consultancy sector due to more focuses on the energy conservation and emission reduction; and (iii) the green building certification consultancy due to the fact that not only the government and real estate developers, but also the customers' belief that green building establishments could reduce energy consumption. Likewise, the other sectors of environmental consultancy services are expected to see growth in the next few years such as air pollution assessment, ESG reporting and consultancy, green house gas management, etc. Frost & Sullivan expects that the market size of the environmental consultancy services market in the PRC will further increase to RMB334.0 billion in 2020, representing a CAGR of 10.0% from 2016.

The following diagram sets forth the actual and forecast market size by revenue in the PRC from 2011 to 2020:



Source: Frost & Sullivan

### GREEN BUILDING CERTIFICATION CONSULTANCY SERVICE MARKET

#### Overview of Green Building Certification Consultancy

Green building certification consultancy refers to the consulting services for the application of green building certification for a newly built or existing sustainable architecture by measuring a series of assessment parameters of the sustainable building such as energy saving, water efficiency and indoor environment quality. The most applied green building certifications in (1) Hong Kong, (2) China and (3) Macau are (a) BEAM Plus and LEED; (b) China GBL and LEED; and (c) BEAM Plus and LEED respectively.

According to Frost & Sullivan, LEED certification consultancy market size in Hong Kong in terms of revenue has increased from HK\$19.9 million in 2011 to HK\$27.9 million in 2015, showing a CAGR of 8.8%. Frost & Sullivan forecast the market size will further increase to HK\$46.5 million in 2020, showing CAGR of 11.1% from 2016.

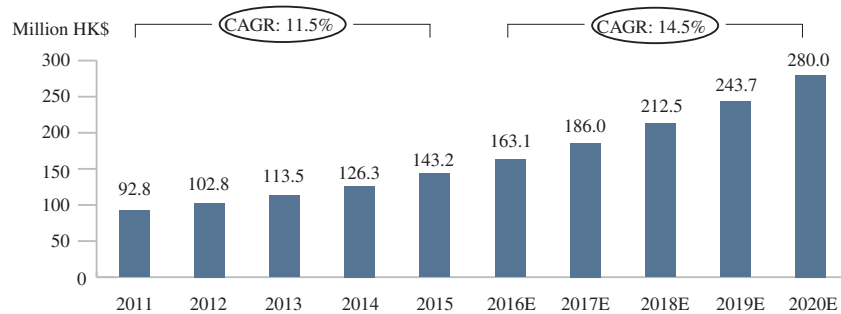
## INDUSTRY OVERVIEW

The BEAM, BEAM Plus certification consultancy market size in Hong Kong in terms of revenue grew from HK\$68.9 million in 2011 to HK\$108.8 million in 2015, with a CAGR of 12.1%, it is estimated that the market size will grow further to HK\$215.9 million in 2020, with a CAGR of 15.0% from 2016.

The market size of the China GBL certification consultancy increased from RMB1.4 billion in 2011 to RMB2.2 billion in 2015, showing a CAGR of 12.0%. Frost & Sullivan expects the market size will further increase to RMB4.6 billion in 2020, showing a CAGR of 15.3% from 2016.

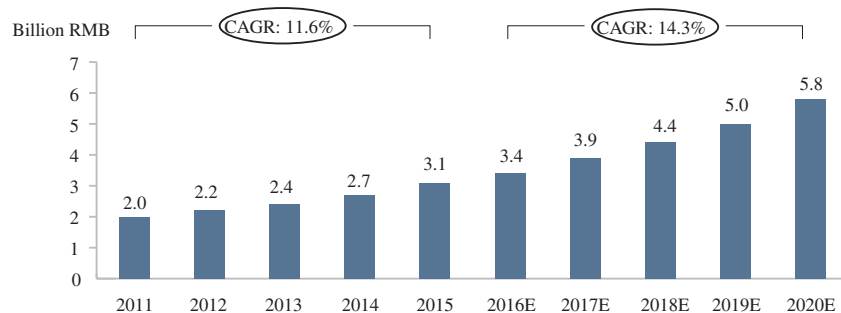
### Market size by revenue

Hong Kong – Since 2011, the market size of green building certification consultancy industry in Hong Kong by revenue has grown steadily by a CAGR of 11.5% and reached HK\$143.2 million in 2015. In the next four years, the market is expected to continue to grow with a CAGR of 14.5% and achieve HK\$280.0 million by the end of 2020 as more real estate developers will adopt a sustainable design approach to their construction projects. The following diagram sets forth the actual and forecast market size by revenue from 2011 to 2020:



Source: Frost & Sullivan

China – Green building certification consultancy market size in China by revenue reached RMB3.1 billion in 2015 with a CAGR of 11.6% since 2011. As more and more real estate developers seek to apply for green building certification to elevate building popularity and marketability, the market is expected to undergo further booming and reach RMB5.8 billion in 2020, demonstrating a CAGR of 14.3% from the 2016 to 2020 period. The following diagram sets forth the actual and forecast market size by revenue from 2011 to 2020:



Source: Frost & Sullivan



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## INDUSTRY OVERVIEW

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Macau – Green building certification consultancy market size in Macau by revenue reached HK\$26.7 million in 2015 with a CAGR of 10.5% since 2011. With an increasing number of building developers trying to apply for green building certifications such as LEED to promote building marketability, the market size is forecasted to witness further growth and reach HK\$49.3 million in 2020, demonstrating a CAGR of 12.8% during the period from 2016 to 2020.

### Market drivers

#### (1) *Government policies*

Hong Kong – The Buildings Energy Efficiency Ordinance (《建築物能源效益條例》) imposes mandatory control required for building development works in Hong Kong on building developers and owners. It points out the importance of energy saving performance of both public and residential buildings and leads to demand for sustainability and environmental consultancy and green building certification services. The Hong Kong Government also issued (i) the Practice Note of Sustainable Building Design Guidance to enhance the quality and sustainability of the built environment in Hong Kong; (ii) the Works Technical Circulars of Green Government Building to integrate green features in government managed buildings and The Energy Saving Plan (《香港都市節能藍圖》) to cap the energy consumption of buildings and forms the basis of general development schemes or reports related to the energy saving strategy in Hong Kong. It imposes a mandatory requirement on new government buildings with construction floor area of more than 5,000 square meters with central air-conditioning or more than 10,000 square meters to achieve at least BEAM Plus Gold; and (iii) the Hong Kong Climate Change Report 2015 (《香港氣候變化報告2015》) which emphasised the importance of environment protection and sustainable development in the modern urban development. The Housing Authority also requires public housing development to obtain BEAM Plus Gold award or above to distinct green housing design. According to the Residential Properties (First-hand Sales) Ordinance (《一手住宅物業銷售條例》), a BEAM Plus certification is required in order to obtain the concession on gross floor area for certain green and amenity features in development projects.

China – A series of government regulations regarding green building and relevant assessment standards, such as the Guide for Green Building Assessment (Trial) (《綠色建築評價標識管理辦法》(試行) which sets out the importance, background and recommendations for obtaining China GBL and Assessment Standard for Green Building (《綠色建築評價標準》) have been released, setting out the mandatory regimes and criteria for China GBL and which all the green building certification consultancy service providers should comply with.

Macau – The government publicised Technical Guidelines for Building Energy Optimisation to direct energy saving design of buildings and Standard for Green Building Assessment (Trial) (《綠色建築評價標準(澳門版)(試行)》) to promote green plan of buildings and curb greenhouse gas emissions to reach reduction targets by setting out mandatory China GBL assessment regimes in Macau and requiring compliance by all consultancy service providers.

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## INDUSTRY OVERVIEW

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- (2) *Urbanisation and increasing expenditure on urban planning* – Nowadays, urbanisation is not just about utilisation of land or construction of buildings, but embracing green, smart and low-carbon concepts. Redevelopment and increasing expenditure on urban planning are going to bring opportunities to the green building consultancy which are investment-stimulated, such as consultancy companies, to thrive. This driver is applicable to Hong Kong, China and Macau.
- (3) *Benefits of an environmentally-friendly society* – Energy saving and emission reduction are the current trend in a fast-growing economy. Saving resources, improving environmental performance lowering operating costs, optimising sustainable development by constructing green buildings which provides better indoor environmental quality are the underlying factors for the boom of green building consultancy. By engaging in green projects, it helps to improve compliance readiness, build better corporate image and corporate social responsibility. The driver is applicable to Hong Kong, China and Macau.
- (4) *Climbing demand for global recognition and international cooperation* – An increasing number of companies are bringing in foreign capitals to expand their business map due to investment values of the residential and commercial property market. In order to gain global recognition and to facilitate international cooperation, they would like to pursue well-known green building consultancy to promote and market brand reputation worldwide. More business opportunities are likely to increase the probability of their choosing green building consultancy. The driver is applicable for Hong Kong, China and Macau.

### Average contract fee

The following table sets forth the average contract fee in 2015 and the expected average contract fee in 2020 for green building certification consultancy in Hong Kong, China and Macau respectively:

	Average contract fee (by case) in 2015	Expected average contract fee in 2020	CAGR
Hong Kong	HK\$297,100 (for BEAM Plus and LEED)	HK\$378,200 (for BEAM Plus and LEED)	4.9%
China	RMB205,300 (for LEED and China GBL)	RMB247,100 (for LEED and China GBL)	3.8%
Macau	HK\$291,500 (for BEAM Plus and LEED)	HK\$360,800 (for BEAM Plus and LEED)	4.4%

### Market Challenges to the Hong Kong, China and Macau markets

- (1) *Attitudes towards green building designs* – Despite the increasing acceptance in the concepts of sustainable building, there remains challenge towards widespread acceptance and long-term practice of such concepts. There are worries about the lack of accurate, thorough, and quantifiable information regarding the long-term financial and economic impacts of green buildings designs and constructions. In addition, the perception of high initial cost is a stumbling block in the wider acceptance and adoption of green building concepts.

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## INDUSTRY OVERVIEW

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- (2) *Various green building rating systems* – There are many international green building certification systems of different criteria available for application. Along with the fast development, the continuous update of the system and technical requirements and more stringent regional and local regulations of the standards has made the certification more challenging in the coming future.
- (3) *Safety concerns towards green building* – Many new commercial and industrial facilities are being designed and constructed with the goal of achieving a green building certification, such as the LEED certification. These changes to building design and materials are an opportunity for safety improvements but may also include building performance, fire and safety challenges that have unintended consequences in relation to property damage as well as life safety.

### Competitive Landscape Analysis

Hong Kong – BEAM Plus and LEED are the most commonly applied green building certification in the Hong Kong market and accounted for 76.0% and 19.5% respectively, of the entire green building certification consultancy market of Hong Kong in 2015. As the Hong Kong government keeps strengthening the energy-saving policies and relevant regulations, there will be more property developers applying for BEAM Plus and LEED certifications in the years to come. The table below shows the information of the major market players in the entire green building certification consultancy service market in Hong Kong in 2015 in terms of revenue:

Rank	Market player	Background and principal activities	Market share of the entire green building certification consultancy market in Hong Kong (%)
1	Our Group	A Hong Kong company engaging in green building certification consultancy, sustainability and environmental consultancy, and acoustics, noise and vibration control and audio-visual design consultancy	11.6
2	Company A	A Hong Kong non-profit organisation engaging in, among other, environment, social and governance reporting and green building consultancy	10.1
3	Company B	A global company, engaging in, among other, feasibility reports and specialist studies and project management, as well as specialist service such as acoustics, green building, communications, environmental assessment and design etc.	9.7

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## INDUSTRY OVERVIEW

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Rank	Market player	Background and principal activities	Market share of the entire green building certification consultancy market in Hong Kong (%)
4	Company C	A global company, engaging in, among others, engineering management and consultancy, civil engineering, geotechnical engineering, green building, environmental engineering	8.0
5	Company D	A global company, engaging in, among others, building, civil and, construction engineering, quantity survey, green building consultancy, etc.	6.8

During the period from January 2011 to December 2015, there were 71 LEED projects that were certified in Hong Kong and our Group provided certification consultancy for 12 of them, accounting for 16.9% of the total LEED certification number.

During the period from January 2011 to December 2015, there are 109 BEAM and BEAM Plus projects are certified in Hong Kong and our Group provided certification consultancy to 18 of them, accounting for 16.5% of the total BEAM and BEAM Plus certification number.

China – As of 31 December 2015, there were over 2,350 companies in China providing green building certification consultancy with intense market fragmentation and regionalisation, generating a total market size of RMB3.1 billion in 2015 in terms of revenue.

Macau – As of 31 December 2015, there were about 90 to 120 companies in Macau providing green building certification consultancy, generating a total market size of HK\$26.7 million in 2015 in terms of revenue.

The markets in China and Macau are highly fragmented with no well-recognised leaders in terms of sale revenue. Therefore, it is not feasible to do market ranking as well as a competitive landscape analysis.

### SUSTAINABILITY AND ENVIRONMENTAL CONSULTANCY MARKET

#### Definition of sustainability and environmental consultancy

Sustainability and environmental consultancy covers various aspects of sustainability and environmental issues associated with development projects including environmental impact assessment, air ventilation, water quality, air quality, ecological impact, noise impact, waste management, landscape and visual impact and other services such as drainage and sewage impact, health impact, hazard assessment, asbestos investigation, etc.

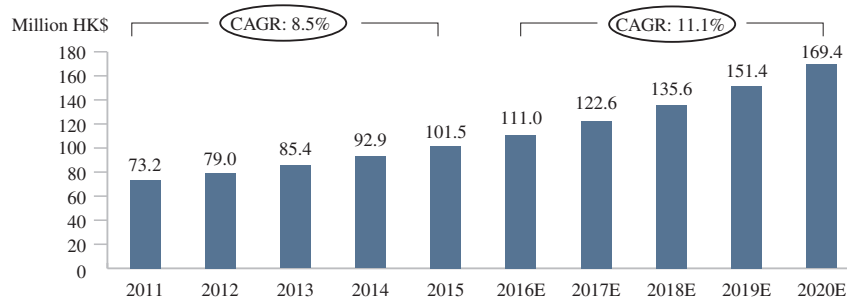
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## INDUSTRY OVERVIEW

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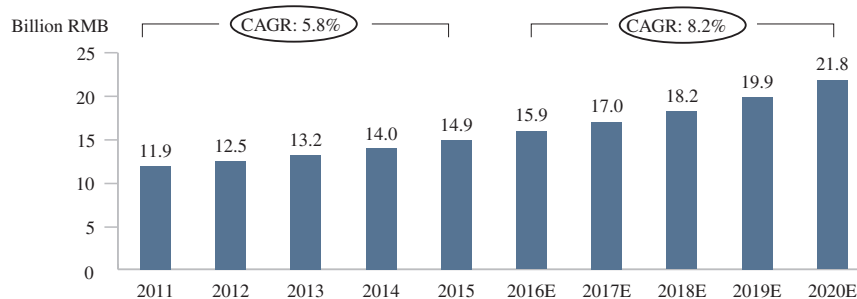
### Market size by revenue

Hong Kong – In 2015, the sustainability and environmental consultancy market size in Hong Kong by revenue reached HK\$101.5 million, growing at a CAGR of 8.5% since 2011. As the local government imposes more stringent and diversified requirements these years, the market saw a stable increase in revenue of approximate HK\$28.3 million during the past five years. In the near future, the market in Hong Kong is expected to experience a higher growth at a CAGR of 11.1% from 2016 to 2020 and grow to HK\$169.4 million in 2020. The following diagram sets forth the actual and forecast market size by revenue from 2011 to 2020:



Source: Frost & Sullivan

China – Sustainability and environmental consultancy market size by revenue grew from 2011 to 2015 at a CAGR of 5.8% and amounted to RMB14.9 billion in 2015. As environmental impact assessment report is required by the government, more real estate developers will seek professional sustainability and environmental consultancy in the near future, which will help to expand the market size to RMB21.8 billion in 2020 at a CAGR of 8.2% from 2016. The following diagram sets forth the actual and forecast market size by revenue from 2011 to 2020:



Source: Frost & Sullivan

Macau – In 2015, sustainability and environmental consultancy market size in Macau by revenue reached HK\$33.7 million, growing at a CAGR of 7.6% since 2011. With the inward investments from China, Hong Kong and overseas to Macau and the blooming of the various industries in Macau, the sustainability and environmental consultancy market size is estimated to grow at CAGR of 10.3% and amount to HK\$53.5 million in 2020.

### Market drivers

(1) *Increasing industry demand*

Hong Kong – There is an increasing demand for sustainability and environmental consultancy with its metropolisation and surging population.

China – As China is facing the need to modify its energy consumption and has become increasingly industrialised and urbanised with new countryside constructions, the demand for the sustainability and environmental consultancy market will also increase.

Macau – There is an increasing demand for sustainability and environmental consultancy with its metropolisation and surging population.

(2) *Supportive government policies and more stringent regulatory requirement*

Hong Kong – The Environmental Protection Department, along with other related government departments, have implemented various laws regulating environment issues, such as the Environmental Impact Assessment Ordinance which made environmental impact assessment report a necessity before the construction and operation of various types of designated projects. Moreover, environmental assessment usually forms part of Planning Application under the Town Planning Ordinance or is required as one of the conditions of development projects.

China – The Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) states that “any construction product that might generate impact on the environment is subject to environmental impact assessment. Otherwise, the construction is not allowed”.

Macau – The regulatory requirement are getting more stringent. The Environmental Impact Assessment Guidelines describes how to make technical analysis and evaluation of environmental elements, including the introduction of environmentally sensitive receptors and contaminant sources.

(3) *Corporate Social Responsibility (“CSR”)* – There is an increasing emphasis on CSR in recent years as doing business is not only about profit-making, but also to contribute to the society and the environment. Commitment in environmental-friendly and sustainable business is one of the vital methods to promote corporate image and express CSR, which may further help to build customer loyalty and gain public support as well as obtain government allowance.

With the focuses on CSR, there will also be an increasing demand for sustainability environmental consultancy since these corporates need people to guide them on strategy to achieve energy or carbon reduction, conducting sustainable design and environmental assessment, etc. This driver is applicable to Hong Kong, China and Macau markets.

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## INDUSTRY OVERVIEW

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### Average contract fee

The following table sets forth the average contract fee in 2015 and the expected average contract fee in 2020 for sustainability and environmental consultancy in Hong Kong, China and Macau respectively:

	Average contract fee (by case) in 2015	Expected average contract fee in 2020	CAGR
Hong Kong	HK\$160,800	HK\$200,500	4.5%
China	RMB127,600	RMB150,100	3.3%
Macau	HK\$166,100	HK\$203,600	4.2%

### Market Challenges to the Hong Kong, China and Macau markets

- (1) *Technique Challenges* – The expansion of sustainability and environmental consultancy market, to some extent, depends on the development of advanced techniques of detecting/predicting, analyzing and solving environmental problems. The methods are primarily index analysis, economic analysis, principal component analysis and fuzzy logic, but all of them have their own limits. It is especially challenging for environmental consultancy to solve problems which are hard to quantify including direct and indirect effects for lack of reliable data and information. Thus, facing staggering changes in the environmental market, environmental consultancy are in urgent need of improving their skills to work out more ambiguous problems.
- (2) *System Differences* – There are diversified sustainability and environmental consultancy systems among different areas, which depend on internal administrative or statutory system, socio-cultural and economic conditions and internal political stability. Therefore, in order to provide high standard of sustainability and environmental consultancy, the service providers have to develop different services to cater for various service patterns, progress, public participation and public access of information, which largely increases the difficulty of expanding consultancy service in different markets and the cost of it.
- (3) *Availability and Reliability of Assessment Data* – Clear and reliable data and information are two of the most important factors concerning the success of the sustainability and environmental consultancy. However, driven by the aim of high profitability and high speed of economic growth for a long time, companies and government in some districts may not provide or have detailed and objective information.

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## INDUSTRY OVERVIEW

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### Competitive Landscape Analysis

Hong Kong – There are 120 to 160 sustainability and environmental consultancy companies in Hong Kong which provide professional environmental review and assessment services to industries ranging from indoor environment quality, water quality testing to transportation system environmental assessment. The table below shows the information of the major market players in the entire sustainability and environment consultancy market in Hong Kong in 2015 in terms of revenue:

Rank	Market player	Background and principal activities	Market share of the entire sustainability and environmental consultancy market in Hong Kong (%)
1	Company B	A global company, engaging in, among other, feasibility reports and specialist studies and project management, as well as specialist service such as acoustics, green building, communications, environmental assessment and design etc.	13.4
2	Company E	A global company engaging in, among other, provides engineering consulting capabilities in infrastructure and environment, project management, planning and urban development	10.9
3	Company C	A global company, engaging in, among others, engineering management and consultancy, civil engineering, geotechnical engineering, green building, environmental engineering	9.3
4	Our Group	A Hong Kong company engaging in green building certification consultancy, sustainability and environmental consultancy services, and acoustics, noise and vibration control and audio-visual design consultancy	7.2
5	Company F	A global company, engaging in, among others, impact assessment and planning and corporate sustainability strategy	6.7

China – There are over 28,000 companies providing relevant assessment consultancy services. The players are highly regionalised with low market concentration. More than 90% of the players in the China are small players with an average annual of less than RMB500,000.

Macau – There are about 110 small companies providing sustainability and environmental consultancy with no well-recognised market leaders.

The markets in China and Macau are highly fragmented with no well-recognised and sizeable players in terms of sale revenue. Therefore, it is not feasible to conduct market rankings as well as a competitive landscape analysis.



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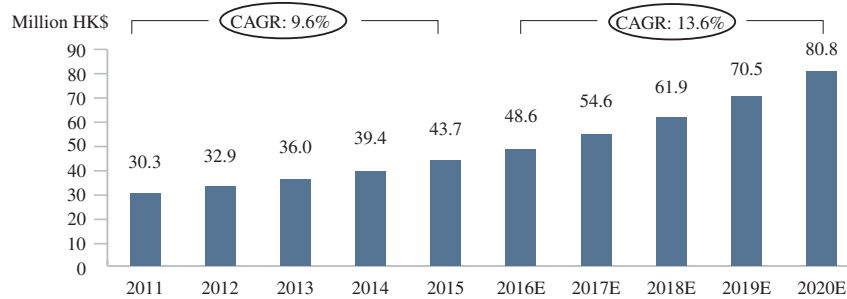
## INDUSTRY OVERVIEW

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### ACOUSTICS, NOISE AND VIBRATION CONTROL AND AUDIO-VISUAL DESIGN CONSULTANCY MARKET

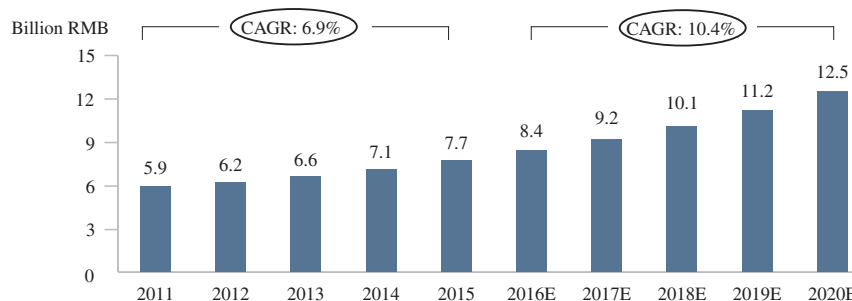
#### Market size by revenue

**Hong Kong** – The market size of acoustics, noise and vibration control and audio-visual design consultancy by revenue in Hong Kong was HK\$43.7 million in 2015 with a CAGR of 9.6% since 2011. The market size is estimated to reach HK\$80.8 million in 2020 with a CAGR of 13.6% since 2016. The following diagram sets forth the actual and forecast market size by revenue from 2011 to 2020:



Source: Frost & Sullivan

**China** – The acoustics, noise and vibration control and audio-visual design consultancy market size in China was RMB7.7 billion in 2015 with a CAGR of 6.9% since 2011. With the government’s ever-strengthening the noise control standards and the rising commercial real estate (e.g. office building, movie theatres where acoustic and audio-visual design are in high demand), the acoustics, noise and vibration control and audio-visual design consultancy market size is expected to embrace further growth in the near future and amount to RMB12.5 billion in 2020, representing a CAGR of 10.4% from 2016. The following diagram sets forth the actual and forecast market size by revenue from 2011 to 2020:



Source: Frost & Sullivan

**Macau** – The acoustics, noise and vibration control and audio-visual design consultancy market size in Macau reached HK\$14.4 million in 2015 with a CAGR of 8.5% since 2011. In recent years, many existing buildings are undergoing green renovation such as stadiums, school architectures to promote better customer experience. Also, real estate developers becoming increasingly concerned about the noise control performances of their planned or undergoing construction projects. Thus, the acoustics, noise and vibration control and audio-visual design market size in Macau is expected to amount to HK\$25.6 million in 2020, representing a CAGR of 12.6% from 2016 to 2020.

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## INDUSTRY OVERVIEW

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### Market drivers for the Hong Kong, China and Macau markets

- (1) *Growing client needs* – Acoustics design consultancy services are becoming more pervasive due to the growing customer needs especially in buildings where the importance of acoustic quality and speech privacy is paramount, such as concert halls and auditoriums and top-management office, or to control noise and vibration in facilities located near noisy equipment or areas. Accordingly, architectural acoustic service will continue to grow and expand in market due to people’s pursuit of acoustic performance and quality life. People are having a higher demand for quiet living space nowadays, especially in fast-paced metropolitan cities where industrial and commercial activities providers are usually clustered in congested environment. The increasing community awareness of noise pollution caused by sources such as construction noise, loud parties or building equipment noise at night, has promoted improvements in both legislative field and the masses supervision.
- (2) *Strict noise control standard* – The governments in Hong Kong, China and Macau have adopted regulations and standards to make sure that the major forms of environmental noise are under statutory control. These strict noise control standards increase demand for acoustics, noise and vibration control and audio-visual design.
- (3) *Corporate Social Responsibility* – It is also important for corporations to take the local communities into considerations to implement noise and vibration control and audio-visual design to reduce noise nuisance and enhance users’ satisfaction. It enhance the corporate reputation in the society and boost the brand image for its sustainable development in the long run. With the focuses on communities, there will also be an increasing demand for acoustics, noise and vibration control and audio-visual design.

### Average contract fee

The following table sets forth the average contract fee in 2015 and the expected average contract fee in 2020 for acoustics, noise and vibration control and audio-visual design consultancy service in Hong Kong, China and Macau respectively:

	Average contract fee (by case) in 2015	Expected average contract fee in 2020	CAGR
Hong Kong	HK\$121,500	HK\$163,200	6.1%
China	RMB103,700	RMB133,800	5.2%
Macau	HK\$120,200	HK\$159,200	5.8%

### Market Challenges to Hong Kong, China and Macau markets

- (1) *Different statutory noise control standards* – To facilitate sustainable development and enhance the living standards of people, a growing number of countries and regions are introducing and strengthening the noise control standards which set various noise limit requirements for different locations and places. The acoustics, noise and vibration control and audio-visual design consultancy providers need to have a good understanding of their target business region and sufficient project execution experience in this regard. Lacking the ability to apply their industry expertise with those different statutory noise control standards may pose a challenge for their extension of business coverage.

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## INDUSTRY OVERVIEW

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- (2) *Weak awareness of low tier regions in China* – People in tier 1 and tier 2 cities of China become increasingly concerned about living quality and they would prefer to stay in places which generate little noise and give them more privacy. However, there are still a number of low tier regions in China that are not urbanised such as the northeast region where people lack the sense of environmental noise control, which makes the building operators and real estate developers see little need to unnecessarily spend the money and conduct quality noise control assessment apart from complying with the government ordinances. Also, the relatively lower income of low tier regions of China as compared with the tier 1 and tier 2 cities reduce the chance for them to go to places such as movie theatre and cinemas where requires high noise control performances. Thus the number of such places which need acoustics, noise and vibration control and audio-visual design consultancy is much less than the tier 1 and 2 cities and acoustics, noise and vibration control and audio-visual design consultancy providers may come across challenges in their business expansion and need to spend a lot of money to educate the market.

### Competitive Landscape Analysis

Hong Kong – About 50 consultancy companies in Hong Kong provide acoustics, noise and vibration control and audio-visual design consultancy to a variety of sectors such as performance venues, offices, hotels, schools, movie theatre, broadcasting facilities and recording studios government buildings as well as the residential sector. As the noise control standards become more stringent, the acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong is perceived with great market potential and the competition within the sector is becoming increasingly intense. The table below shows the information of the major market players in the entire acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong in 2015 in terms of revenue:

Rank	Market player	Background and principal activities	Market share of the entire acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong (%)
1	Company G	A company specializing in noise and vibration control for railway system for both operation and construction stages	18.5
2	Company H	A company engaging in, among other, acoustics, audiovisual, multimedia and information technology planning	16.3
3	Company I	A company, engaging in, among others, architectural acoustics, interior acoustics, mechanical and electrical and acoustic-structural noise and vibration product	11.0

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## INDUSTRY OVERVIEW

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Rank	Market player	Background and principal activities	Market share of the entire acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong (%)
4	Company L	A company engaging in, among others, audio-visual design, incorporating various mixes of surveillance and access-control and threat-analysis	6.5
5	Our Group	A Hong Kong company engaging in green building certification consultancy, sustainability and environmental consultancy, and acoustics, noise and vibration control and audio-visual design consultancy	4.1

China – The acoustics, noise vibration control and audio-visual design consultancy market in the PRC is very fragmented with 7,800 service providers as of 31 December, 2015, generating a market size of RMB7.7 billion.

Macau – As of 31 December, 2015, there were about 40 players in the acoustics, noise vibration control and audio-visual design consultancy industry in Macau, generating a market size of HK\$14.4 million.

The markets in China and Macau are highly fragmented with no well-recognised leaders in terms of sale revenue. Therefore, it is not feasible to do market rankings as well as a competitive landscape analysis.

### ESG REPORTING AND CONSULTANCY SERVICES

ESG reporting consulting service is the service provided by independent outsourced party or delegated teams of a listed company to disclose their ESG performance based on the ESG Guide over areas such as workplace quality, environmental protection, operating practices and community involvement. Under each subject area, there are various reporting aspects.

The market size of ESG reporting consultancy service in Hong Kong reached HK\$309.2 million in 2015 with a CAGR of 18.5% since 2011. As of 31 May 2016, there were a total of 1,893 companies listed on the Stock Exchange (including 1,655 companies on the main board and 238 companies on the GEM), 57% of which are using the method of ESG reporting to disclose non-financial status of the listed companies over areas of workplace quality, environmental protection, operating practices and community involvement.

Although currently the ESG Guide issued by the Stock Exchange is still voluntary, as an increasing number of listed companies become aware of the importance and value of disclosing ESG performance to the stakeholders, the market size is expected to embrace further boom in the next four years and reach HK\$1.0 billion in 2020, representing a CAGR of 23.8% during the period from 2016 to 2020.

### Overview of environmental consultancy services markets of cities in China

China has over 2,350 companies providing green building certification consultancy service, over 28,000 companies providing sustainability and environmental consultancy services and over 7,800 companies providing acoustics, noise and vibration control and audio-visual design consultancy services. Currently, the major driving force of the industry development is from the first tier cities such as Beijing, Shanghai, Shenzhen and some leading second tier cities such as Hangzhou, Chengdu and Changsha as growth rate of demand in those regions are relatively higher than other regions in China due to better economic condition and more solid infrastructure development plans. According to the F&S Report, there are no noticeable leading players who capture sizable market shares given the highly fragmented competitive landscape in China.

Below sets forth the competitive landscape and future outlook of the environmental consultancy services markets of certain cities in China:

#### 1) *Beijing*

As the capital of China, Beijing attaches great importance to pollution reduction, energy conservation and water sufficiency in recent years and places emphasis on the construction of low-carbon production system, air pollution control, water saving and the building of a green environment. Beijing government issued Beijing's "12th Five-year" Plan for the Development of Green Building Construction (《北京市「十二五」時期綠色北京發展建設規劃》) to encourage green building projects.

In 2015, Notice of Beijing on Organizing and Declaring Incentive Funds for Green Building Projects (《關於組織申報北京市2015年度綠色建築標識項目獎勵資金的通知》) was issued to encourage green building by giving bonus incentives. In 2015, Beijing has certified 27 projects with qualified "Three-Star" China GBL certification, ranking the second among all cities in China. With Beijing citizens' increasing environmental awareness and Beijing government's policy support, green buildings will be increasingly popular and thus the demand for the green building certification consultancy services will grow consequently. There are over 600 companies in Beijing which provide consultancy services over green building projects, with both local firms and international firms. The environmental consultancy market in Beijing is expected to grow in view of the government's support, increasing importance of green building construction and more stringent environmental assessment standards that require professional consultancy services.

#### 2) *Shanghai*

As the biggest city in China, the government of Shanghai places much emphasis on transforming Shanghai into an environmental-friendly city. Shanghai certified 38 projects with "Three-Star" China GBL certification in 2015, ranking the first among all the cities in China. Shanghai will give priority to green industries, and remain committed to reducing pollution and improving the environment, according to the city's draft 13th Five-Year (2016-2020) Plan. The Shanghai government enacted regulations on the prevention and control of air pollution and noise control in the past few years. For instance, the Procedures of Shanghai Municipality on Prevention and Control of Pollution by Noise of Social Activities (《上海市社會生活噪聲污染防治辦法(滬府令94號)》) issued in December 2012, states that the Public Security Organ shall, in accordance with its statutory duties, impose administrative penalties on the social acts that make noise to disturb others' normal life; the Regulations of Shanghai Municipality on the Prevention and

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## INDUSTRY OVERVIEW

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Control of Atmospheric Pollution (2014 revision) (《上海市大氣污染防治條例》) issued in July 2014 provides regulation to enterprises that emit atmospheric pollution shall strengthen internal management and adopt advanced production technology in order to reduce pollutant emissions. In 2012, Shanghai government issued Engineering Construction Standard (《上海市工程建設規範》), which provides stringent criteria on the environment impact of building construction.

Shanghai has the largest and continuously growing number of green buildings in China. Shanghai thus serves as a great platform for industry leading companies to expand. There are over 800 companies providing environmental consultancy services in Shanghai, with a few local companies which are the leading players in the market in Shanghai. According to the F&S Report, the demand for the green building certification consultancy services is expected to grow in light of the rising level of environmental awareness and continuous fast economic growth in Shanghai.

### 3) *Shenzhen*

Shenzhen is one of the fastest growing economies in the southern part of China with close proximity to Hong Kong. As an international metropolis, Shenzhen is also among the most developed cities in the green building initiative with many regulations and incentives such as Regulations of the Shenzhen Special Economic Zone on the Energy Saving for Buildings (《深圳經濟特區建築節能條例》), which came into effect in November 2006 and stipulates the energy-saving standards and approaches to promote sustainable development. Also, the “Regulations of the Shenzhen Special Economic Zone on the Energy Saving for Building” requires that the design and feasibility report for constructions and renovations works in Shenzhen should include energy-saving contents to be strictly complied with during the practical project execution; Measures of Shenzhen Municipality for the Administration of the Emission Reduction and Utilisation of Construction Waste (《深圳市建築廢棄物減排與利用條例》), which came in effect in October 2009 and aimed to reduce the discharges of construction waste and promote better utilisation of construction waste to protect environment and facilitate sustainable development, and Provision of Shenzhen for the Promotion of Green Buildings (《深圳市綠色建築促進辦法》), which came in effect in August 2013, providing guidelines for the planning, establishments, operation, renovation and examination methods for green buildings in Shenzhen to maximise the energy-saving functionalities throughout the whole building life cycle in place.

Since 2008, Shenzhen has been actively pushing for the development of low-carbon green city building. In 2015, Shenzhen certified with most China GBL certification at all levels (including One-Star, Two-Star and Three-Star) among all the cities in China with 88 projects qualified. The congregation of renowned real estate developers in Shenzhen can bring great opportunity for green building certification consultancy service providers to build reputation by establishing business cooperation with them, and to obtain business opportunities from these partners in other parts of China for future expansion. There are over 500 environmental consultancy services companies in Shenzhen, with a few local companies as the leading market players. Certain international companies also have market presence in Shenzhen.

### 4) *Changsha*

Changsha is in a rapid stage of industrialisation and urbanisation, which generates high growth in energy consumption and environmental pollution especially in the construction process of buildings. With scarce energy resources and the nationwide initiatives to reduce consumption and pollution, Changsha established the Changsha Green Building Council (長沙市綠色建築技術

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## INDUSTRY OVERVIEW

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委員會) in 2009 to promote and regulate the development of sustainable and environmentally friendly construction projects, and implemented various stringent assessments and criteria for green building certification such as Changsha Green Building Design Standards (《長沙市綠色建築設計基本規定》) which issued on April 2015, specifies construction requirements for newly designed buildings in Changsha, and Changsha Green Building Project Management Regulations (《長沙市綠色建築項目管理規定》) which was issued on July 2015, regulates the design, construction, completion and management of green buildings in Changsha.

Chosen as one of the first batch of “Energy Saving and Emission Reduction Model Cities” in 2011, Changsha has qualified a total of 108 green building projects up to 2015, out of which 70 are qualified with “One-Star” certificate, 24 “Two-Stars”, and 14 “Three-Stars”. According to the goals set by the government in the Changsha Green Building Implementation Plan (《長沙市綠色建築行動實施方案》) in 2014, area of new green building projects should reach 30% of all new projects in the city and 15% in the peripheral regions by the end of 2015, and 100% of all newly built households must be certified with green building standards by 2020. Coupled with various government subsidies and tax incentives for the purchase of green buildings, the increasingly stringent regulations and enforcement towards green projects will provide strong regional demand for environmental consultancy services. There are over 350 environmental consultancy services companies in Changsha. While the local companies are the leading market players, certain international companies also have market presence in Changsha.

### 5) *Chengdu*

Located in the Southwest region of China, Chengdu is one of the most developed regions in the area with local GDP growth rate reaching 7.9% in 2015 (national average: 6.9%). The fast economic growth and urbanisation pace not only result in improving living standards of local residents and more construction projects, but increasingly severe pollution, which the local government endeavors to avoid as Chengdu positions itself as a best-in-class tourist city with spectacular natural landscapes and resources. Encouraged by the central government of the PRC as well as to better balance the contradictions between its urbanisation and nature conservation, the government of Chengdu issued Design Guide for Chengdu’s Residential Green Building (《成都市民用建築綠色設計技術導則》) which came into effect in February 2016 and provides detailed items of consideration for various design and construction projects including building structure design and construction, building interior design and construction, building electrical system design, water supply and drainage design and etc., and Examination Outlines for Chengdu’s Residential Green Building Design (《成都市民用建築綠色設計審查要點》) which came into effective in February 2016 and outlines the items of investigation and audit to ensure design and construction projects have followed the Design Guide For Chengdu’s Residential Green Building, in 2014 to promote the popularity of green buildings. These policies require certain types of local public housing, hospitals, schools, public buildings and infrastructures financed by the municipal government to fully implement related green building standards by July 2014. In line with the city’s investment in real estate development achieving an annual growth rate of 10.0% in 2015, these factors together generate a significant demand for green building certification consultancy services.

There are over 300 companies providing environmental consultancy services in Chengdu, with local companies as the leading market players and the presence of certain international environmental consultancy services companies.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### THE LAWS AND REGULATIONS OF HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

#### **A. Laws and membership accreditation systems in relation to the services provided by us**

There are currently no specific laws and regulations governing the licensing and provision of consulting service by companies in green building certification consultancy and sustainability, environment consultancy, and acoustics, noise and vibration control and audio-visual design consultancy.

However, there are departmental guidelines and statutory requirements related to appointment of competent person for various noise assessments. For instance, the *Noise Control (Hand Held Percussive Breakers) and (Air Compressors) Regulations* under the *Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)* stipulate that a noise testing report issued by a corporate member of the Institute of Acoustics of the United Kingdom certifying compliance of noise emission standards is required for application for a Noise Emission Label. The *Factories and Industrial Undertakings (Noise at Work) Regulation* requires the proprietor of an industrial undertaking to arrange for a noise assessment by a competent person wherever an employee is likely to be exposed to noise at or above certain noise levels. The application procedure of Quality Powered Mechanical Equipment stipulated by Environmental Protection Department also requires a sound test report for the equipment carried out by a competent professional. Furthermore, *Professional Persons Environmental Consultative Committee Practice Note 1/97 on Streamlined Approach for the Planning of Residential Developments Against Road Traffic Noise* stipulates that for sites larger than 2 hectares, a layout plan of the development and road traffic noise calculation endorsed by a corporate member of the Hong Kong Institute of Acoustics should be provided.

The *Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong)* requires that designated duties under the Ordinance must be performed by a registered energy assessor. To be qualified as a registered energy assessor, the individual should, among others, (a) be a registered professional engineer within the meaning of section 2(1) of the *Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)*; (b) is registered in the electrical, mechanical, environmental or building services discipline under that ordinance; and (c) has had at least two years practical experience in engineering works relating to energy efficiency in buildings acquired while being so registered.

The industry participants target to promote industry best practices and maintain the quality and standard of services provided by them and they have established certain professional institutes and formulated their respective membership accreditation systems. To meet the eligibility for certain open tenders or invitations for quotation, consultancy service companies and their employees may be expected to possess certain accredited qualifications and/or admitted as members to certain industry council/professional institute.



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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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The Hong Kong Institute of Environmental Impact Assessment and the Hong Kong Institute of Acoustics maintain a membership accreditation system for qualified professionals in the related areas. Recently in April 2016, the Hong Kong Institute of Qualified Environmental Professionals Limited also launched a membership accreditation system for qualified environmental professionals. To qualify as a professional member of these institutes, an applicant has to meet certain academic requirements and process related experience, pass the professional examination organised by these institutes or assessment by a panel or committee of these institutes.

Membership accreditation system maintained by these professional institutes are on a voluntary basis. However, the accreditation as a member of such professional institute is a recognition of his professional competence and experiences in the related areas. In addition, such membership accreditation systems strike to develop a standard for qualified professionals in the industry.

The green building certification organisation may require the application documents to be signed by accredited professionals. In relation to BEAM certification application, the application documents are to be signed by BEAM Professionals. BEAM Professionals are green building professionals accredited by the Hong Kong Green Building Council Limited in various aspects of the entire green building life cycle. A key role of BEAM Professionals is to integrate the latest green building standards and practices into everyday building planning, design, construction and operation. In a typical engagement, BEAM Professionals are embedded in project teams; and will be responsible for advising the project team on how to achieve the required credit points to attain the client's desired green building rating level. To be eligible to be accredited as a BEAM Professional, the candidate is required to possess a degree in built environment or related discipline and a minimum five years postgraduate experience related to the assessment of green buildings or equivalent, and the candidate has to take and pass the requisite examination. From the website of the Hong Kong Green Building Council Limited, there are over 800 BEAM Professionals in Hong Kong.

It is generally expected that there are LEED Accredited Professionals to work on the LEED certification projects. LEED Accredited Professionals are accredited by the U.S. Green Building Council. To be eligible to be accredited as a LEED Accredited Professionals, it is recommended that the candidate has worked on a LEED project, and the candidate has to take and pass the requisite examination. There are over 290 LEED Accredited Professionals in Hong Kong.

### **B. Government policy and support**

According to the policy address of Chief Executive of Hong Kong in 1999, the then Chief Executive announced the institutionalisation of sustainable development as part of the Government's policy formulation and decision-making process. He initiated the establishment of Council for Sustainable Development in 2003 and the Sustainable Development Division (formerly known as "Sustainable Development Unit") in 2001 to advise Government on the better integration and understanding of the sustainable development concept and to promote greater awareness of the concept in the community. He perceived sustainable development was the way forward in building Hong Kong into a world-class city. Subsequently, a study on sustainable development was completed by the

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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Planning Department in 2000 and numerous public engagement exercises to formulate the sustainable development strategy for Hong Kong and other priority area of concern were conducted by the Council for Sustainable Development starting from 2004. Over the years, the reports compiled by the Council for Sustainable Development were widely accepted by the Government and resulted in strategies carried out in terms in new policies by the Government. Recent publication of the Energy Saving Plan and Climate Change Report by the Environment Bureau reinforce the policy support by the government in green building development. Apart from the policy and measures formulated by the Government, relevant laws and regulation were also imposed which raise the demand for the green building certification consultancy.

Pursuant to the Sustainable Building Design Guidelines and Joint Practice Notes issued by departments including the Buildings Department, a BEAM Plus certification is one of the prerequisites for the granting of GFA concessions for certain green and amenity features in development projects in Hong Kong. For industrial building revitalisation, BEAM Plus certification is required for the grant of certain exemptions under the Buildings Regulations. Moreover, new government buildings with construction floor area of larger than 5,000 square metres with central air-conditioning or greater than 10,000 square metres have to achieve at least BEAM Plus Gold certification.

### **C. Laws and regulations to which our customers may be subject**

*i) Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)*

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, 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 otherwise exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as 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.) or decommissions a designated project listed in Part II of Schedule 2 of the Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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*ii) Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)*

The Air Pollution Control Ordinance 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.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

*iii) Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)*

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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*iv) Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)*

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

All discharges, other than domestic sewage to a communal foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. In determining the efficient standards, the Director of the Environmental Protection Department considers the need to protect the drainage or sewerage system, the health and safety of the operation and maintenance staff or the receiving water.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence.

*v) Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)*

The Waste Disposal Ordinance 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, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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properly before disposal. Only a licensed waste 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 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 the 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.

vi) *Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)*

Under the Dumping at Sea Ordinance, any waste producer involved in marine dumping and related loading operations are required to obtain permits from the Director of the Environmental Protection.

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.

### THE LAWS AND REGULATIONS OF MACAU

#### Laws and regulations in relation to environmental protection

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

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

Concerning noise pollution in particular, Law no. 8/2014, which entered into force on 13 February 2015 and revoked Decree Law no. 54/94/M, establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7:00 p.m. and 9:00 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8:00 p.m. and 8:00 a.m. on weekdays.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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

### THE LAWS AND REGULATIONS OF THE PRC

#### Laws and regulations on environment protection in the PRC

Approved on 26 December 1989, amended on 24 April 2014 and implemented with effect from 1 January 2015, the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (the “**Environmental Protection Law**”) is applicable to the territory of, and other maritime areas under the governance of, the PRC. Pursuant to the Environmental Protection Law, all units and individuals shall bear environmental protection obligations. All enterprises and other production operators shall prevent and minimise any pollution on and damage to the environment and the ecosystem, and shall bear legal responsibilities for any damage caused. Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of a project, must be in compliance with the requirements stipulated in the approved environmental impact assessment document, and must not be dismantled or left idle without authorisation. Enterprises and other production operators discharging pollutants shall take measures to prevent and control the pollution and harms caused to the environment by waste gases, waste water, waste residues, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, ray radiation and electromagnetic radiation generated in the course of production, construction or other activities. Enterprises discharging pollutants shall establish a responsibility system for environmental protection, under which responsibilities of the person in charge and the relevant personnel are explicitly stated.

Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) (the “**Prevention and Control of Environmental Noise Pollution Law**”) promulgated on 29 October 1996 and implemented with effect from 1 March 1997, is applicable to the prevention and control of environmental noise pollution within the territory of the PRC. All units and individuals shall bear obligation to protect the acoustic environment. The competent administrative department of environmental protection under the State Council shall, in accordance with the national standards for acoustic environmental quality and the State's economic conditions and technology levels, formulate national environmental noise emission standards. Installations for the prevention and control of environmental noise pollution at a construction project must be designed, built and commissioned together with the principal part of a project. Before a construction project is put into production or use, its installations for the prevention and control of environmental noise pollution must be inspected and accepted by the competent administrative department of environmental protection which originally approved the environmental impact assessment report; if such facilities fail to meet the requirements of the State, the construction project may not be put into production or use.

The above laws and regulations on environmental protection of the PRC shall be taken into consideration before providing consultancy services to customers in the PRC.

### **Evaluation Standard for green building of the PRC**

On 7 March 2006, the Ministry of Housing and Urban-Rural Development of the People's Republic of China (formerly known as the Ministry of Construction of the People's Republic of China) approved and promulgated evaluation standard for green building (GB/T50378-2006) 《綠色建築評價標準》(the “**Evaluation Standard**”). With effect from 1 June 2006, the Evaluation Standard is applicable to the evaluations of residential constructions and public constructions including offices, shopping malls and hotels. According to the Evaluation Standard, evaluation of newly-built, extended and rebuilt residential or public constructions shall be conducted one year after commencement of operation. Evaluation standard for green building is comprised of six criterion including land saving and exterior environment, energy saving and consumption, water saving and consumption, material saving and consumption, quality of interior environment and operation management. Each criteria involves control items, general items and optimum items. A green building shall satisfy the requirements of all control items for residential or public constructions of the Evaluation Standard and shall be ranked one star, two stars or three stars based on the extent of satisfaction of the general and optimum items.

On 27 May 2014, the Ministry of Housing and Urban-Rural Development of the People's Republic of China announced the amended version of the evaluation standard for green building (GB/T50378-2014) (the “**New Evaluation Standard**”), which is applicable to the evaluation of green civil buildings and with effect from 1 January 2015. Pursuant to the New Evaluation Standard, evaluation of green buildings shall comply with the principle of tailoring measures based on actual circumstances. A comprehensive evaluation in terms of the performance of energy saving, land saving, water saving, material saving and environmental protections of the building within its whole useful life shall be conducted after taking into account the characteristics including climate, environment, resources, economy and culture of the region where the building is located. Based on its total score, the green building will be ranked one star, two stars or three stars. A green building must satisfy requirements of all control items and shall score no less than 40 in each evaluation criteria before being categorised into the three rankings. Green buildings with total score of 50, 60 and 80 will be classified as one star, two star and three star, respectively.

The above evaluation standard for green building of the PRC shall be taken into consideration before providing consultancy services to customers in the PRC.

### **Laws and regulations on environmental consultancy service sector in the PRC**

Relevant policies and measures to promote the development of the environmental protection industry and to improve environmental protection have been included in the planning for key industries for development in the PRC by the PRC Government. According to the Twelfth Five-year Plan for National Environmental Protection (《國家環境保護「十二五」規劃》) issued by the State Council on 15 December 2011, governments at all levels shall improve the policies and measures for the development of the environmental protection industry, and research to develop various policies and measures on enhancing the level of environmental service sector, which includes technical consulting services. According to the State policy guiding opinion of Twelfth Five-year Plan of National Strategic Emerging Industry (《「十二五」國家戰略性新興產業發展規劃》) issued by the State Council on 9 July 2012, the government shall accelerate the cultivation and development of strategic emerging industries such as the energy saving and environmental protection industries, and vigorously promote the development of the environmental service industry. On 17 January 2013, the Ministry of Environmental Protection of the PRC has promulgated its administrative rules, the Guidance Opinions on the Development of Environmental Protection Service Industry (《關於發展環保服務業的指導意見》), which requires to facilitate the development of the environmental protection service industry in relevant aspects such as consulting, design, monitoring, audit and assessment in response to the demand of the ecological environment protection and environmental pollution control, so as to provide a strong support for all aspects of environmental protection. According to the latest revision of the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》), an administrative regulation issued by the National Development and Reform Commission in March 2015, the environmental consultancy service industry has been included in the category of encouraged foreign-invested industries by the PRC Government. Our PRC Legal Adviser advised that save as disclosed above, there is no PRC laws and administrative regulations specifically governing the provision of environmental consultancy service in the PRC as at the Latest Practicable Date.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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### BUSINESS DEVELOPMENT

#### Introduction

Our major operating subsidiary, AEC Hong Kong, was established in September 1994 by an Independent Third Party. In November 1997, Dr. James Wong, one of our Shareholders became the sole shareholder of AEC Hong Kong. Given Dr. James Wong's expertise in acoustics, noise and vibration control and audio-visual design, the then principal business of our Group was mainly the provision of consultancy in acoustics, noise and vibration control and audio-visual design. In June 2004, Ms. Grace Kwok became the controlling shareholder of AEC Hong Kong, holding approximately 50.98% interests, and our business focused more on sustainability and environmental consultancy and expanded to the green building certification consultancy. In November 2015, we further expanded our business to ESG reporting and consultancy services.

#### Our key business milestones

The following table sets out our key business milestones in the development of our Group in chronological orders:

<b>Date</b>	<b>Milestone</b>
September 1994	AEC Hong Kong, our major operating subsidiary, was incorporated
October 1998	Completion of our first noise abatement design for five sites alongside railway in Hong Kong
March 2003	Completion of our first BEAM Excellent project for residential development in Hong Kong
March 2003	Completion of our first acoustics consultancy project in the PRC
December 2003	Completion of our first statutory EIA project for a government joint user complex and wholesale fish market in Hong Kong
April 2009	Completion of the first BEAM Platinum certification in Hong Kong for a headquarters of a Hong Kong government authority located at North Point
June 2011	Completion of the BEAM Platinum certification of the tallest commercial building located at Kowloon Station in Hong Kong
August 2011	Engagement as independent environmental checker for Kai Tak Development Project

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## HISTORY, DEVELOPMENT AND REORGANISATION

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<b>Date</b>	<b>Milestone</b>
February 2012	Completion of our first LEED project in Hong Kong for a Kowloon Commercial Centre
March 2012	Completion of our first two projects in Hong Kong which achieved China Green Building Labels
January 2013	Completion of the first LEED Platinum certification for a university campus in Hong Kong located at Pok Fu Lam
October 2014	Engagement as environmental team leader for a government owned recycling park in Hong Kong
November 2014	Completion of the first BEAM Plus Platinum certification for a tertiary education building in Hong Kong located in Shatin
October 2015	Completion of the first LEED Platinum certification in Greater China Region and South-East Asia area for a data centre of a commercial bank located in Shek Mun
November 2015	Secured the first ESG reporting and consultancy project
December 2015	Completion of the first BEAM Plus Platinum Existing Building Project in Hong Kong for a public utility headquarter located at North Point

### **CORPORATE HISTORY**

#### **Our Group, comprising our Company and its subsidiaries**

Upon completion of the Reorganisation, our Group comprised five companies: our Company, AEC BVI, AEC Hong Kong, AEC China and Allied Sustainability. Among these entities, AEC Hong Kong is our principal operating subsidiary during the Track Record Period. The following table contains some information of our Company and its subsidiaries as of the Latest Practicable Date:

<b>Name of Group member</b>	<b>Date of incorporation</b>	<b>Place of incorporation</b>	<b>Principal activities</b>
Our Company	11 November 2015	Cayman Islands	Investment holding
AEC BVI	30 January 2015	BVI	Investment holding

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## HISTORY, DEVELOPMENT AND REORGANISATION

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<b>Name of Group member</b>	<b>Date of incorporation</b>	<b>Place of incorporation</b>	<b>Principal activities</b>
AEC Hong Kong	15 September 1994	Hong Kong	Provision of consultancy in green building certification, sustainability and environmental consultancy, and acoustics, noise & vibration control and audio-visual design consultancy
AEC China	30 November 2015	Hong Kong	Investment holding for our PRC business
Allied Sustainability	30 November 2015	Hong Kong	Provision of ESG reporting and consultancy

Please refer to the paragraph headed “Corporate structure” of this section for the shareholding and corporate structure of our Group after the Reorganisation.

### **Establishment and major shareholding changes of our Group companies**

#### *Our Company*

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 November 2015. Please refer to the section headed “Statutory and General Information – Further information about our Company and its subsidiaries – Change in share capital of our Company” in Appendix IV to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group. Subject to the approval of the Registrar of Companies in the Cayman Islands, we intend to register the Chinese name 沛然環保顧問有限公司 as our dual foreign name in the Cayman Islands.

#### *AEC BVI*

AEC BVI is a company with limited liability incorporated in the BVI on 30 January 2015 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1. Upon its incorporation, 1,000 shares were allotted and issued to Ms. Grace Kwok at par value.

On 24 March 2015, 5,240 shares and 6,000 shares, respectively, in AEC BVI, were allotted and issued to Ms. Grace Kwok and Dr. James Wong, in return for the transfer of 1,040 shares and 1,000 shares, respectively, in AEC Hong Kong by Ms. Grace Kwok and Dr. James Wong and Allied Group Limited, a company incorporated in the BVI and the entire issued shares were wholly-owned by Dr. James Wong. Upon completion of the allotment and issue of shares, AEC BVI was owned by Ms. Grace Kwok as to approximately 51.00% and Dr. James Wong as to approximately 49.00%.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 31 March 2015, 37,760 shares in AEC BVI were allotted and issued to Ms. Grace Kwok at a consideration of HK\$10,988,160, which was based on the audited net asset value of AEC Hong Kong per Share as at 31 March 2014. Ms. Grace Kwok used the proceeds received from the First Tranche Pre-IPO Investors to pay for the consideration of such allotment. Upon completion of such allotment and issue of shares, AEC BVI was owned by Ms. Grace Kwok as to 88.00% and Dr. James Wong as to 12.00%.

On 17 April 2015, Ms. Grace Kwok transferred 39,680 shares (representing approximately 79.36%) in AEC BVI to Gold Investments at a consideration of HK\$11,546,880, which was based on the audited net asset value of AEC Hong Kong per Share as at 31 March 2014. Upon completion of the transfer, AEC BVI was owned by Ms. Grace Kwok as to 8.64%, Gold Investments as to 79.36% and Dr. James Wong as to 12.00%.

On 20 April 2015, pursuant to the pre-IPO investments, Ms. Grace Kwok transferred 4,320 shares in AEC BVI to the First Tranche Pre-IPO Investors and the proceeds were used by Ms. Grace Kwok to settle the consideration of the allotment of 37,760 shares in AEC BVI on 31 March 2015. Please refer to the paragraph headed “The First Tranche Pre-IPO Investments” of this section for details. Upon completion of the transfers, AEC BVI was owned by Gold Investments as to 79.36%, Dr. James Wong as to 12.00%, Allied Investments Limited as to 4.32%, Mr. Lee Ho Leung William as to 2.40%, Ms. Siu Siu Yuk as to 0.96% and Mr. Choi Kwok Keung as to 0.96%.

On 25 August 2015, AEC BVI allotted and issued 4,756 shares to Gold Investments at the consideration of US\$1.4 million. On the same day, Gold Investments transferred to City Beat 4,756 shares in AEC BVI at a consideration of US\$1.4 million under the Second Tranche Pre-IPO Investment. Please refer to the paragraph headed “The Second Tranche Pre-IPO Investment” of this section for details. Upon completion of the transfer, AEC BVI was owned by Gold Investments as to approximately 72.46%, Dr. James Wong as to 10.96%, City Beat as to approximately 8.69%, Allied Investments Limited as to 3.94%, Mr. Lee Ho Leung William as to 2.19%, Ms. Siu Siu Yuk as to 0.88% and Mr. Choi Kwok Keung as to 0.88%.

Upon completion of the Reorganisation, AEC BVI became our directly wholly-owned subsidiary.

### *AEC Hong Kong*

AEC Hong Kong is a company with limited liability incorporated in Hong Kong on 15 September 1994 with an initial authorised share capital of HK\$1,000 divided into 1,000 shares of HK\$1.00 each. Upon its incorporation, AEC Hong Kong was held by an Independent Third Party.

On 27 November 1997, the then shareholders of AEC Hong Kong transferred 1,000 shares, being the entire issued share capital of AEC Hong Kong, as to 999 shares to Allied Group Limited and one share to Dr. James Wong, for cash at par, which was financed by his own funds. Allied Group Limited is a company incorporated in the BVI and the entire issued shares were wholly-owned by Dr. James Wong.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 11 June 2004, AEC Hong Kong allotted and issued 1,040 shares (representing approximately 50.98% of the issued share capital) to Ms. Grace Kwok for cash at par and the transaction was financed by her own funds. The reason for such change of shareholding in AEC Hong Kong is due to the hand-over of the management and operational controls of AEC Hong Kong to Ms. Grace Kwok, thus she can exercise her full discretions to improve the performance of AEC Hong Kong.

Upon completion of the Reorganisation, AEC Hong Kong became our indirectly wholly-owned subsidiary.

In March 2015, in preparation of the Listing application, Dr. James Wong's shareholding in AEC Hong Kong was reduced to approximately 11.00% as he wishes to continue to focus on his other interests and academic researches. Please refer to the paragraph headed "Reorganisation" of this section for details of changes of shareholding of Dr. James Wong in our Group.

### *AEC China*

AEC China is a company with limited liability incorporated in Hong Kong on 30 November 2015 with two ordinary shares and a share capital of HK\$2.00. Upon its incorporation, AEC China was held by AEC BVI. The principal business of AEC China is an investment holding for our PRC business.

As a result of the Reorganisation, AEC China became our indirectly wholly-owned subsidiary.

### *Allied Sustainability*

Allied Sustainability is a company with limited liability incorporated in Hong Kong on 30 November 2015 with two ordinary shares and a share capital of HK\$2.00. Upon its incorporation, Allied Sustainability was held by AEC BVI. The principal business of Allied Sustainability is provision of ESG reporting and consultancy.

As a result of the Reorganisation, Allied Sustainability became our indirectly wholly-owned subsidiary.

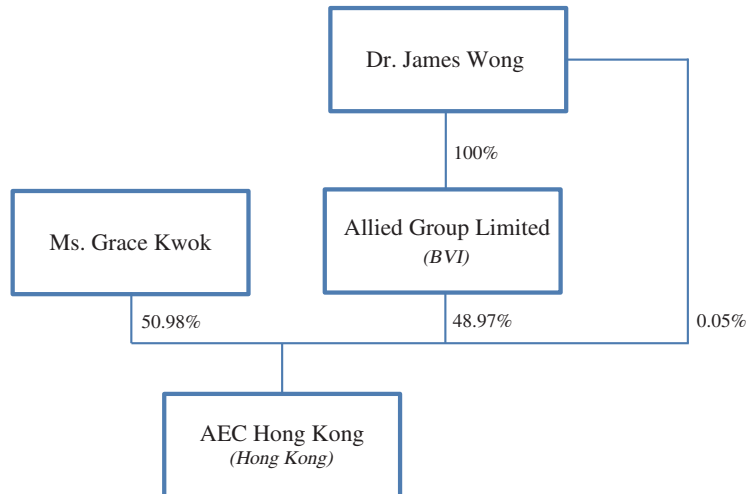
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## HISTORY, DEVELOPMENT AND REORGANISATION

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### REORGANISATION

Prior to the Reorganisation, the shareholding and corporate structure of our Group was as follows:



In preparation for the Listing, the companies comprising our Group underwent the Reorganisation which involved the following steps:

#### **Incorporation of our Company**

On 11 November 2015,

- (a) our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each;
- (b) one Share was allotted and issued to the initial subscriber nil paid; and
- (c) the subscriber transferred the one Share in issue to Gold Investments.

#### **Incorporation of AEC BVI**

On 30 January 2015, AEC BVI was incorporated in the BVI as our intermediate holding company.

On 30 January 2015, AEC BVI allotted and issued 1,000 shares to Ms. Grace Kwok for cash at par.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Acquisition of AEC Hong Kong by AEC BVI

On 24 March 2015, the then existing shareholders of AEC Hong Kong transferred their respective shares in AEC Hong Kong to AEC BVI, and in return, AEC BVI allotted and issued the consideration shares in the following manner:

<b>Transferor</b>	<b>Transferee</b>	<b>Number of shares in AEC Hong Kong transferred</b>	<b>Number of consideration shares in AEC BVI allotted and issued</b>
Ms. Grace Kwok	AEC BVI	1,040 shares	5,240 shares
Allied Group Limited	AEC BVI	999 shares	Nil ( <i>note</i> )
Dr. James Wong	AEC BVI	one share	6,000 shares ( <i>note</i> )

*Note:* Allied Group Limited, a company incorporated in the BVI and the entire issued shares were wholly-owned by Dr. James Wong, and Dr. James Wong have directed AEC BVI to allot and issue these 6,000 shares to Dr. James Wong.

### Allotment and transfer of shares in AEC BVI

On 31 March 2015, 37,760 shares in AEC BVI were allotted and issued to Ms. Grace Kwok at a consideration of HK\$10,988,160, which was based on the audited net asset value of AEC Hong Kong per share as at 31 March 2014.

On 17 April 2015, the following transfers of shares in AEC BVI were carried out:

<b>Transferor</b>	<b>Transferee</b>	<b>Number and percentage of shares transferred</b>	<b>Consideration (<i>note</i>)</b>
Ms. Grace Kwok	Gold Investments	6,240 shares (12.48%)	HK\$1,815,840
Ms. Grace Kwok	Gold Investments	33,440 shares (66.88%)	HK\$9,731,040

*Note:* The consideration was determined with reference to the audited net asset value of AEC Hong Kong per Share as at 31 March 2014.

Upon completion of the transfers, AEC BVI was owned by Ms. Grace Kwok as to 8.64%, Gold Investments as to 79.36% and Dr. James Wong as to 12.00%.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **Transfer of shares to the First Tranche Pre-IPO Investors**

On 20 April 2015, Ms. Grace Kwok transferred a total of 4,320 shares in AEC BVI to the First Tranche Pre-IPO Investors. Details of the First Tranche Pre-IPO Investment are set out in the paragraph headed “The First Tranche Pre-IPO Investments” of this section.

Upon completion of the First Tranche Pre-IPO Investment, AEC BVI was held as to 79.36% by Gold Investments, 12.00% by Dr. James Wong, 4.32% by Allied Investments Limited, 2.40% by Mr. Lee Ho Leung William, 0.96% by Ms. Siu Siu Yuk and 0.96% by Mr. Choi Kwok Keung.

### **Allotment of shares in AEC BVI and transfer of shares to the Second Tranche Pre-IPO Investor**

On 25 August 2015, 4,756 shares of US\$1.00 in AEC BVI were allotted and issued to Gold Investments at a consideration of US\$1.4 million. Pursuant to the Second Tranche Pre-IPO Investment, Gold Investments transferred such 4,756 shares in AEC BVI to City Beat at a consideration of US\$1.4 million. Details of the Second Tranche Pre-IPO Investment were set out in the paragraph headed “The Second Tranche Pre-IPO Investment” of this section.

Upon completion of the transfer of the Second Tranche Pre-IPO Investment, AEC BVI was held as to approximately 72.46% by Gold Investments, 10.96% by Dr. James Wong, 8.69% by City Beat, 3.94% by Allied Investments Limited, 2.19% by Mr. Lee Ho Leung William, 0.88% by Ms. Siu Siu Yuk and 0.88% by Mr. Choi Kwok Keung.

### **Incorporation of new Hong Kong companies**

On 30 November 2015, each of AEC China and Allied Sustainability was incorporated as a wholly-owned subsidiary of AEC BVI.



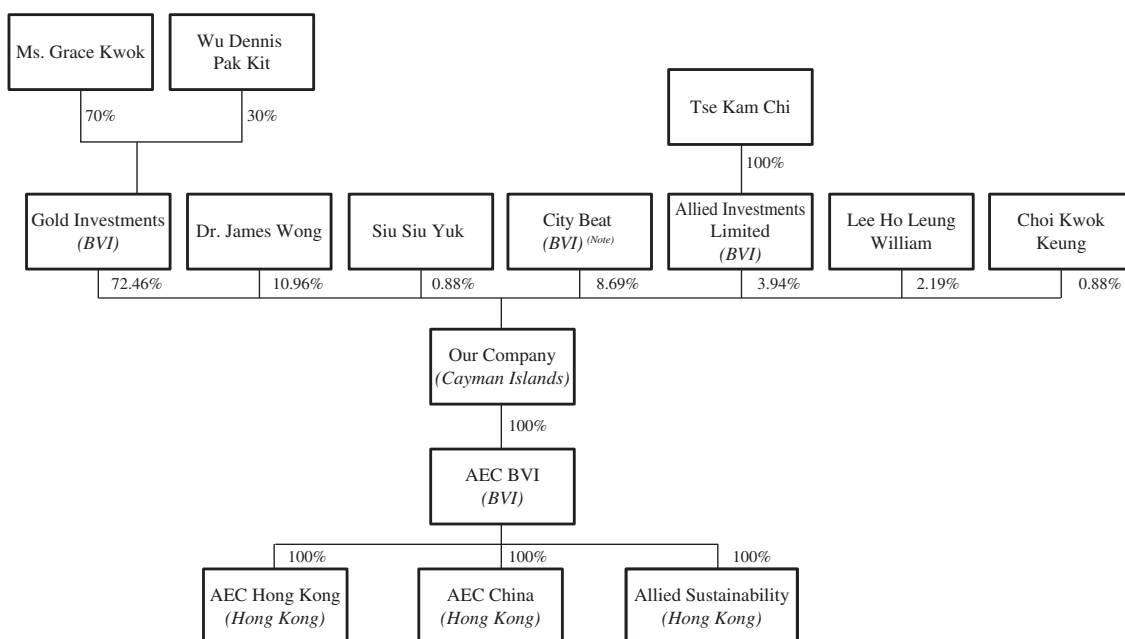
## HISTORY, DEVELOPMENT AND REORGANISATION

### Acquisition of AEC BVI by our Company

On 22 September 2016, each of the shareholders of AEC BVI transferred all their respective shares in AEC BVI to our Company. In settlement of the consideration of such transfer, our Company allotted and issued 7,245 Shares to Gold Investments, 1,096 Shares to Dr. James Wong, 869 Shares to City Beat, 394 Shares to Allied Investments Limited, 219 Shares to Mr. Lee Ho Leung William, 88 Shares to Ms. Siu Siu Yuk and 88 Shares to Mr. Choi Kwok Keung.

### CORPORATE STRUCTURE

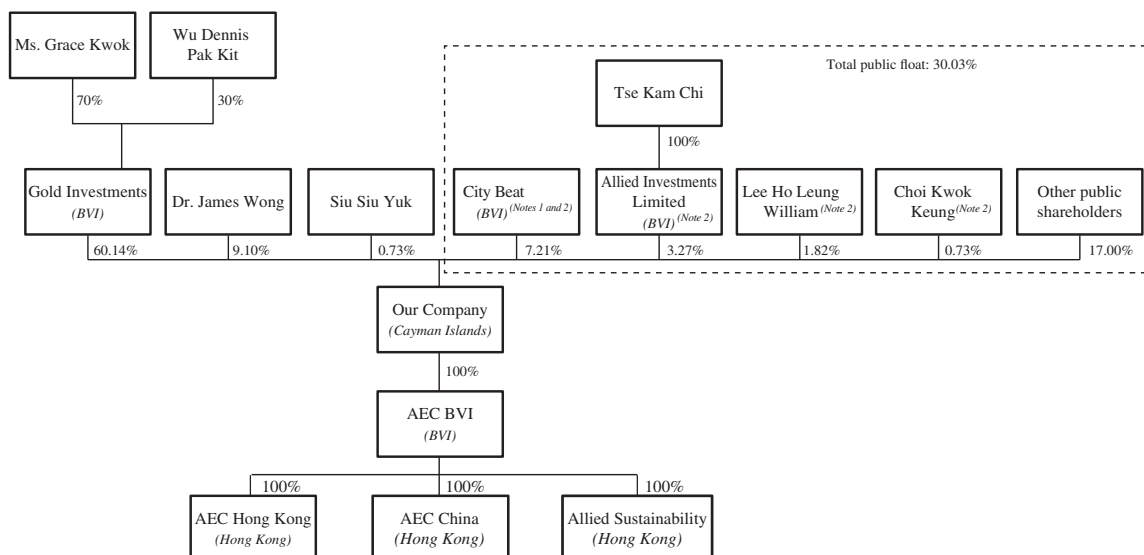
The following chart sets out our shareholding and corporate structure after the Reorganisation but immediately before the Placing and the Capitalisation Issue:



*Note:* City Beat is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund II L.P. which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund II L.P. is Ocean Equity Partners Fund II GP Limited.

## HISTORY, DEVELOPMENT AND REORGANISATION

Immediately following the completion of the Placing and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):



Notes:

1. City Beat is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund II L.P. which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund II L.P. is Ocean Equity Partners Fund II GP Limited.
2. Since the ultimate beneficial shareholders of City Beat, Allied Investments Limited and Mr. Lee Ho Leung William, Mr. Choi Kwok Keung are not core connected persons of our Company, the Shares held by them will be counted toward the public float after the Listing for purpose of Rule 11.23 of the GEM Listing Rules.

## HISTORY, DEVELOPMENT AND REORGANISATION

### THE FIRST TRANCHE PRE-IPO INVESTMENTS

#### Details

On 20 April 2015, Ms. Grace Kwok entered into agreements with each of the First Tranche Pre-IPO Investors whereby Ms. Grace Kwok agreed to transfer and the First Tranche Pre-IPO Investors agreed to purchase a total of 4,320 shares in AEC BVI (the “**First Tranche Pre-IPO Agreements**”).

The following table sets forth the key details of the pre-IPO investments:

Date of agreement	Transferor	Transferee	Date of transfer	Number of shares of AEC BVI transferred	Number and approximate percentage of Shares allotted and issued before the Capitalisation Issue	Number and approximate percentage of Shares upon Listing	Consideration and date of full payment	Cost per Share	Discount to Placing Price <i>(Note)</i>
20 April 2015	Ms. Grace Kwok	Allied Investments Limited	20 April 2015	2,160 shares	394 Shares (3.94%)	39,242,400 Shares (3.27%)	HK\$4,924,800 20 April 2015	HK\$0.13	48.0%
20 April 2015	Ms. Grace Kwok	Mr. Lee Ho Leung William	20 April 2015	1,200 shares	219 Shares (2.19%)	21,812,400 Shares (1.82%)	HK\$2,736,000 20 April 2015	HK\$0.13	48.0%
20 April 2015	Ms. Grace Kwok	Ms. Siu Siu Yuk	20 April 2015	480 shares	88 Shares (0.88%)	8,764,800 Shares (0.73%)	HK\$1,094,400 20 April 2015	HK\$0.12	52.0%
20 April 2015	Ms. Grace Kwok	Mr. Choi Kwok Keung	20 April 2015	480 shares	88 Shares (0.88%)	8,764,800 Shares (0.73%)	HK\$1,094,400 20 April 2015	HK\$0.12	52.0%

*Note:* Based on the mid-point of the indicative Placing Price of HK\$0.25 per Placing Share.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **Special rights granted under the First Tranche Pre-IPO Agreements**

Pursuant to the First Tranche Pre-IPO Agreements, if Gold Investments, being a warrantor to the Pre-IPO Agreements, shall desire to sell or transfer any shares in AEC BVI to any bona fide, unaffiliated third party, Gold Investments shall give at least 14 days prior written notice to the relevant First Tranche Pre-IPO Investor setting out the price, number of shares and terms and condition of the proposed sale. The relevant First Tranche Pre-IPO Investor shall have the right to participate in the proposed sale at the same price and conditions.

Under the First Tranche Pre-IPO Agreements, the relevant First Tranche Pre-IPO Investor also grants to Ms. Grace Kwok a call option entitling Ms. Grace Kwok to request the relevant First Tranche Pre-IPO Investor to sell to her all the shares of AEC BVI transferred at any time during the subsistence of the relevant Pre-IPO Agreement and when the Listing does not proceed. The consideration payable for the shares transferred pursuant to the exercise of the call option will be the same as the consideration paid by the relevant First Tranche Pre-IPO Investor to Ms. Grace Kwok.

All of the special rights under the First Tranche Pre-IPO Agreements shall automatically expire, cancel or lapse upon the Listing.

### **Consideration**

The consideration payable under the First Tranche Pre-IPO Agreements were reached by the relevant parties by arm's length negotiation and with reference to the unaudited profit after tax based on the management accounts of AEC Hong Kong for the 12 months ended 28 February 2015 and an agreed price-to-earnings ratios. There is no guaranteed discount to the Placing Price. The First Tranche Pre-IPO Agreements provide that the full consideration was to be paid upon signing of the relevant First Tranche Pre-IPO Agreement as deposit and such deposit should be applied to set off the consideration upon completion of the transfers, which took place on the respective day of signing of the First Tranche Pre-IPO Agreements.

### **Use of proceeds**

The proceeds from the First Tranche Pre-IPO Investments were paid to Ms. Grace Kwok as the transferor of the shares in AEC BVI. Ms. Grace Kwok has injected the proceeds to our Group to settle the consideration of the shares allotted and issued to her by AEC BVI on 31 March 2015, details of which are set out in the paragraph headed "Reorganisation – Allotment and transfer of shares in AEC BVI" of this section.

### **Background of the First Tranche Pre-IPO Investors**

#### *Allied Investments Limited*

Allied Investments Limited is a company incorporated in the BVI on 13 March 2015 and is beneficially wholly-owned by Mr. Tse Kam Chi, an Independent Third Party. To the knowledge of our Directors, Allied Investments Limited is an investment holding company.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Mr. Tse Kam Chi was introduced to our Group by Mr. Wu Dennis Pak Kit. Mr. Tse Kam Chi has been an acquaintance of Mr. Wu Dennis Pak Kit for more than 20 years. Given the positive trend of the industry and the growth of our Group, Mr. Tse Kam Chi has indicated on various occasions that he is interested in investing in our Group. Mr. Tse Kam Chi is working in a global logistic conglomerate responsible to oversee the accounts receivable functions of different locations around the world. With his global experience and specialty in accounts receivable management, we consider having Mr. Tse Kam Chi as one of our Shareholders may provide us with the benefit of his global experience in our expansion outside Hong Kong.

*Mr. Lee Ho Leung William*

Mr. Lee Ho Leung William is an Independent Third Party. Mr. Lee Ho Leung William is a merchant and is an acquaintance of Mr. Wu Dennis Pak Kit for more than nine years. Mr. Lee Ho Leung William was introduced to our Group by Mr. Wu Dennis Pak Kit. Mr. Lee Ho Leung William has extensive experiences in the debt capital market, asset management and corporate finance focusing on the PRC market. With his experience, our Directors believe Mr. Lee Ho Leung William may help us to strengthen our relationship with banks and provide advice on our expansion in the PRC.

*Ms. Siu Siu Yuk*

Ms. Siu Siu Yuk is the mother of Ms. Grace Kwok and was introduced to our Group by Ms. Grace Kwok. Ms. Siu Siu Yuk is a merchant. She is also a committee member of (a) Chungshan Commercial Association, Hong Kong; and (b) Cheung Chau & Ping Chau Islands (HK) Chung Shan Association. We consider having Ms. Siu Siu Yuk as one of our Shareholders may help us to expand our business in Guangdong Province.

*Mr. Choi Kwok Keung*

Mr. Choi Kwok Keung is an Independent Third Party. Mr. Choi Kwok Keung has been an acquaintance of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit for more than nine years and he was introduced to our Group by them. Mr. Choi Kwok Keung is a merchant. He is now focusing on the management of his own investments. His extensive business relationship and experiences in various industries may help us in our business development.

## THE SECOND TRANCHE PRE-IPO INVESTMENT

### Principal terms

On 24 August 2015, Gold Investments, Ms. Grace Kwok, Mr. Wu Dennis Pak Kit and City Beat entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) whereby Gold Investments agreed to sell, and City Beat agreed to purchase from Gold Investments shares in AEC BVI at an investment amount of US\$1.4 million.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### *Number of shares transferred*

The number of shares transferred under the Sale and Purchase Agreement is calculated based on the following formula:

$$C = \frac{A}{P + A} \times 100\%$$

where:

C = percentage of the shares in AEC BVI transferred (on post-money basis);

A = the HK\$ equivalent of the total investment amount (excluding any interest thereon) received by Gold Investments from City Beat in US\$ (which shall be converted from currency denominated in US\$ with reference to the Currency Exchange Rate on the date of receipt) pursuant to the Sale and Purchase Agreement; and

P = the amount of the then estimated NPAT HK\$14,236,232 for the trailing 12 months ended 28 February 2015 on group consolidation basis under Hong Kong Financial Reporting Standards (HKFRSs) multiplied by agreed price-to-earnings ratio.

The number of shares in AEC BVI to be transferred:

ES = N x C

where:

ES = the number of shares in AEC BVI to be transferred (on post-money basis);

N = the total number of the enlarged issued shares of AEC BVI (after allotment and issuance of additional shares to AEC BVI for the purpose of transfer to City Beat) upon the completion of this transaction; and

NPAT = Net Profit After Tax.

“**Currency Exchange Rate**” refers to the exchange rate of US\$ to HK\$ as announced by the Hongkong and Shanghai Banking Corporation on the relevant transaction date.

### *Put Option*

The Sale and Purchase Agreement provides that in case where:

- (a) the Qualified IPO does not occur prior to the date falling the second anniversary from the completion date of the Sale and Purchase Agreement; or

## HISTORY, DEVELOPMENT AND REORGANISATION

- (b) the Qualified IPO does not occur and the shareholders of AEC BVI or AEC Hong Kong proceed to sign an agreement relating to the sale of the entire issued share capital of AEC BVI or AEC Hong Kong or the entire businesses operated by the aforesaid companies to any institutional or strategic investors within two years from the Completion Date,

City Beat shall within a period of 20 Business Days after the occurrence of any of aforesaid event (the “**Exercise Period**”) have the right to request Gold Investments or Ms. Grace Kwok or Mr. Wu Dennis Pak Kit to purchase the shares transferred to City Beat under the Sale and Purchase Agreement at a consideration equivalent to the aggregate of (aa) the total sum invested by City Beat and (bb) the sum of an interest at 6 per cent. per annum on the total sum invested by City Beat calculated on compound interest basis from the completion date until the date of actual payment and any amount accrued and unpaid (the “**Put Option**”). For the avoidance of doubt, all dividends received or entitled to be received by City Beat shall not be taken into account when calculating the amount of interest. Such right of City Beat shall lapse automatically upon the expiration of the Exercise Period.

“**Qualified IPO**” means a placing and/or an initial public offering of the shares of AEC BVI or its holding company on GEM or such other stock exchange as mutually agreed by Gold Investments and City Beat with a valuation of not less than HK\$200 million immediately upon Listing.

### *Completion*

Completion of the sale and purchase of the shares pursuant to the Sale and Purchase Agreement took place on 25 August 2015 whereby the following shares of AEC BVI were transferred by Gold Investments to City Beat:

Date of transfer	Transferor	Transferee	Number of shares of AEC BVI transferred	Number and approximate percentage of Shares allotted and issued before the Capitalisation Issue	Number and approximate percentage of Shares upon Listing	Consideration and date of payment	Cost per Share	Discount to Placing Price <i>(Note)</i>
25 August 2015	Gold Investments	City Beat	4,756 shares	869 Shares (8.69%)	86,552,400 Shares (7.21%)	US\$1,400,000 (25 August 2015)	HK\$0.13	48.0%

*Note:* Based on the mid-point of the indicative Placing Price of HK\$0.25 per Placing Share.

### *Use of proceeds*

The proceeds from the Second Tranche Pre-IPO Investment shall be used as (a) as general working capital of our Group for its ordinary course of business; and/or (b) to settle payment of expenses in relation to the Qualified IPO and the negotiations for the transactions contemplated in the Sale and Purchase Agreement.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### *Special rights*

Under the investors' rights agreement dated 25 August 2015 entered into by Gold Investments, Ms. Grace Kwok, Mr. Wu Dennis Pak Kit, City Beat and AEC BVI pursuant to the Sale and Purchase Agreement, City Beat is granted the following special rights. All these special rights will automatically terminate and lapse upon Listing.

### *Information rights*

Prior to the earlier of (i) Qualified IPO or (ii) the completion of the transfer of the Sale and Purchase Agreement after exercise of the Put Option, AEC BVI shall deliver to City Beat the following:

- (a) final draft audited financial statements of our Company on a combined basis and of each of our Subsidiaries on a separate basis, all prepared on Hong Kong generally accepted accounting principles or such other international generally accepted accounting principles (“**Accounting Standards**”) within 120 days after the end of each financial year and audited by an approved auditing firm;
- (b) quarterly financial statements of our Company on a combined basis and of each of our Subsidiaries on a separate basis, prepared based on the Accounting Standards within 45 days after the end of each fiscal quarter;
- (c) the proposed annual business plan (an investment budget and forecast accounts) for the following financial year for our Group on a combined basis and on a separate basis for each Subsidiaries not later than 31 March of each financial year;
- (d) within ten (10) Business Days from the date of a board meeting or shareholders' meeting, or passing of resolutions by the board or shareholders, of any Subsidiaries, minutes of such meetings or resolutions passed; and
- (e) from time to time, the manuals, documents and policies of our Group in relation to corporate governance or internal control.

### *Inspection rights*

City Beat shall have the right at any time prior to the Qualified IPO, by giving us not less than two business days' prior written notice, to visit and to inspect the properties of all members of our Group, and examine our books and accounts.

### *Profit guarantee*

Our Controlling Shareholders guarantee that our Company shall achieve the IFRS/HKFRSs audited net profit after tax of the Company on a combined basis of HK\$18,000,000 for the year ended 31 March 2016 compiled by an accounting firm acceptable to the Second Tranche Pre-IPO Investor (excluding the expenses relating to the Qualified IPO and the fees and costs in relation to the negotiation, preparation and execution of the documents for the investments effected after the Sale and Purchase Agreement and before the Qualified IPO) (the “**2016 Profit Guarantee**”).



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## HISTORY, DEVELOPMENT AND REORGANISATION

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In the event that the audited net profit after tax of our Company on a combined basis for the year ended 31 March 2016 is less than the 2016 Profit Guarantee, our Controlling Shareholders shall pay a monetary compensation to City Beat, the amount of which shall be equivalent to the shortfall between the 2016 Profit Guarantee and the audited net profit after tax (excluding Listing expenses) for the year ended 31 March 2016 multiplied by the percentage of shareholdings of City Beat in AEC BVI. Our audited net profit after tax on a combined basis (excluding Listing expenses) for the year ended 31 March 2016 is approximately HK\$10.8 million. Accordingly, our Controlling Shareholders will pay City Beat the monetary compensation of approximately HK\$0.62 million by cash on or before 31 October 2016.

### *Restrictions on transfer and first right of refusal*

Prior to the Listing, none of our Shareholders shall without the prior consent of City Beat transfer or otherwise dispose of or create any new mortgage, charge, pledge, lien or other encumbrance, third party rights or security interest in respect of all or any of our Shares held by them. In the event any of those Shareholders proposes to transfer or dispose of any of their Shares, they shall give a written notice to other Shareholders and City Beat providing information such as the number of Shares to be transferred and the consideration thereof and the other non-transferring Shareholders shall be given a right of first refusal to purchase the offered Shares.

### *Co-sale right and sale at Qualified IPO*

If any of the non-selling Shareholders has waived or failed to timely exercise its right of first refusal described above and the selling Shareholder proceed to sell the Shares to a prospective transferee, the non-selling Shareholders shall have the right to sell their Shares to the prospective transferee at the same price and upon the same terms and conditions as indicated in the notice. The number of Shares to be sold by the relevant non-selling Shareholder shall be correspondingly reduced.

If any Shareholder transfers any Shares in contravention of the arrangements as stated above, the non-defaulting Shareholders shall have the right to sell to the relevant defaulting Shareholder the number of Shares equal to the number of Shares which the non-defaulting Shareholders would have been entitled to transfer to the perspective transferee.

### *Committee representative*

City Beat shall be entitled to designate a representative (the “**Investor’s Representative**”) to sit on each committee of our Group, and the Investor’s Representative in his capacity as a committee member shall be entitled to receive notice of and attend committee meeting according to the terms of reference of the relevant committee.

### *Negative covenants*

Until the earliest of (i) the Qualified IPO; (ii) completion of the sale and purchase of shares after the exercise of the Put Option; or (iii) the completion of the sale of the entire issued share capital of AEC BVI or AEC Hong Kong or the entire businesses operated by the aforesaid companies to any institutional or strategic investors acceptable to City Beat, no member of our Group shall carry out the following transactions unless with the prior written consent of City Beat:

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (a) change its principal business or conduct any business or operation which is not in its ordinary course of business;
- (b) any material change of the annual business plan or the annual budget;
- (c) acquiring any asset (including shares in any other person), whether in one or a series of transactions, for which the total price paid is greater than HK\$3,000,000 save and except acquisition of assets arising from or in its ordinary course of business;
- (d) authorising or undertaking any arrangement for the disposal of the assets or business of our Group exceeding HK\$3,000,000, whether in one or a series of transactions;
- (e) incurring any single item of capital expenditure exceeding HK\$3,000,000, unless such expenditure is included in the annual budget;
- (f) incurring indebtedness or assuming any financial obligation or liability which are not arising from its ordinary course of business;
- (g) carrying out any amalgamation, merger, consolidation, reconstitution, restructuring or similar transaction that results in a change of control of our Group;
- (h) providing loans to any person (other than those: (i) incurred in the ordinary course of business of our Company or any of its subsidiary; (ii) where the amount and nature of such a loan provision is included in the annual budget; and (iii) loans between members of our Group);
- (i) giving a guarantee, indemnity or other assurance for a debt of another person or about the financial condition of that person, unless the same is arising in its ordinary course of business and save and except loans between members of our Group;
- (j) entering into contracts which are not in its ordinary course of business and with a value exceeding HK\$1,000,000;
- (k) creating any encumbrance over any asset (including shares) or right of our Company or any of its subsidiary other than in its ordinary course of business;
- (l) entering into any arrangement or incurring any liability which are not arising in its ordinary course of business;
- (m) entering into any arrangement with, or incurring any liability of, any shareholder of our Company or its affiliate, which is not on an arm's length basis or of an amount exceeding HK\$1,000,000;
- (n) removing any of the key personnel and approving the remuneration packages of key personnel with a change of 30% or more than their then existing packages save and except such removal is compulsorily required by the applicable laws or regulations;

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (o) compromising litigation or a similar procedure involving a claim of more than HK\$1,000,000;
- (p) licensing, selling or otherwise disposing of any intellectual property rights owned by our Company or any of its subsidiary which gives rise to a value exceeding HK\$1,000,000 other than pursuant to a license, sale or disposition of a type and amount included in the annual budget;
- (q) recommending or declaring an interim or a final dividend which in aggregate exceeds 50% of the net profit of the relevant year of our Company save and except the interim dividend declared out of the retained profits up to 31 March 2015, the payment of such dividend shall be funded by profits or cash generated by operating activities of members of our Group and not by any loans, indebtedness, overdrafts, debt securities or otherwise of any Group members;
- (r) changing the auditors or the terms of their appointment or changing the financial year of our Company or any of its subsidiary;
- (s) disposing, creating or acquiring any interests in a subsidiary or entering into any joint venture;
- (t) amending or repealing the organisational documents of our Company or the constitutional documents of any subsidiary which will affect or be in relation to the rights and interests of the Subscriber or the shareholders of our Company or its subsidiaries. For other amendments of the organisational documents or constitutional documents, to provide such amendments to City Beat in advance;
- (u) changing the designations, powers, rights, preferences or privileges, or the qualifications, limitations or restrictions of the shares of our Company ;
- (v) creating, authorising or issuing any shares or other equity security of Gold Investments, our Company and its subsidiaries having a structural or legal preference over, or ranking pari passu with, the shares in issue with respect to any matter, including, without limitation, dividend rights, voting rights or liquidation preference, save and except such issue is carried out pursuant to the further investment referred to in the Sale and Purchase Agreement and the Qualified IPO;
- (w) granting any type of options, warrants or any rights issue to subscribe to shares of Gold Investments, our Company or any of its subsidiary;
- (x) authorizing or undertaking any reduction of capital or share repurchase, other than any repurchase of shares of our Company or other equity security issued to or held by employees, officers, directors of our Company or its subsidiaries pursuant to the stock option plan upon termination of their employment at a price not greater than the fair market value; and

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (y) authorising or undertaking any liquidation, winding up or bankruptcy, reorganisation, composition with creditors or other analogous insolvency proceeding of our Company or any of its subsidiary, whether voluntary or involuntary, or any petition presented or resolution passed for any such event or for the appointment of an insolvency practitioner.

### **Background of the Second Tranche Pre-IPO Investor**

City Beat is a company incorporated in the BVI on 18 February 2015 and is an investment holding company. It is owned by Ocean Equity Partners Fund II L.P. which is principally engaged in the business of investing in private enterprises in Asia Pacific region. To the knowledge of our Directors, City Beat and Ocean Equity Partners Fund II L.P. are Independent Third Parties. City Beat was introduced to our Group through business acquaintance by Mr. Wu Dennis Pak Kit.

We believe having City Beat as one of our Shareholders would (a) help us to strengthen our corporate governance through their representative designated to our committees; and (b) broaden our Shareholders' base and assist us in capturing business opportunities with potential customers.

To enhance our corporate governance, we may consider appointing a representative nominated by City Beat to be an observer to our Board or our non-executive Director after the Listing. Our Board may consider appointing any person whose background and experiences our Board considers to be valuable to our Group and Shareholders as a whole as an observer to our Board. The observer may or may not be a representative from City Beat. The appointment and removal of an observer is subject to the approval of the majority of our Board. Any non-executive Director appointed after the Listing shall hold office only until the general meeting of our Company following his addition and will be subject to the retirement by rotation and re-election at general meeting of our Company in accordance with the Articles of Association. The Director may be removed by ordinary resolution of our Company before the expiration of his term of office. For further information on the appointment, retirement and removal requirements of Directors under the Articles of Association, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (b) Directors – (i) Appointment, retirement and removal" in Appendix III to this prospectus.

The roles and responsibilities of an observer is to attend Board meetings if invited by our Board and to provide his views and suggestions on the corporate governance, compliance and overall operation and strategies of our Company from the perspective of our Group on an on-going basis. Nevertheless, the observer will not have voting power at the Board meetings.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **LOCK-UP ARRANGEMENTS, PUBLIC FLOAT AND COMPLIANCE WITH THE INTERIM GUIDANCE**

The First Tranche Pre-IPO Agreements provide that for so long as Ms. Grace Kwok remaining as (a) one of our Director; and (b) the single largest shareholder (directly through Gold Investments) of our Company, within three years (or such other period as agreed in writing between the parties) from the completion date of the First Tranche Pre-IPO Agreements, the First Tranche Pre-IPO Investors shall not offer, sell, transfer or otherwise dispose of part or all of their Shares. The agreements for the Second Tranche Pre-IPO Investment do not include provisions on the lock-up arrangements of the Pre-IPO Investors. Other than Ms. Siu Siu Yuk, the Shares to be held by the Pre-IPO Investors as a result of the Reorganisation will be counted towards the public float after the Listing for purpose of Rule 11.23 of the GEM Listing Rules.

Since the consideration for the pre-IPO investments was fully settled by the Pre-IPO Investors prior to 25 August 2015, the Sole Sponsor is of the view that the pre-IPO investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12), the Guidance on Pre-IPO Investments (HKEx-GL43-12) and the Guidance on Pre-IPO Investments in convertible instruments (HKEx-GL44-12).

**OVERVIEW**

We are a Hong Kong-based environmental consulting company specialised in providing (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy businesses. We ranked (i) the first in the entire green building certification consultancy market in Hong Kong in 2015, with market share of approximately 11.6%; (ii) the fourth in the entire sustainability and environmental consultancy market in Hong Kong in 2015, with market share of approximately 7.2%; and (iii) the fifth in the entire acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong in 2015, with market share of approximately 4.1%, in terms of revenue, according to the F&S Report.

We provide services to a wide range of customers including government authorities and public bodies, academic institutions, property developers and owners, architectural firms and contractors in Hong Kong. During the Track Record Period, we were engaged to provide services for diversified projects including commercial and composite buildings, residential buildings and public housing, infrastructure and government institutions as well as community projects.

During the Track Record Period, we offered services to projects located in Hong Kong, the PRC and Macau. For each of the two years ended 31 March 2016, approximately 90.5% and 91.2% of our revenue are derived from projects located in Hong Kong respectively.

Our green building certification consultancy cover new buildings, existing buildings and interiors of buildings. For each of the two years ended 31 March 2016, we have completed 45 and 29 projects, respectively, for green building certification consultancy. The revenue derived from our green building certification consultancy amounted to approximately HK\$17.1 million and HK\$19.3 million, respectively, for each of the two years ended 31 March 2016, representing approximately 60.2% and 59.3% of our total revenue, respectively, for the corresponding year.

For each of the two years ended 31 March 2016, we have completed 56 and 39 projects, respectively, for sustainability and environmental consultancy. The revenue derived from our sustainability and environmental consultancy amounted to approximately HK\$7.6 million and HK\$8.5 million, respectively, for each of the two years ended 31 March 2016, representing approximately 26.9% and 26.0% of our total revenue, respectively, for the corresponding year.

For each of the two years ended 31 March 2016, we have completed 16 and 12 projects, respectively, for acoustics, noise and vibration control and audio-visual design consultancy. The revenue derived from our acoustics, noise and vibration control and audio-visual design consultancy amounted to approximately HK\$3.7 million and HK\$4.3 million, respectively, for each of the two years ended 31 March 2016, representing approximately 12.9% and 13.1% of our total revenue, respectively, for the corresponding year.

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## BUSINESS

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During the Track Record Period, we did not have any ESG reporting and consultancy projects completed as we only commenced this business in November 2015. The revenue derived from our ESG reporting and consultancy amounted to approximately nil and HK\$0.5 million, respectively, for each of the two years ended 31 March 2016, representing approximately nil and 1.6% of our total revenue of the corresponding year. As at the Latest Practicable Date, we had 14 ESG reporting and consultancy projects on hand and completed three projects.

Our revenue increased from approximately HK\$28.3 million for the year ended 31 March 2015 to approximately HK\$32.5 million for the year ended 31 March 2016.

### **OUR COMPETITIVE STRENGTHS**

We believe the following strengths contribute to our success and distinguish us from our competitors:

**We have provided services to a broad range of customers consisting of government authorities, academic institutions, property developers, architects and designers as well as contractors and we have been able to secure new business from some of our major customers from time to time on a project-by-project basis through bidding**

We provide services to a wide range of customers including government and public bodies, academic institutions, property developers and owners, architectural firms, construction contractors and private companies.

Our Directors believe that throughout our operating history, we have good and well-established relationship with our customers in Hong Kong and secure new businesses from our existing customers on a project-by-project basis from time to time. The length of our business relationship with our top five customers for the Track Record Period ranges from over nine years to over 20 years. For each of the two years ended 31 March 2016, approximately 37.8% and 33.6%, respectively, of our revenue was derived from customers having a business relationship with us for more than five years.

We believe that as a result of our track record to fulfil the requirements and deliver our services to our existing customers, we are able to secure new business from them, whether through bidding or otherwise. In addition, leveraging on our past experience and market reputation, we believe that we will be able to develop further business opportunities with new customers. Our Directors are of the view that our ability to maintain a good business relationship with our existing customers and our ability to expand and diversify our customer base are the key factors to our growth.

### **We have a well-established presence and proven track records in the industry**

We have been operating for more than 20 years and is well recognised by our customers for our wide range of professional consultancy. During the Track Record Period, we have completed 74 projects in green building certification consultancy, 95 projects in sustainability and environmental consultancy, 28 projects in acoustics, noise and vibration and audio-visual design consultancy.

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## BUSINESS

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According to the F&S Report, we ranked (i) the first in the entire green building certification consultancy market in Hong Kong in 2015, with market share of approximately 11.6%; (ii) the fourth in the entire sustainability and environmental consultancy market in Hong Kong in 2015, with market share of approximately 7.2%; and (iii) the fifth in the entire acoustics, noise and vibration control and audio-visual design consultancy market in Hong Kong in 2015, with market share of approximately 4.1%, in terms of revenue.

During the Track Record Period, we have completed 67 BEAM Plus certification consultancy projects and 12 completed LEED certification consultancy projects.

With our long history of operation and substantial experience in the industry, AEC Hong Kong is on the list of services providers maintained by various Hong Kong government authorities, such as the Housing Authority, the Urban Renewal Authority and the Environmental Protection Department, the Hong Kong Productivity Council in relation to the CarbonSmart Programme and a number of sizeable property developers and contractors, enabling us to be eligible to participate in their invitations for tender or fee quotation. For details of the requirements or assessment criteria for qualifying as a listed service provider of the Hong Kong government authorities, please refer to the paragraph headed “Permits, licences and qualifications” in this section.

We participated in a number of landmark projects which further enhance our industry experience. Examples of completed landmark projects include (i) the built environment studies and BEAM platinum project for the tallest commercial building in Hong Kong located at Kowloon Station; (ii) the LEED platinum certification project for centennial campus of a local university located at Pok Fu Lam; (iii) the advisory on design and construction of a headquarter building of a government authority in North Point; (iv) the trackside noise barrier or enclosure for a public railway operator for five sites alongside railway in Hong Kong; and (v) the acoustic design services for a performance hall of an international musical school located at Diamond Hill. For further information on our landmark projects, please refer to the paragraph headed “Landmark projects” in this section.

We believe that our presence and track records have placed us in a better position against our competitors with less operation history in the bidding process for a project.

### **We are able to provide a wide spectrum of consultancy services**

During the Track Record Period, the consultancy services we provided cover areas of (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy. Our services cover diversified types of buildings and projects, including commercial buildings, residential buildings, industrial buildings, hospitals, data centres, academic institutions, recreational facilities, performance venues, infrastructure and government projects. We also offer services in relation to the interior of a building, a unit or certain portion in a building for focused built environment study, acoustic and audio-visual designs to enhance environmental quality and acoustic performance of premises.



Our capability to offer a wide spectrum of consultancy services and assisting our customers to obtain green building certifications under various standards enable us to enjoy the flexibilities in reaching a wider base of customers which look for a particular type of consultancy services in relation to green building, environmental consultancy and acoustics and audio-visual design consultancy as well as also customers which look for all of these consultancy services and the design integration and synergy of having these services undertaken by one consultancy firm. Our ability and experience in assisting customers in meeting different certification standards also provides us the opportunity to be engaged by customers which, due to government policy or corporate social responsibility strategy, are required to meet specified certification standards.

### **We have experienced management personnel and professional consultancy in-house team**

In providing our services, we leverage on the expertise and knowledge of our in-house team of staff in rendering of core works and services including, among others, formulating environmental and acoustic designs, preparing modelling calculation and analyzing data, conducting on-site testing, providing recommendations to customers, compiling reports and tender specification as well as documents for certifications application. As such, we consider that our in-house team of staff are crucial to the day-to-day operations and business performance of our Group.

Our executive Director, Ms. Grace Kwok has over 17 years of experience and was a member of the Green Building Faculty, accredited as BEAM Professional and LEED Accredited Professional. She is appointed as a member of the BEAM Expert Panel, a member of the Association of Energy Engineers, and the Hong Kong Institute of Environmental Impact Assessment. She is also a founding fellow and serves on the board of directors of the Hong Kong Institute of Qualified Environmental Professionals Limited. Ms. Grace Kwok currently is the chairman of the Hong Kong Institute of Acoustics.

We also have an in-house team of staff with related working experiences and relevant professional qualifications in the industry including, LEED Accredited Professionals, member of UK Institute of Acoustics, Registered Professional Engineer and registered energy assessor. In addition, some of our senior management are members of industry associations and institute such as the Association for Project Management (APM), Institution of Mechanical Engineers and Chartered Institution of Water and Environmental Management and can provide us with updates of the industry development and relevant standards. The green building certification organisation may require the application documents to be signed by accredited professionals. For some tenders, possession of certain accredited professionals and being members of certain institutes may be one of the eligibility requirements. Being members of these professional institute or associations will enable us to participate in and provide views on the development of the industry. Half of our senior management have at least 10 years of experience in environmental consultancy or related disciplines such as engineering or building construction industry. For further information of the background and experience of our senior management, please refer to the section headed “Directors and Senior Management – Senior management” of this prospectus.

We believe our experienced management personnel and highly qualified in-house consultancy team is one of the key factors for our success.

### **We are a local consulting company which enables us to establish close business connections with our customers and partners based in Hong Kong**

As we are based in Hong Kong, we mainly provide our consultancy services to customers located in Hong Kong. This local presence offers us the benefit of daily and direct contact with the key players and stakeholders in the industry as well as relevant local government authorities and respond to their comments and requirements in a timely and efficient manner. This direct contact also offers us with a better understanding on the government policies and requirements, which in turn enable us to deliver services in a more effective way.

We have developed close business relationships with our customers due to our familiarity with local needs and updated information about local requirements. Also, we continue to build a wide range of connection with business partners in the consultancy industry such as architects, designers, engineers and contractors. These business connections with our customers and business partners help us to explore future business opportunities.

For further information on our competitive landscape, please refer to the paragraph headed “Competition” of this section.

### **OUR BUSINESS STRATEGIES AND OBJECTIVES**

Our business objective is to maintain a sustainable growth in our existing business and to be one of the leading service providers in green building certification and sustainability and environmental consultancy industry in Hong Kong, and leverage on our competitive strengths and advantages, to further expand our business into the PRC market. Our Directors plan to achieve these business objectives by pursuing the following strategies. Please refer to the section headed “Future Plans and Use of Proceeds – Implementation plan” of this prospectus for the implementing plan of our business strategies and objectives.

#### **Expand into the PRC market through establishment of subsidiaries, co-operation with other third parties and/or acquisitions**

In view of the rising awareness and promotion of green building and the urbanisation of the PRC, we believe that the demand for consultancy on green building certification consultancy and sustainability and environmental consultancy in the PRC will be increasing.

During the Track Record Period, we had provided green building certification consultancy, sustainability and environmental consultancy, and acoustics, noise and vibration control and audio-visual design consultancy to projects located in the PRC. Since we did not have a local team stationed in the PRC, our services were mostly rendered in Hong Kong and we sent our staff to the PRC to conduct the necessary on-site inspections and verifications. Based on our proven track records and recognition in the industry in Hong Kong, we plan to expand to the PRC market.

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## BUSINESS

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We intend to explore the PRC market through various means including acquisitions of PRC consultancy firms and/or establishment of subsidiaries. We may also enter into co-operation arrangements with strategic partners/entities located in the PRC. At present, we place our priority in acquiring companies in the PRC which are of similar size as ours and provide green building certification consultancy and/or sustainability and environmental consultancy. We prefer these target companies to (i) have a good track record but different customer base as our existing PRC customers who are mainly group companies of Hong Kong-based property developers and owners; (ii) possess the necessary licences and permits in the PRC as well as experienced and qualified staff; and (iii) have the geographical coverage where we intend to develop our business in the PRC (see further details below). We plan to acquire majority equity interests in the target companies with the minority equity interests held by the existing shareholders and/or management. We initially prefer expansion by way of acquisition of potential target companies instead of co-operation or expansion of our existing PRC business since it may take a longer time for us to obtain the relevant professional qualification and to build a track record with newly established team. We believe through acquisition of potential target companies, we would be able to enlarge our customer base by taking advantage of the well-established experience of the potential target companies. If, however, our acquisition proposal is not being accepted by the potential target companies, we will consider expansion through co-operation with such potential target companies. We would select the target companies/co-operation partners by taking into account factors including but not limited to their existing business, potential growth, the capability to provide services in the geographical regions we intend to develop in the PRC, the complementary impact with our business and the financial requirements of acquisition/co-operation. As advised by our PRC Legal Advisers, we are not required to obtain specific licences or qualifications to provide our green building certification consultancy and acoustics, noise and vibration control and audio-visual design consultancy in the PRC. The relevant PRC laws and regulations do not restrict foreign ownership or provision of such services by foreign investment entities. We also plan to expand our project team based in Hong Kong for providing consultancy services in the PRC.

Our present intention is to first commence our PRC business in those cities with higher population density such as Shenzhen (Qianhai), Beijing, Shanghai, Chengdu and Changsha where we believe to have substantial demand for green building certification consultancy. We plan to provide green building certification consultancy and sustainability and environmental consultancy services in these cities as we believe that there is a growing demand for these services in view of better economic condition and more solid infrastructure development plans in these cities and a larger potential market size in these cities. We target to provide services to property developers and owners, government authorities and public bodies, architects and planners, engineers and designers and contractors in the PRC. To increase our market presence in the PRC, we plan to participate in research projects, training, seminars, technical forums, sponsorship and other green building promotional events through recruitment of local experts. According to the F&S Report, the accumulated number of China Green Building Label projects in the eastern province of the PRC, such as Jiangsu, Guangdong, Shandong and Shanghai until 2015 were greater than that in any other provinces in the PRC. Immediately upon acquisition of the target companies, they will become our subsidiaries and their financials will be immediately consolidated into our Group's financial results. Our directors believe this will have an immediate positive impact on our revenue and net profit. Our Directors expect our revenue will increase in the long run as the establishment of a physical presence in the PRC will allow us to offer more services in the PRC. Our Directors expect that during the early stage of the PRC expansion, the increase in revenue will be affected by price discount to be granted to customers as a strategy to attract new customers and obtain more

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## BUSINESS

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market shares. In terms of our project fee, we plan to charge a lower fee in the PRC than that in Hong Kong for a project of a similar nature and size given the labour costs in the PRC is lower than that in Hong Kong.

Our Directors expect that we will incur more labour costs, operation costs, marketing and administrative expenses in as a result of its PRC expansion, which may have a negative impact on the net profit at the early stage of the PRC expansion. In addition, we plan to offer price discount to PRC customers initially which will lead to a lower profit margin during the early stage of the PRC expansion. However, given the labour costs in the PRC is expected to be lower than that in Hong Kong, our Directors believe that our overall gross profit will improve in the long run. We believe our expansion into the PRC market will enable us to continue to grow both financially and geographically. For further information of the competitive landscape and outlook of the cities in which we target to expand into, please refer to the section headed “Industry Overview – Overview of environmental consultancy services markets of cities in China” of this prospectus.

We intend to use approximately HK\$29.68 million on our expansion into the PRC market, of which approximately HK\$11.48 million will be funded out of the net proceeds of the Placing and approximately HK\$18.20 million will be funded out of our internal financial resources. The actual capital expenditure and timing for implementation of our planned expansion are subject to various factors such as the identification of appropriate acquisition targets, commercial negotiation with the vendors or business partners, the then market conditions, our then cash flow position and capital requirements. When implementing an expansion plan, we will from time to time review our financial and cash flow position and adjust our expansion where appropriate to ensure that we will have sufficient funding and our financial and cash flow position will not be adversely affected. For further information on our use of proceeds from the Placing and implementation plan, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

As at the Latest Practicable Date, we have commenced certain market research activities to collect the market information in those regions we target to develop our PRC business but we have not commenced the establishment of any PRC subsidiaries or joint ventures nor have we identified any strategic partners or acquisition targets.

### **Further expand and develop the ESG reporting and consultancy**

There is an increasing trend that companies, in particular listed companies, are encouraged to disclose the ESG information and take up corporate social responsibility. Enhancing environmental performance of business operation to achieve sustainable development and carbon reduction is a global trend. The recent amendments to the Rules Governing the Listing of Securities on the Stock Exchange and the GEM Listing Rules have required a listed company with effective from its financial year commencing on or after 1 January 2016 to state in its annual report or issue it as a separate ESG report whether it has complied with the “comply or explain” provisions set out in the ESG Guide for the relevant financial year. As such, our Directors are of the view that there is potential growth and business opportunities in this segment. To support this new segment, we will recruit additional staff to perform the ESG reporting and consultancy works. At present, we mainly target at companies listed on the Stock Exchange. We generally charge our ESG customers on a milestone basis generally with a deposit upon engagement and the final payment upon issue of the report. We expect an ESG project to last for about three to nine months and

anticipate recurring engagements on an annual basis from listed companies as they are required to include such report in their annual reports or issue it as a separate report. In addition, there may have new engagements on demand for improving ESG aspects of our customers. We believe such new engagements will be available on a project basis.

Leveraging on our experience in providing sustainability and environmental consultancy, we plan to expand, develop and promote these new consultancies to potential customers. Our scope of consultancy includes the preparation of ESG reports, provision of ESG training to our customers, ESG consultancy, ESG policies drafting and recommendations, stakeholders engagement and emission data estimation and monitoring. We also plan to organise seminars, conferences and exhibitions to promote and enhance the general awareness of our Group and reach out for potential customers. We may collaborate with other corporates and other industry association, such as accounting firms in promoting environmental awareness and social and corporate governance.

As at the Latest Practicable Date, we had 14 ESG reporting and consultancy projects on hand and completed three projects.

### **Further strengthen and expand our in-house team of professional staff**

We consider that a strong in-house team of professional staff is crucial to our continuing success and growth. In this connection, we intend to expand our in-house team of professional staff by recruiting additional qualified and experienced staff and engineers in order to cope with our business development and our plan to undertake more projects.

We believe that our staff is our very important asset. We will continue to encourage our staff to attend technical training and industry seminars, conferences and courses organised by third parties to enhance their professional competence on an on-going basis.

In addition to our plan to expand our project team for providing services in the PRC and our ESG reporting and consultancy, we also plan to expand our existing in-house team so as to increase our capacity and resources in providing our services, such as ecological survey, which we have been outsourcing to our sub-contractors.

### **Expansion through mergers and acquisitions in Hong Kong**

We plan to expand our presence and market share through mergers and acquisitions of business or companies in the same industry in Hong Kong. For efficiency and better quality control purpose, we also target vertically integrate our operation by acquiring business or companies of our sub-contractors, such as companies providing ecological survey and assessment services. Through mergers and acquisitions, we will be able to increase our scale of operations, and consolidate established resources and expertise of other business to our Group and therefore enable us to provide wider scope of services and expand our customer base. Our present intention is to merge or acquire business or companies in ecological analysis and environmental monitoring in Hong Kong of smaller scale as compared with our Group.

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## BUSINESS

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To the knowledge of our Directors, recently, there have been a market trend for mergers and acquisitions where green building certification consultancy businesses were merged among themselves striking to be benefit from a larger scale of operation, consolidation of resources, expanding customer base and capturing more market shares. Our Directors consider that through appropriate mergers and acquisitions, we will be in a better position to compete with our competitors and maintain our competitiveness and position in the market.

As at the Latest Practicable Date, we have internally conducted certain market research to collect the public available market information on general business overview and growth in which those target companies operate and background and financial performance of companies which are similar to our target companies. However, we had not identified any target business or company.

### **OUR BUSINESS MODEL**

We are an environmental consultancy company based in Hong Kong. The services we provide can be categorised into four major segments: (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy which we commenced in November 2015.

Our customers primarily include property developers and owners, government authorities and public bodies, architects and planners, engineers, and designers and contractors in Hong Kong. We obtain our business opportunities through tendering, invitation for fee quotation and referrals by existing customers.

Generally, we bill our customers based on the stages of our work done, report delivered or certification awarded, as stipulated in the tender documents and contracts for the relevant projects. We recognise revenue on a progressive basis based on the contracted costs incurred to date as a percentage of total forecasted cost. We render most of the core services by ourselves including advising the acoustic and/or sustainability environmental design of the buildings, infrastructure or interiors of the buildings for our contracted service works, assessing the potential impact on the environment or acoustic performance during various stages of construction, recommending mitigation measures to minimise the impact, preparing design specification and drawings for tender purposes, coordinating green building design support from the project team, monitoring and reviewing contractor's submission during construction stage, compiling the green building certification application documents or deliverables for our customers, and addressing the comments or advices from certification bodies or government authorities. Subject to our in-house team's capacity and resources, we may sub-contract part of the ancillary works including collection of environmental monitoring data, asbestos consultancy, ecological survey and assessment, laboratory testing and risk assessment to sub-contractors which are Independent Third Parties. During the Track Record Period, we also sub-contracted our acoustics, noise and vibration control and audio-visual design consultancy projects to Man Acoustics Limited, (a company controlled by Dr. James Wong) and green building certification consultancy projects, sustainability and environmental consultancy projects, and acoustics, noise and vibration control and audio-visual design consultancy projects to Kindle Maple Company Limited (a company controlled by Ms. Grace Kwok). For details, please refer to note 28 of the Accountants' Report as set out in Appendix I to this prospectus.

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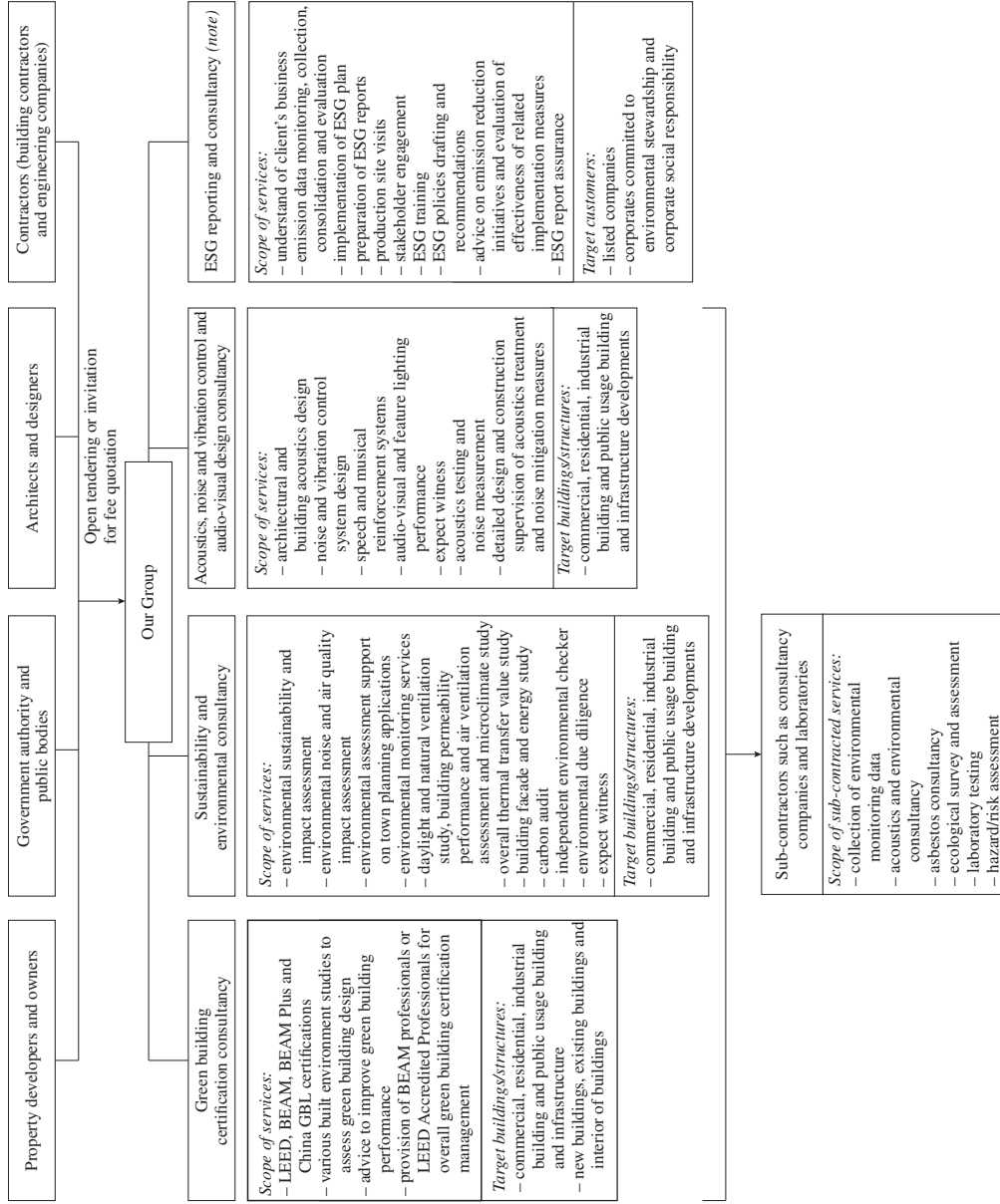
## BUSINESS

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The table below sets out a breakdown of the revenue derived from our consultancy services by major segments for the years indicated:

	Year ended 31 March			
	2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Green building certification consultancy	17,050	60.2	19,307	59.3
Sustainability and environmental consultancy	7,632	26.9	8,461	26.0
Acoustics, noise and vibration control and audio-visual design consultancy	3,665	12.9	4,258	13.1
ESG reporting and consultancy	–	–	513	1.6
Total	<u>28,347</u>	<u>100.0</u>	<u>32,539</u>	<u>100.0</u>

The diagram below illustrates our business model:



Note: The existing customers for our ESG reporting and consultancy are companies listed on the Stock Exchange.



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## BUSINESS

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Our green building certification consultancy covers LEED, BEAM, BEAM Plus and China GBL certifications for buildings ranging from commercial, residential and industrial buildings, hotels, data centres and public usage buildings such as hospitals, headquarters of government authorities and educational institutions, etc. We have provided these services to new buildings, existing buildings and the interior of buildings. Our scope of works include advising on the environmental design of the building/infrastructure, conducting detailed analysis and modelling for built environment studies, conducting literature review, on-site survey, inspections and measurements, monitoring and reviewing contractors' performance and submission, coordinating design support from project team, compiling the relevant certification application documents, providing BEAM Professionals and LEED Accredited Professionals for overall certification management and attending to comments in relation to the application.

Our sustainability and environmental consultancy covers various aspects of sustainability and environmental issues associated with development projects including air ventilation, water quality, air quality, ecological impact, noise impact, waste management, landscape and visual impact, drainage and sewage impact, health impact, hazard assessment, asbestos investigation, glare and light pollution, daylight and natural ventilation, etc. These studies are usually conducted at project planning and early design stage to fulfil planning standards, performance based requirements under buildings regulations or for compliance with environmental regulations or ordinance. We also provide environmental team and independent environmental checkers to fulfil the statutory environmental permit requirements for designated projects under Environmental Impact Assessment Ordinance.

Our acoustics, noise and vibration control and audio-visual design consultancy covers architectural building acoustic design, acoustic analysis of building or infrastructure construction, equipment or fixed plant noise and vibration control, detailed design and construction supervision of acoustic treatment and noise mitigation measures and audio-visual design and feature lighting for different types of buildings and premises.

Since November 2015, we commenced the ESG reporting and consultancy business targeting at listed companies and corporates committed to environmental stewardship and corporate social responsibilities. Our scope of services include the preparation of ESG implementation and reporting, emission monitoring and collection of emission data, stakeholder engagement, ESG training, advice on emission reduction initiatives and evaluation of effectiveness of related implementation measures and report assurance, etc.

Our scope of works depends on the terms of the contracts with our customers and we may provide "full scope", "selective scope" or "composite scope" of services. Please refer to the paragraphs headed "Green building certification consultancy – Our service scope", "Sustainability and environmental consultancy – Our service scope", "Acoustics, noise and vibration control and audio-visual design consultancy – Our service scope" and "ESG reporting and consultancy – Our scope of services" of this section for details of these scope of services we provide.

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## BUSINESS

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During the Track Record Period, most of the projects which we provided services were located in Hong Kong, and with a small number of them located in the PRC and Macau. Our operation has been focusing on the Hong Kong market during the Track Record Period. The table below sets out the breakdown of our revenue by geographical locations of the projects for the years indicated:

	<b>Year ended 31 March</b>					
	<b>2015</b>			<b>2016</b>		
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	272	25,644	90.5	249	29,675	91.2
PRC ( <i>Note</i> )	10	1,818	6.4	10	2,336	7.2
Macau	5	885	3.1	4	528	1.6
<b>Total</b>	<b>287</b>	<b>28,347</b>	<b>100.0</b>	<b>263</b>	<b>32,539</b>	<b>100.0</b>

*Note:* During the Track Record Period, we provided services in Guangdong, Shanghai, Sichuan, Beijing, Jiangsu and Zhejiang provinces in the PRC.

We have no subsidiary nor joint venture in the PRC and Macau. The projects located in the PRC and Macau were mainly obtained through referrals by our existing clients or business partners in Hong Kong to its branches, subsidiaries and joint ventures in the PRC and Macau. The services were principally performed in Hong Kong and we sent our staff to conduct on-site inspections and verifications in the PRC and Macau, if necessary.

In case where our in-house staff do not have capacity or we do not possess such expertise, we may sub-contract these ancillary works to our sub-contractors.

### OUR OPERATIONS

Our operations mainly involve three stages: (i) project origination/tendering; (ii) project implementation; and (iii) project completion.

#### **Project origination/tendering**

We obtain our projects mainly from direct invitation for quotations by our customers and by participation in open tenders. We receive notice of tenders and access the websites of the relevant government authorities in Hong Kong, such as the Environmental Protection Department and the Housing Authorities and the Hong Kong Government Gazette to see if there are any tendering invitations. The tender information is passed to our executive Director and principal consultants, and they together with our project team, will study the tender qualifications and requirements and assess if we meet the requirements and have the capacity to provide the relevant services. Having assessed and confirmed that we are able to meet the tender qualifications and requirements, our project team will proceed to prepare the tender documents or fee proposal. In some cases, before the submission of our fee proposal or tender, the relevant government authority, property developer or building contractor may request us to submit an EOI to indicate our interests in the project. The relevant customer will short-list from the EOI it received and invite the selected parties to submit a fee proposal or tender.

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## BUSINESS

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### Contracts obtained through open tendering

	Year ended 31 March	
	2015	2016
Number of new contracts obtained ( <i>Note 1</i> )	2	2
Aggregate value of new contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 1</i> )	1,740	1,141
Revenue attributable to all contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 2</i> )	1,329	1,321
Percentage to the total revenue for the corresponding period	4.7%	4.1%

### Contracts obtained through direct invitation for fee quotation

	Year ended 31 March	
	2015	2016
Number of new contracts obtained ( <i>Note 1</i> )	95	82
Aggregate value of new contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 1</i> )	21,745	21,309
Revenue attributable to all contracts obtained ( <i>HK\$'000</i> ) ( <i>Note 2</i> )	25,648	29,712
Percentage to the total revenue for the corresponding period	90.5%	91.3%

*Notes:*

1. The number and value of contract obtained represent the total number and aggregate value of new contracts obtained by our Group through open tendering and direct invitation for fee quotation in the respective year.
2. The amount represents the revenue attributed by all the contracts, including new contracts, on-going contracts and completed contracts which were obtained by our Group through open tendering and direct invitation for fee quotation.

Upon the confirmation of our fee quotation or our successful bid for a tender, we will proceed to sign the contract with our customers. For further details, please refer to the paragraph headed "Project identifications" of this section.

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## BUSINESS

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During the Track Record Period, we entered into 297 contracts which we provided services as a sub-contractor with customers including developers, contractors, architects and designers and engineering companies who may act as the main contractors of construction projects and may have entered into main contracts with project owners. The table below sets forth the number of and revenue attributable to the projects which we provided service as a sub-contractor for the years indicated:

	Year ended 31 March	
	2015	2016
Number of projects which we provided service as a sub-contractor	223	210 ( <i>Note</i> )
Revenue attributable to the projects obtained in the capacity of a sub-contractor ( <i>HK\$'000</i> )	22,034	24,592
Percentage to the total revenue for the corresponding period	77.7%	75.6%

*Note:* Among these 210 projects, 136 were on-going projects and were brought forward from the year ended 31 March 2015.

During the Track Record Period, we did not have the capacity and did not undertake any project as the main contractor of construction project.

### Project implementation

Our projects are implemented by our project team. Generally, each project team consists of about five or more staff. Each project team is led by a team leader who supervises and monitors the works of the team members. Our team members are responsible for different aspects of a project including conducting relevant literature review, on-site inspections and measurements, testing, computer modellings and data analysis and design options evaluation. They compile various drafts of the reports, and amend, check and finalise the reports. All our project team members report to their respective team leaders. Our senior management team consisting of executive Director, associate directors and principal consultants are responsible to oversee the works of all project teams. Apart from receiving regular reports from the team leaders, our senior management team will also convene meetings and discuss with team members periodically and on day-to-day operation on the project progress and identify potential issues and areas for improvement.

In implementing our projects, subject to our capacity and resources, we may sub-contract part of our ancillary works to sub-contractors. For details on sub-contracting, please refer to the paragraph headed “Our suppliers – Major terms of sub-contracting” of this section.

Prior to the first issuance of reports and designs, the checker in the project team checks the designs and proof-read the reports to ensure their technical viability and accuracy. For further details, please refer to the paragraph headed “Quality assurance” of this section.

In most cases, we are required to issue the first reports or designs. Customers or approval authority will provide comments on the first reports or designs and we will revise the same in light of the comments of customers and approval authorities.

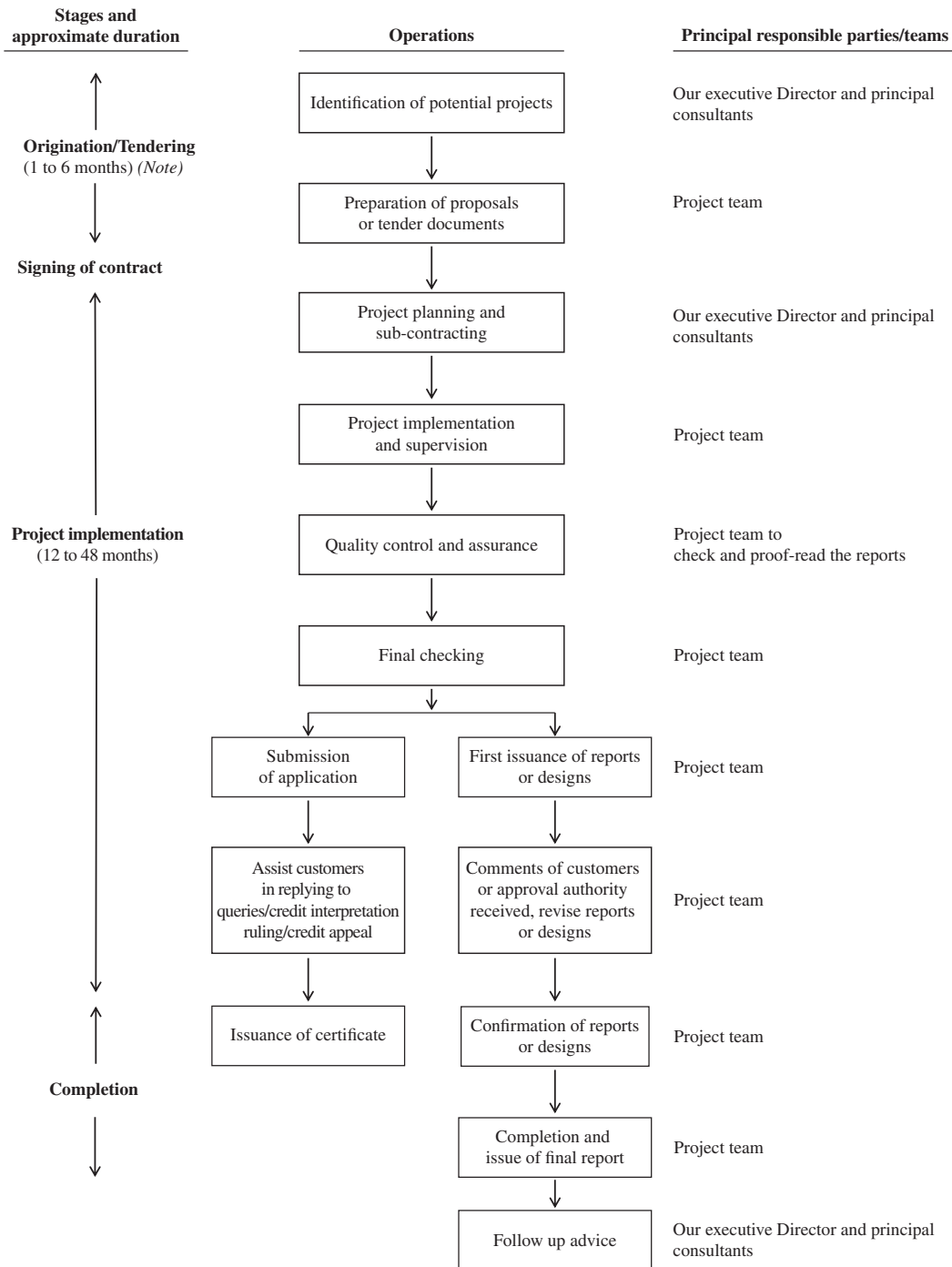
### Completion

Upon confirmation by customers or approval authority on the reports and designs, a final report or design is issued.

Occasionally, after the issuance of the final report, customers may have follow-up queries and we attend to these queries.

# BUSINESS

The diagram below sets out our normal operation flow for our green building certification consultancy, sustainability and environmental consultancy, and acoustics, noise and vibration control and audio-visual consultancy:



*Note:* Occasionally, the tendering process may last for up to 12 months.

### **GREEN BUILDING CERTIFICATION CONSULTANCY**

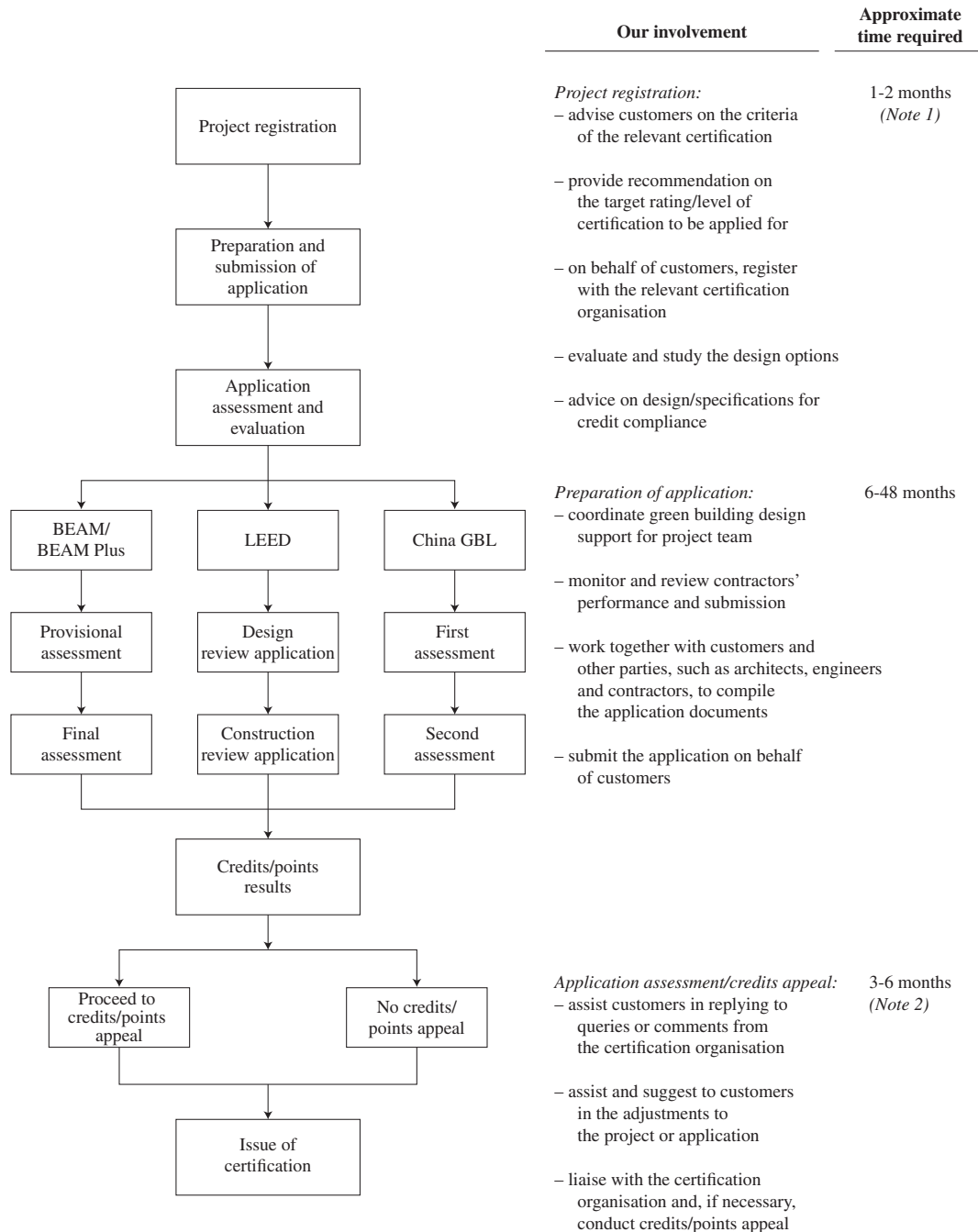
Green building certification consultancy is our major business segment, contributing approximately 60.2% and 59.3%, respectively, of our total revenue for each of the two years ended 31 March 2016. During the Track Record Period, the total contract sum for our green building certification consultancy projects amounted to approximately HK\$80.6 million, of which approximately HK\$36.4 million was recognised during the Track Record Period.

There are many green building certification system, standards and rating developed by various organisations around the world. According to the F&S Report, the commonly used green building certifications in Hong Kong are (i) BEAM or BEAM Plus; (ii) LEED; and (iii) China GBL. Our green building certification consultancy include BEAM and BEAM Plus, LEED and China GBL certifications. For each of the two years ended 31 March 2016, approximately 58.4% and 56.5%, respectively, of our total revenue were derived from green building certification consultancy projects located in Hong Kong.

We believe the needs for green building certification in Hong Kong are mainly driven by three factors: (i) regulatory requirements and government policies; (ii) environmental sustainability policy of an enterprise or organisation; and (iii) increase in market demand due to the rising awareness of the benefit of green buildings of end-users. For further information on relevant regulatory requirements and government policies, please refer to the section headed “Summary of Principal Legal and Regulatory Provisions – The Laws and Regulations of Hong Kong – B. Government policy and support” of this prospectus.

**Certification process**

The chart below shows the general certification process:



*Note 1:* As the Company has not completed any full China GBL Project during the Track Record Period and up to the Latest Practicable Date, the time required is just an estimate made by the Company based on their experience.

*Note 2:* If credits/points appeal is conducted, the time required may be extended to nine months.

### *Project registration*

We evaluate and study the design and provide advice and recommendation to customers. We advise our customers on the criteria of the relevant certifications and provide recommendation to the target rating/level of certifications to be applied for.

### *Preparation and submission of application*

We will conduct various built environment studies to assess green building performance, review the adjustments made to the designs and work with customers and other parties such as architects, engineers and contractors to compile the application documents. We prepare green building design specifications, coordinate design support for project team to ensure credit compliance and monitor and review contractors' performance and submission.

### *Application assessment and evaluation*

The application is reviewed by the relevant certification organisation based on their rating and assessment procedure. During the assessment and evaluation process, the certification organisation may raise queries or comments on the application documents and we will assist our customers in preparing replies for clarification and providing adjustments to the original designs, if necessary.

### *Credits/points results*

Upon completion of the assessment and evaluation, the relevant certification organisation will provide the credits/points it granted to the design under application, and the rating/level of certification it will be accredited based on these credits/points.

### *Credits/points appeal*

If customers are not satisfied with the green building assessment results, customers may proceed to lodge an appeal on the credits/points granted. We will assist customers in lodging such appeal within the stipulated timeframe, if necessary.

### *Issue of certification*

If customers are satisfied with the credits/points granted or upon completion of the credit appeal, we shall liaise with the relevant certification organisation for them to proceed to formally issue the rating certificate.



### **Our service scope**

We advise customers on the criteria and requirements of the relevant certification, provide advice on evaluating the green building performance or propose design for improvements for new buildings, existing buildings or interiors of buildings for the purpose of meeting such performance criteria. We also coordinate green building design support for project team, prepare green building design specification, monitor and review contractors' environmental performance and submission, provide BEAM Professionals or LEED Accredited Professionals for overall certification management, and attend to the certification application process on behalf of our customers.

As a consultancy services provider, our role is important in assessing and advising on the possible rating that a project may obtain. We provide advice and work together with our customers and their project teams on the green building design of the project. We also compile the certification application documents in such manner to fulfil the particular rating requirements. All these will require technical competence, significant past experience, and knowledge in the industry and certification requirements.

In the project design stage, we conduct detailed assessment of green building design for different options and advise on how the relevant certification principles can be applied through various modellings, calculations and simulations to predict, assess and demonstrate if certain aspect of a building/structure will meet the certification credit or statutory requirements, such as daylight performance, air ventilation, thermal comfort, energy saving, material use, water sewage and indoor environmental quality, etc. The finding and coordinated design input from the project team shall be consolidated into design drawings and specifications.

During the construction phase of the project, we monitor and review contractors' environmental performance and submission for different types of buildings and premises, and conduct various testing and environmental monitoring to ensure the target certification credits can be secured.

Upon completion of the project, we will conduct field verification and measurement to obtain actual performance data and analyse the same to ensure such actual data are consistent with the predicted data or in compliance with the required performance criteria.

We have extensive experiences in providing green building certification consultancy and have advised projects to achieve the highest levels of certifications for LEED, BEAM and BEAM Plus. During the Track Record Period, we participated in 164 projects on BEAM certification, 32 projects on LEED certification, and one China GBL and had 108 green building certification consultancy projects on hand as at 31 March 2016.

Our green building certification consultancy cover different types of buildings ranging from residential, industrial buildings to commercial buildings, public usage buildings and infrastructures, academic institutions, hotels and departmental headquarters, hospitals, community and recreation facilities, logistic buildings, shopping malls and data centres.

Depending on the terms of the contracts with our customers, we provide full, selective or composite scope of green building certification consultancy.

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## BUSINESS

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For full green building certification consultancy, we are mainly engaged by property developers, owners and government authorities. The scope of services we provide cover the entire certification process, i.e. from project designs, construction to issue of final certification.

For selective green building certification consultancy, we are mainly engaged by contractors, architectural firms and designers to provide a selected part of the services in respect of the certification application process such as construction phase environmental monitoring, specific built environment studies, such as building energy analysis or micro-climate study, use of environmental-friendly building materials and conduct field measurement and verification upon completion. Generally, we are engaged to provide the specific part of services because some of our customers may not have the expertise or capability or manpower to provide such services.

For composite scope of services, services provided by us cover full and/or selective scope of services covering more than one segment of our business in one single project (i.e. (i) green building certification consultancy; (ii) sustainability and environmental consultancy; and (iii) acoustics, noise and vibration control and audio-visual design consultancy).

Our green building certification consultancy also cover new buildings, existing buildings and the interior of buildings.

The services we provide for new buildings generally cover the whole construction process of the building, i.e. from the site environmental design, environmental friendly and efficient use of resources including water, material and energy, environmental management, pollution control during construction, indoor environmental quality, building energy efficient/sustainability design to on-site measurement and verification upon completion of construction as used as operation or management for existing buildings. Green building certification consultancy for existing buildings are mainly required by the owner or facility manager of an existing building which looks for upgrading and improving the certification of the building. Green building certification consultancy for interiors of buildings are services provided in relation to a specified portion of the interior part of a building, such as the office of a company, or the retail portion or the interior public area of a building with a view to improving environmental performance of interior fit-out works, especially on the indoor environmental quality to provide a healthy and comfortable environment to the occupants and visitors.

In general, it takes approximately two to four years to complete a green building certification for a new building, approximately one year to complete a green building certification for an existing building and less than one year to complete a green building certification for an interior part of a building.

### **Projects**

During the Track Record Period, we completed 74 green building certification consultancy projects, of which 45 and 29 of them, respectively, were completed in each of the two years ended 31 March 2016. The total revenue derived from green building certification consultancy projects was approximately HK\$17.1 million and HK\$19.3 million, respectively, for each of the two years ended 31 March 2016. As at 31 March 2015 and 2016, we had 105 and 108 on-going green building certification consultancy projects respectively.

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## BUSINESS

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The below table sets out the details of the movements of our Group's number of on-going and completed green building certification consultancy projects during the Track Record Period:

Number of on-going projects at 1 April 2014	111	
Number of new projects awarded during the year	39 <sup>(note 1)</sup>	150
Number of on-going projects and completed projects at 31 March 2015	150	
Number of projects completed during the year	(45)	105
Number of on-going projects at 31 March 2015	105	105
Number of on-going projects at 1 April 2015	105	
Number of new projects awarded during the year	32 <sup>(note 2)</sup>	137
Number of on-going projects and completed projects at 31 March 2016	137	
Number of projects completed during the year	(29)	108
Number of on-going projects at 31 March 2016	108	108

*Notes:*

1. Eight of these projects have been completed for the year ended 31 March 2015 and 31 of these projects are on-going for the year ended 31 March 2015.
2. Four of these projects have been completed for the year ended 31 March 2016 and 28 of these projects are on-going for the year ended 31 March 2016.

The table below sets forth the breakdown of the number of projects by contract value for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of projects with contract value		
– Below HK\$300,000	49	36
– HK\$300,000 to HK\$1,000,000	92	89
– Above HK\$1,000,000	9	12
	150	137
Total	150	137

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## BUSINESS

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The expected completion dates of the on-going projects as at 31 March 2016 are as follows:

	<b>Number of projects</b>	<b>Outstanding contract sum as at 31 March 2016 (HK\$'000)</b>
Number of projects which were completed or expect to be completed and revenue recognised or expect to be recognised:		
– Up to the Latest Practicable Date	6	305
– Latest Practicable Date to 31 March 2017	50	7,747
– On or after 31 March 2017	52	19,224
	108	27,276
	108	27,276

Backlog represents projects that had been secured and remain to be completed as of a certain date. The table below sets forth the breakdown of the backlog, the range and average contract value and expected duration of our on-going green building certification consultancy projects as at the Latest Practicable Date:

Number of on-going projects in the backlog	118	
		<i>HK\$'000</i>
Total contract sum ( <i>Note 1</i> )	58,531	
Aggregate value of projects backlog ( <i>Note 2</i> )	22,649	
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2017	11,747	
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2018	6,514	
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2019	1,903	
Estimated amount of projects backlog revenue that will be recognised after the year ending 31 March 2019	2,485	
Highest contract value ( <i>Note 3</i> )	1,100	
Lowest contract value ( <i>Note 3</i> )		1( <i>Note 6</i> )
Average contract value ( <i>Note 4</i> )		189
Expected average project duration ( <i>Note 5</i> )		363 days

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## BUSINESS

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*Notes:*

1. Total contract sum represents the total contract value of the project backlog.
2. Aggregate value of project means the total contract value for the remaining work of the project before the percentage of completion of such projects reach 100% as of the end of the relevant year.
3. The highest/lowest contract value represents the outstanding contract value of our on-going projects in the backlog as at the Latest Practicable Date.
4. The average contract value is calculated by dividing the aggregate value of our project backlog by the number of on-going projects in the backlog as at the Latest Practicable Date.
5. The expected average project duration is calculated by dividing the total number of days expected to be spent on our project backlog, to expected completion date of project, by the number of on-going projects in the backlog as at the Latest Practicable Date.
6. There are some projects we have substantially completed which are pending final approval or certification, thus the backlog contract value remains approximately HK\$1,000.

### **Bidding success rate**

During the Track Record Period, a majority of our new projects for our green building certification consultancy business are awarded through our biddings in direct invitation for fee quotation by our customers and open tender process.

The table below sets out the approximate number and contract value of biddings for green building certification consultancy works submitted by and contracts awarded to our Group for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>
Biddings submitted	110,816	236	142,462	248
Contracts awarded	13,396	44	10,891	28
Success rate ( <i>Note</i> )	12.1%	18.6%	7.6%	11.3%

*Note:* The bidding success rate is an approximate percentage calculated for illustration purpose by dividing the number or value of biddings submitted by the number or value of the contracts awarded during the relevant year. As at 31 August 2016, out of the biddings submitted for the year ended 31 March 2016, there were 19 biddings with aggregate bidding sum of approximately HK\$5.9 million submitted but pending results.

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## BUSINESS

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As at 31 August 2016, in relation to the biddings we submitted as at 31 March 2016, we were awarded a total of 35 contracts with a total bidding sum of approximately HK\$15.2 million. Subsequent to the end of the Track Record Period and up to 31 August 2016, we have submitted approximately 81 open tenders and quotations (with aggregate bidding sum of over HK\$39.6 million) for green building certification consultancy contracts, and the results will generally be made known to us within approximately one to six months after our submission.

### **SUSTAINABILITY AND ENVIRONMENTAL CONSULTANCY**

Our sustainability and environmental consultancy is our second largest business segment which contributes approximately 26.9% and 26.0%, respectively of our total revenue for each of the two years ended 31 March 2016, respectively. During the Track Record Period, the total contract sum for sustainability and environmental consultancy projects amounted to approximately HK\$30.6 million, of which approximately HK\$16.1 million was recognised during the Track Record Period.

Sustainability and environmental consultancy are mainly driven by (i) development site lease conditions, planning standards, public housing/building design codes and statutory requirements; and (ii) on a voluntary basis targeting at a desirable, pleasant and healthy built environment and enhancing environmental performance. Hong Kong Planning Standard and Guidelines, and various technical circulars and practice notes issued by different government departments form the basis for evaluating the design provisions against the acceptance criteria set by different departments. The statutory requirements include requirements under government leases, the Environmental Impact Assessment Ordinance, the Town Planning Ordinance, Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance, Building Energy Efficiency Ordinance and Buildings Regulations.

For more details on the statutory requirements on environmental impact and pollution control, please refer to the section headed “Summary of Principal Legal and Regulatory Provisions” of this prospectus.

We are mainly engaged by government authorities, property developers, project owners, architectural/engineering design firms and contractors to provide consultancy services to assess and demonstrate the potential compliance with the relevant statutory requirements and to prepare reports and assessment of the impacts on environment in respect of a potential development project.

#### **Our service scope**

Our sustainability consultancy focus on identifying, predicting and evaluating various aspects of a built environment such as daylighting, natural air ventilation performance, microclimate study, light pollution, thermal comfort, indoor environmental quality, building energy analysis and the permeability of a building/structure. Our environmental consultancy normally cover the assessment and evaluation on major aspects of environmental impacts including air quality, asbestos investigation, drainage impact, sewage impact, air ventilation, water quality, water supply, ecological impact, noise impact, odour impact, land contamination, waste management, landscape and visual impact, hazard assessment and health impact assessment.

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## BUSINESS

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During the Track Record Period, we were appointed by our customers to provide consultancy in certain particular aspect of sustainability and environmental impact assessment on a project by project basis. Below are some of our past project experiences:

- *Conducting air ventilation assessment and environmental design for public housing development:* conduct air ventilation assessment, microclimate study, daylighting analysis, study on ventilation performance and thermal comfort to facilitate sustainable building design;
- *Sewage and drainage impact assessment for a proposed residential development:* review the existing and planned sewage facilities in the vicinity of the proposed development, evaluate the potential sewage and drainage impact, estimate the upstream and downstream sewage and drainage flow from nearby development, recommend appropriate measures for sewage treatment and disposal or drainage upgrading for purpose of complying with the requirements imposed by the Environmental Protection Department and Drainage Services Department;
- *Environment impact assessment for Chai Wan Government Vehicle Depot:* conduct statutory environmental impact assessment study including air quality impact assessment, noise impact assessment, water quality and sewage impact assessment, visual impact assessment, waste management impact assessment, land contamination assessment and set out environmental monitoring and audit requirements;
- *Redevelopment of a public hospital in Kwun Tong:* conduct preliminary environmental review, air ventilation assessment, provide environmental and BEAM Plus consultancy for the public hospital redevelopment project from design to construction completion; and
- *Kai Tak Development project:* act as independent environmental checker to audit the environmental monitoring works conducted for whole Kai Tak Development, including the Kai Tak Approach Channel and Kwun Tong Typhoon Shelter, during the construction stage.

### **Work process**

Our work process mainly includes:

- conduct on-site survey and gather background site conditions and information;
- identify representative sensitive receivers with respect to the aim and focus of the built environment or environmental impact assessment studies;
- assess different aspects and impacts on environment or nearby sensitive receiver associated with the construction and operational phase of a project, such as air quality, noise, water quality, waste, sewage, land contamination, hazard to life, health impact, asbestos investigations, ecological study, odour and landscape visual impact, etc;

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## BUSINESS

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- recommend mitigation measures to ensure that the environmental impacts of a project is minimised and within acceptable limits and satisfying the relevant assessment criteria stipulated in the Environmental Impact Assessment Ordinance, Noise Control Ordinance, Air Pollution Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, etc;
- prepare a project-specific environmental management plan and provide advice on the implementation of the environmental management plan;
- carry out environmental monitoring and audit works of the project, covering aspects of air quality, noise impact, water quality, waste management, land contamination, odour impact, etc;
- conduct detailed analysis and study of built environmental performance, including daylight access, thermal comfort, building energy usage, light pollution, air ventilation, building permeability, natural ventilation, micro-climate study, overall thermal transfer value, etc., by means of computer simulation, calculation, modelling and field measurement; and
- prepare a study report in a format suitable for submission to the Town Planning Board, the Environmental Protection Department, Buildings Department or Drainage Services Department, etc.

Apart from the above, we also provide environmental monitoring services, and act as environmental team leader and independent environmental checker for designated projects during construction and operation phases. For environmental monitoring services, we are generally appointed by our customers to monitor compliance with the prescribed emission limits of the field works, such as dust and noise control, site drainage discharge and construction waste disposal during construction phase as well as noise and odour emission during operational phase. For independent environmental checking services, we are generally appointed by the project proponent to audit the compliance of the field works and environmental monitoring works conducted by the contractors and their environmental team.

### **Projects**

During the Track Record Period, we completed 95 sustainability and environmental consultancy projects, of which 56 and 39 of them, respectively, were completed in each of the two years ended 31 March 2016. The total revenue derived from the sustainability and environmental consultancy projects was approximately HK\$7.6 million and HK\$8.5 million, respectively, for each of the two years ended 31 March 2016. As at 31 March 2015 and 2016, we had 39 and 43 on-going sustainability and environmental consultancy projects.



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## BUSINESS

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Number of on-going projects at 1 April 2014	58
Number of new projects awarded during the year	<u>37<sup>(note 1)</sup></u>
Number of on-going projects and completed projects at 31 March 2015	95
Number of projects completed during the year	<u>(56)</u>
Number of on-going projects at 31 March 2015	<u><u>39</u></u>
Number of on-going projects at 1 April 2015	39
Number of new projects awarded during the year	<u>43<sup>(note 2)</sup></u>
Number of on-going projects and completed projects at 31 March 2016	82
Number of projects completed during the year	<u>(39)</u>
Number of on-going projects at 31 March 2016	<u><u>43</u></u>

*Notes:*

1. 19 of these projects have been completed for the year ended 31 March 2015 and 18 of these projects are on-going for the year ended 31 March 2015.
2. 16 of these projects have been completed for the year ended 31 March 2016 and 27 of these projects are on-going for the year ended 31 March 2016.

The table below sets forth the breakdown of the number of projects by contract value for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of projects with contract value		
– Below HK\$300,000	71	61
– HK\$300,000 to HK\$1,000,000	22	16
– Above HK\$1,000,000	<u>2</u>	<u>5</u>
Total	<u><u>95</u></u>	<u><u>82</u></u>

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## BUSINESS

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The expected completion dates of the on-going projects as at 31 March 2016 are as follows:

	<b>Number of projects</b>	<b>Outstanding contract sum as at 31 March 2016</b> <i>(HK\$'000)</i>
Number of projects which were completed or expect to be completed and revenue recognised or expect to be recognised:		
– Up to the Latest Practicable Date	6	322
– Latest Practicable Date to 31 March 2017	18	1,737
– On or after 31 March 2017	19	6,559
	43	8,618
	43	8,618

### Bidding success rate

During the Track Record Period, a majority of our new projects are awarded through our biddings in direct invitation for quotation by our customers and open tender process.

The table below sets out the approximate number and contract value of biddings for sustainability and environmental consultancy works submitted by and contracts awarded to our Group for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>
Biddings submitted	63,884	195	80,344	217
Contracts awarded	7,360	37	8,632	38
	11.5%	19.0%	10.7%	17.5%
Success rate <i>(Note)</i>	11.5%	19.0%	10.7%	17.5%

*Note:* The bidding success rate is an approximate percentage calculated for illustration purpose by dividing the number or value of biddings submitted by the number or value of the contracts awarded during the relevant year. As at 31 August 2016, out of the biddings submitted for the year ended 31 March 2016, there were 21 biddings with aggregated bidding sum of approximately HK\$7.3 million submitted but pending results.

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## BUSINESS

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As at 31 August 2016, in relation to the biddings we submitted as at 31 March 2016, we were awarded a total of 47 contracts with a total bidding sum of approximately HK\$12.2 million. Subsequent to the end of the Track Record Period and up to 31 August 2016, we have submitted approximately 124 open tenders and quotations (with aggregate bidding sum over HK\$57.5 million) for sustainability and environmental consultancy contracts, and the results will generally be made known to us within approximately one to six months after our submission.

Backlog represents projects that had been secured and remain to be completed as of a certain date. The table below sets forth the breakdown of the backlog, the range and average contract value and expected duration of our on-going sustainability and environmental consultancy projects as at the Latest Practicable Date:

Number of on-going projects in the backlog	54
	<i>HK\$'000</i>
Total contract sum ( <i>Note 1</i> )	17,766
Aggregate value of projects backlog ( <i>Note 2</i> )	10,601
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2017	4,971
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2018	2,661
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2019	1,409
Estimated amount of projects backlog revenue that will be recognised after the year ending 31 March 2019	1,560
Highest contract value ( <i>Note 3</i> )	1,280
Lowest contract value ( <i>Note 3</i> )	6
Average contract value ( <i>Note 4</i> )	204
Expected average project duration ( <i>Note 5</i> )	319 days

*Notes:*

1. Total contract sum represents the total contract value of the project backlog.
2. Aggregate value of project means the total contract value for the remaining work of the project before the percentage of completion of such projects reach 100% as of the end of the relevant year.
3. The highest/lowest contract value represents the outstanding contract value of our on-going projects in the backlog as at the Latest Practicable Date.
4. The average contract value is calculated by dividing the aggregate value of our project backlog by the number of on-going projects in the backlog as at the Latest Practicable Date.
5. The expected average project duration is calculated by dividing the total number of days expected to be spent on our project backlog, to expected completion date of project, by the number of on-going projects in the backlog as at the Latest Practicable Date.

## **ACOUSTICS, NOISE AND VIBRATION CONTROL AND AUDIO-VISUAL DESIGN CONSULTANCY**

Acoustics, noise and vibration control and audio-visual design consultancy is one of our four business segments, contributing approximately 12.9% and 13.1%, respectively of our total revenue for each of the two years ended 31 March 2016.

During the Track Record Period, the total contract sum for acoustics, noise and vibration control and audio-visual design consultancy amounted to approximately HK\$13.7 million, of which approximately HK\$7.9 million was recognised during the Track Record Period.

### **Our service scope**

The services we provided in the segment covered a variety of areas including (i) architectural acoustic design for performing art venues, offices, clubhouse, food and beverage outlets, hotels and retails; (ii) sound insulation design for building's façade and internal partitions; (iii) mechanical, electrical, and plumbing services noise and vibration control for different types of buildings; (iv) detailed design and construction supervision of acoustic treatment and noise mitigation design for construction and transportation system; and (v) audio-visual design for performing art venues, churches, food and beverage outlets, hotels and clubhouse.

Below are some of our past project experiences in acoustics, noise and vibration control and audio-visual design consultancy:

- *acoustics, noise and vibration control for a hotel in a theme park*: provide acoustic design for the hotel interior and noise and vibration control design for building service equipment and installations and acoustic testing and consultancy upon building completion;
- *acoustic design of a concert hall, music practice rooms and a chapel in an international music school*: carry out detailed acoustic design of performance venue by means of acoustic simulation, construction supervision of the acoustic treatment installations and field verification for the performance spaces in the music school from conceptual design to construction completion; and
- *Noise mitigation measures design for a residential development affected by traffic and railway noise*: conduct onsite noise survey to determine the sound pressure level of noise source, and provide detailed design of noise mitigation measures including trackside noise barrier and enclosure. Acoustic design and specification is provided for tendering and conduct interim mock-up acoustic testing, construction supervision and final field verification test.

### **Work process**

Our work process includes:

- conduct a general review of the proposed design scheme from the architect and provide advice on the implications of the building zoning in achieving acoustic design goals;

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## BUSINESS

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- identify all noise sources and estimate their intensities, identify all noise sensitive receiver and propose appropriate acoustic design criteria;
- conduct full acoustic analysis of the building in its construction and operation stages, including noise and vibration survey, computer simulation and acoustic modelling;
- provide acoustic design for construction details, such as duct and pipe-work penetrations and junctions;
- advise design of acoustic treatment for controlling the noise and vibration from mechanical plant installation;
- prepare acoustic design specifications for architectural and structural elements and mechanical installations;
- recommend the requirements of the audio-visual system to achieve desirable performance;
- provide audio-visual design, including system schematic and equipment selection;
- provide performance criteria and specification for the audio-visual equipment;
- conduct mock-up testing, on-site inspection and field measurement, to verify the performance of the installations and to ensure all recommendations are implemented as per design intent;
- work closely with the architects, engineers and contractors to produce satisfactory results; and
- prepare report, witness testing and commissioning and conduct final check and, where necessary, issue a defect correction list.

### **Projects**

During the Track Record Period, we completed 28 acoustics, noise and vibration control and audio-visual design consultancy projects, of which 16 and 12 of them, respectively, were completed in each of the two years ended 31 March 2016. The total revenue derived from acoustics, noise and vibration control and audio-visual design consultancy projects was approximately HK\$3.7 million and HK\$4.3 million respectively, for each of the two years ended 31 March 2016. As at 31 March 2015 and 2016, we had 26 and 28 on-going acoustics, noise and vibration control and audio-visual design consultancy projects.

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## BUSINESS

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The below table sets out the details of the movements of our Group's number of on-going and completed acoustics, noise and vibration control and audio-visual design consultancy projects during the Track Record period:

Number of on-going projects at 1 April 2014	19
Number of new projects awarded during the year	23 <sup>(note 1)</sup>
Number of on-going projects and completed projects at 31 March 2015	42
Number of projects completed during the year	(16)
Number of on-going projects at 31 March 2015	26
Number of on-going projects at 1 April 2015	26
Number of new projects awarded during the year	14 <sup>(note 2)</sup>
Number of on-going projects and completed projects at 31 March 2016	40
Number of projects completed during the year	(12)
Number of on-going projects at 31 March 2016	28

*Notes:*

1. Six of these projects have been completed for the year ended 31 March 2015 and 17 of these projects are on-going for the year ended 31 March 2015.
2. Seven of these projects have been completed for the year ended 31 March 2016 and seven of these projects are on-going for the year ended 31 March 2016.

The table below sets forth the breakdown of the number of projects by contract value for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Number of projects with contract value		
– Below HK\$300,000	32	33
– HK\$300,000 to HK\$1,000,000	7	4
– Above HK\$1,000,000	3	3
Total	42	40

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## BUSINESS

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The expected completion dates of the on-going projects as at 31 March 2016 are as follows:

	<b>Number of projects</b>	<b>Outstanding contract sum as at 31 March 2016</b> <i>(HK\$'000)</i>
Number of projects which were completed or expect to be completed and revenue recognised or expect to be recognised:		
– Up to the Latest Practicable Date	3	49
– Latest Practicable Date to 31 March 2017	16	900
– On or after 31 March 2017	9	2,271
	28	3,220
	28	3,220

### Bidding success rate

During the Track Record Period, a majority of our new projects are awarded through our biddings in direct invitation for fee quotation by our customers and open tendering process.

The table below sets out the approximate number and contract value of biddings for acoustics, noise and vibration control and audio-visual design consultancy works submitted by and contracts awarded to our Group for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>
Biddings submitted	6,747	52	17,927	53
Contracts awarded	2,729	16	2,052	14
	40.4%	30.8%	11.4%	26.4%
	40.4%	30.8%	11.4%	26.4%

*Note:* The bidding success rate is an approximate percentage calculated for illustration purpose by dividing the number or value of biddings submitted by the number or value of the contracts awarded during the relevant year. As at 31 August 2016, out of the biddings submitted for the year ended 31 March 2016, there were 5 biddings with aggregated bidding sum of approximately HK\$4.2 million submitted but the results were still not released.

As at 31 August 2016, in relation to the biddings we submitted as at 31 March 2016, we were awarded a total of 17 contracts with a total bidding sum of approximately HK\$2.4 million. Subsequent to the end of the Track Record Period and up to 31 August 2016, we have submitted approximately 26 open tenders and quotations (with aggregate bidding sum of over HK\$5.7 million) for acoustics, noise and vibration control and audio-visual design consultancy contracts and the results will generally be released within approximately one to six months after our submission.

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## BUSINESS

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Backlog represents projects that had been secured and remain to be completed as of a certain date. The table below sets forth the breakdown of the backlog, the range and average contract value and expected duration of our on-going acoustics, noise and vibration control and audio-visual design consultancy projects as at the Latest Practicable Date:

Number of on-going projects in the backlog	38
	<i>HK\$'000</i>
Total contract sum ( <i>Note 1</i> )	12,793
Aggregate value of projects backlog ( <i>Note 2</i> )	3,839
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2017	1,648
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2018	1,539
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2019	330
Estimated amount of projects backlog revenue that will be recognised after the year ending 31 March 2019	322
Highest contract value ( <i>Note 3</i> )	406
Lowest contract value ( <i>Note 3</i> )	1( <i>Note 6</i> )
Average contract value ( <i>Note 4</i> )	104
Expected average project duration ( <i>Note 5</i> )	298 days

*Notes:*

1. Total contract sum represents the total contract value of the project backlog.
2. Aggregate value of project means the total contract value for the remaining work of the project before the percentage of completion of such projects reach 100% as of the end of the relevant year.
3. The highest/lowest contract value represents the outstanding contract value of our on-going projects in the backlog as at the Latest Practicable Date.
4. The average contract value is calculated by dividing the aggregate value of our project backlog by the number of on-going projects in the backlog as at the Latest Practicable Date.
5. The expected average project duration is calculated by dividing the total number of days expected to be spent on our project backlog, to expected completion date of project, by the number of on-going projects in the backlog as at the Latest Practicable Date.
6. There are some projects we have substantially completed which are pending final approval or certification, thus the backlog contract value remains approximately HK\$1,000.

## ESG REPORTING AND CONSULTANCY

Since November 2015, we commenced the ESG reporting and consultancy business targeting at listed companies and corporates in Hong Kong committed to environmental stewardship and corporate social responsibilities. The revenue derived from our ESG reporting and consultancy amounted to approximately nil and HK\$0.5 million, respectively, for each of the two years ended 31 March 2016, representing approximately nil and 1.6% of our total revenue of the corresponding year.



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## BUSINESS

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The recent amendments to the Listing Rules have required a listed company with effective from its financial year commencing on or after 1 January 2016 to state in its annual report or a separate ESG report whether it has complied with the “comply or explain” provisions set out in the ESG Guide for the relevant financial year. We are of the view that there is great potential growth and business opportunities in this business segment.

### Our scope of services

We generally provide the following services in relation to our ESG reporting and consultancy:

- understand our customers’ business and current ESG system;
- conduct review of the ESG system, production site visits and stakeholder engagement to identify the material aspects and formulate ESG implementation plan;
- emission data monitoring, collection, consolidation and evaluation relevant to the identified targets or key performance indicators;
- advise on emission reduction initiatives and evaluation of effectiveness of related implementation measures;
- prepare ESG report in compliance with the Stock Exchange’s requirement;
- assist our customers in establishing comprehensive solution to enhance ESG system and mitigate risk associated with ESG performance of the customer’s business;
- provide ESG training, consultancy and awareness seminars to our customers; and
- provide ESG report assurance to our customers where applicable.

### Projects

During the Track Record Period, we did not have any ESG reporting and consultancy projects completed. As at the Latest Practicable Date, we had 14 on-going ESG reporting and consultancy projects and completed three projects.

The table below sets forth the breakdown of the number of projects by contract value for the years indicated:

	Year ended 31 March	
	2015	2016
Number of projects with contract value		
– Below HK\$300,000	–	3
– HK\$300,000 to HK\$1,000,000	–	1
	<hr/>	<hr/>
Total	–	4
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## BUSINESS

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The expected completion dates of the on-going projects as at 31 March 2016 are as follows:

	<b>Number of projects</b>	<b>Outstanding contract sum as at 31 March 2016</b> <i>(HK\$'000)</i>
Number of projects which were expected to be completed and revenue recognised or expected to be recognised:		
– Up to the Latest Practicable Date	3	290
– Latest Practicable Date to 31 March 2017	1	72
	4	362

As at the Latest Practicable Date, we had 14 on-going ESG reporting projects with the total contract sum of approximately HK\$2.5 million and estimated outstanding contract value of approximately HK\$1.7 million.

### **Bidding success rate**

During the Track Record Period, a majority of our projects are awarded through our biddings in direct invitation for fee quotation by our customers and open tendering process.

The table below sets out the approximate number and contract value of biddings for ESG reporting and consultancy works submitted by and contracts awarded to our Group for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>
Biddings submitted	–	–	9,633	19
Contracts awarded	–	–	875	4
Success rate <i>(Note)</i>	–	–	9.1%	21.1%

*Note:* The bidding success rate is an approximate percentage calculated for illustration purpose by dividing the number or value of biddings by the number or value of contracts awarded during the relevant year. As at 31 August 2016, out of the biddings submitted for the year ended 31 March 2016, there was two biddings with aggregate bidding sum of approximately HK\$0.6 million submitted but the results were still not released.

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## BUSINESS

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Backlog represents projects that had been secured and remain to be completed as of a certain date. The table below sets forth the breakdown of the backlog, the range and average contract value and expected duration of our on-going ESG reporting and consultancy projects as at the Latest Practicable Date:

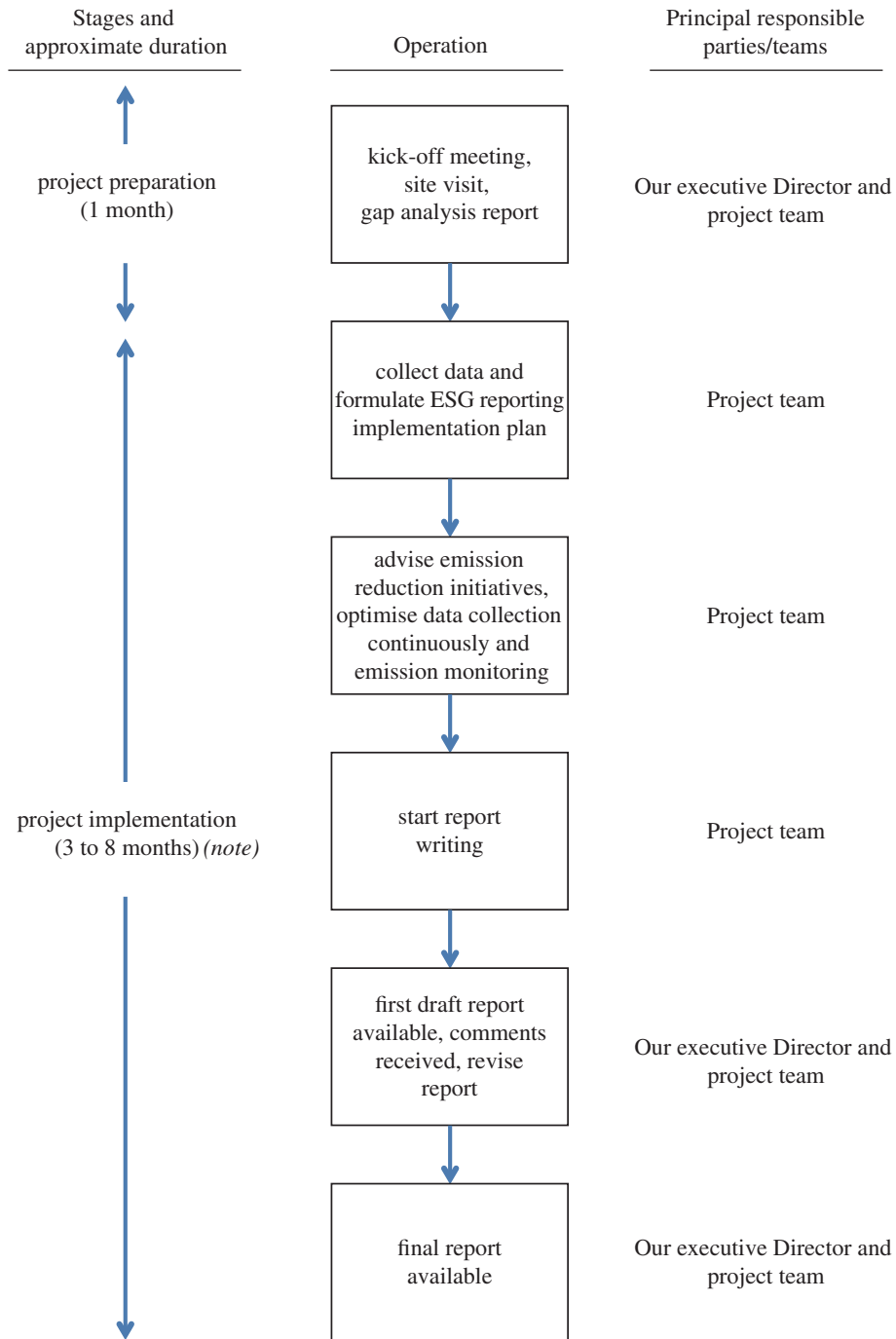
Number of on-going projects in the backlog	14
	<i>HK\$'000</i>
Total contract sum ( <i>Note 1</i> )	2,486
Aggregate value of projects backlog ( <i>Note 2</i> )	1,745
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2017	842
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2018	759
Estimated amount of projects backlog revenue that will be recognised in the year ending 31 March 2019	144
Estimated amount of projects backlog revenue that will be recognised after the year ending 31 March 2019	–
Highest contract value ( <i>Note 3</i> )	305
Lowest contract value ( <i>Note 3</i> )	49
Average contract value ( <i>Note 4</i> )	125
Expected average project duration ( <i>Note 5</i> )	350 days

*Notes:*

1. Total contract sum represents the total contract value of the project backlog.
2. Aggregate value of project means the total contract value for the remaining work of the project before the percentage of completion of such projects reach 100% as of the end of the relevant year.
3. The highest/lowest contract value represents the outstanding contract value of our on-going projects in the backlog as at the Latest Practicable Date.
4. The average contract value is calculated by dividing the aggregate value of our project backlog by the number of on-going projects in the backlog as at the Latest Practicable Date.
5. The expected average project duration is calculated by dividing the total number of days expected to be spent on our project backlog, to expected completion date of project, by the number of on-going projects in the backlog as at the Latest Practicable Date.

**Operation flow**

Generally, it takes about four to nine months to complete an ESG reporting and consultancy project for a relevant financial year. The diagram below sets out our normal operation flow for ESG reporting and consultancy:



*Note:* The time required for project implementation depends on factors including scope of our engagement, time for publishing the annual report, etc.

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## BUSINESS

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### LANDMARK PROJECTS

Below are brief details of some of our landmark projects:

Project	Scope of service	Segment	Status	Total contract value (HK\$'000)
The tallest commercial building in Hong Kong, located at Kowloon Station	Built environment studies and BEAM platinum project	Sustainability and environmental consultancy and green building certification consultancy	Completed built environment studies in April 2011 and BEAM platinum project in March 2013	62 (for built environment studies) 280 (for BEAM platinum project)
The tallest commercial building in Hong Kong, located at Kowloon Station	BEAM existing building and LEED existing building	Green building certification consultancy	Ongoing	550
The centennial campus of a local university in Pok Fu Lam, Hong Kong	First LEED platinum tertiary education building in Hong Kong	Green building certification consultancy	Completed in January 2013	480
The headquarter for a public utility company in North Point, Hong Kong	First BEAM Plus Platinum Existing Building in Hong Kong	Green building certification consultancy	Completed in December 2015	456
A data centre for a commercial bank in Shek Mun, Hong Kong	First LEED Platinum data centre project in Greater China region and South-East Asia area	Green building certification consultancy	Completed in October 2015	680
Tertiary education campus in Shatin, Hong Kong	First BEAM Plus Platinum tertiary educational building in Hong Kong	Green building certification consultancy	Completed in November 2014	680
The headquarter of a Hong Kong government authority in North Point, Hong Kong	Advice on the design and construction of a headquarter building in North Point	Sustainability and environmental consultancy, green building certification consultancy, acoustics, noise and vibration control and audio-visual design consultancy	Completed in April 2009	720
A swimming pool in a park in Causeway Bay, Hong Kong	Acoustic, environmental and BEAM consultancy for the swimming pool complex	Sustainability and environmental consultancy, green building certification consultancy, acoustics, noise and vibration control and audio-visual design consultancy	Completed acoustics and environmental consultancy in March 2014 and BEAM consultancy in June 2015	458 (for acoustics and environmental consultancy) 354 (for BEAM consultancy)

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## BUSINESS

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Project	Scope of service	Segment	Status	Total contract value (HK\$'000)
A public railway operator	Detailed design and construction supervision of trackside noise barrier and enclosure installation at five sites alongside railway in Hong Kong	Acoustics, noise and vibration control and audio-visual design consultancy	Completed in October 1998	190
An international music school in Diamond Hill, Hong Kong	Acoustic design for a performance hall, music practice room and chapel of an international music school in Hong Kong	Acoustics, noise and vibration control and audio-visual design consultancy	Completed in March 2005	165
A community theatre in Yaumatei, Hong Kong	Theatre consultancy for the conversion of a community theatre into a cantonese opera performance venue	Acoustics, noise and vibration control and audio-visual design consultancy	Completed in February 2014	480
District cooling system in Kai Tak, Hong Kong	The LEED Gold certified district cooling system in Hong Kong	Green building certification consultancy	Completed in September 2015	1,185
A prestige commercial building in Shanghai	LEED Gold certification	Green building certification consultancy	Completed in December 2015	1,000

### PROJECT IDENTIFICATIONS

During the Track Record Period, our new business was mainly generated by (i) direct invitation for fee quotation by our customers, which may be new customers by referrals or recurring customers; and (ii) open tendering process. We also participate in industry conferences, such as Eco Expo Asia in Hong Kong, to pro-actively reach out to potential customers, and WorldGBC Congress, Cross-Strait Acoustic Conference and Macao International Environmental Co-operation Forum & Exhibition 2016 to provide presentations and exhibitions on our capability and experiences. In some cases, we also participate in an “all-inclusive” tender initiated and led by the main contractors/architectural firms whom lead the project team of a project.

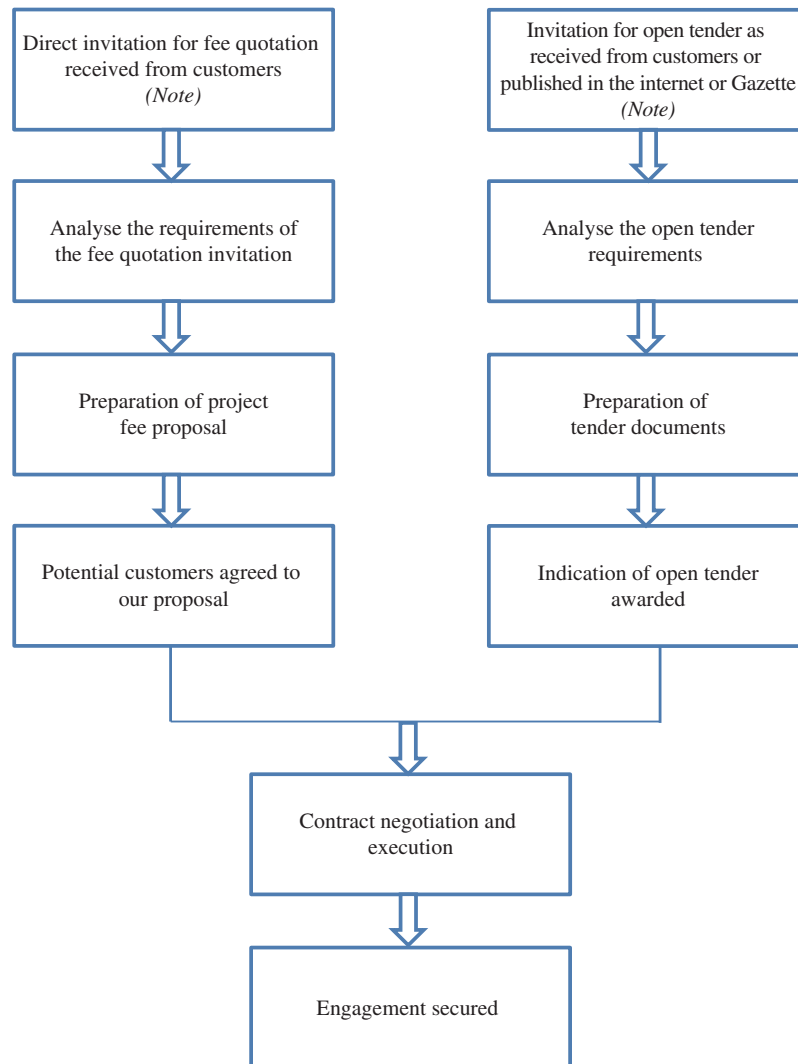
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## BUSINESS

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Contracts in the public sector or large-scale projects with property developers and owners in Hong Kong are normally awarded through open tendering procedures. Tender invitations may be published in the Gazette of the Hong Kong government from time to time, or on the websites of related departments or authorities, and all relevant qualified consultants may submit tenders. In some projects, tenders are by invitations only, which are sent to some qualified consultants on relevant qualified service provider or term consultant list maintained by private sector companies and government departments for the purpose of selective tendering. Please refer to the paragraph headed “Permits, licences and qualifications” of this section for details of AEC Hong Kong as a qualified service provider.

The chart below shows our typical business generation steps:



*Note:* In some cases, before the submission of our fee proposal or tender, the relevant government authority, property developers or contractors may request us to submit an EOI to indicate our interest in the project. The relevant customer will short-list from the EOI it received and invited the selected parties to submit a fee proposal or tender.

### **Direct invitation for fee quotation**

Generally, our private sector customers will invite our Group to provide a fee quotation for certain projects.

Upon receipt of a fee quotation invitation, we will conduct a preliminary analysis and assess whether we have met the requirements and have the capacity and resources in delivering the project.

After we conducted our preliminary analysis and decided to proceed with bidding, we, in response to a fee quotation invitation, will prepare a detailed proposal on the scope of our works at each stage of the project, the experience and qualifications of our project team, our proposed fee estimate, work stages and deliverables and payment terms.

When the potential customers agree to our project and fee proposal, we will proceed to negotiate and execute the formal contract with our customers.

### **Open tendering**

We obtain our projects from government authorities and property developers through the tendering process. In some cases, the relevant government authorities will invite service providers on the qualified service provider list to submit a tender for their projects. In some other cases, it may involve submissions of EOI to short-list the tenderers. For details of our qualifications in the provision of the consultancy services to the government authorities, please refer to the paragraph headed “Permits, licences and qualifications” of this section.

We will study the tender requirements and qualifications, assess if we are able to meet the requirements and qualifications and have the capacity and resources to undertake the project.

After the preliminary study of the tender requirements and if we decide to proceed with the tender, we will proceed to prepare the tendering documents, which generally set out the scope of our works at each stage of the project we deliver, the qualifications and experiences of our project team and our fee proposal, work stages and deliverables and payment terms. We then proceed to submit the tender within the stipulated timeframe.

Upon successful bid of the tender, we will proceed to negotiate and execute the formal contract with the relevant customers.



### **“All-inclusive” tender led by main contractors/architectural firms**

The main contractor or lead consultant, usually an architectural firm would invite service providers from various segments to join in such “all-inclusive” tender. Each of the companies invited will prepare documents and information on the relevant part of its own practice area of the tender. The main contractor or architectural firm will consolidate and submit these documents and information as an “all-inclusive” tender. The tender will be granted to the main contractor or architectural firm as a whole (i.e. all parties participated in the tender will be granted the project).

In this type of “all-inclusive” tender, upon the successful award of the tender, we will separately enter into contract with the main contractors/lead consultants. Direct engagement by project owners may also apply upon request by the client.

During the Track Record Period, we have not experienced any termination of our engagement due to the termination of the engagement of the main contractors/architectural firms.

## **OUR CUSTOMERS**

### **Overview**

During the Track Record Period, our customers mainly include property developers and owners, government authorities and public bodies, architectural and designer firms and contractors in Hong Kong. For each of the two years ended 31 March 2016, we had 108 customers and 122 customers, respectively. Our top five customers during the Track Record Period have relationship with our Group from over nine years to over 20 years. Our revenue is typically derived from projects which are non-recurring in nature. We generate new business mainly through referrals and recurring invitation for fee quotation from our past and existing customers and the tendering process. During the Track Record Period, approximately 78.0% of our projects in terms of revenue were derived from recurring customers. “Recurring customers” refer to customers which engage us for two times or more on the same or different projects.

In respect of our green building certification consultancy, our customers mainly comprise contractors, property developers and owners, architects and designers, government authorities as well as property management companies. In respect of our sustainability and environmental consultancy, our customers mainly comprise government authorities and public bodies, architects and designers, contractors, property developers and owners as well as property management companies. In respect of our acoustics, noise and vibration control and audio-visual design consultancy, our customers mainly comprise property developers and owners, architects and designers, contractors and property management companies. In respect of our ESG reporting and consultancy, our customers are mainly companies listed on the Stock Exchange and corporates committed to corporate social responsibility.

## BUSINESS

Generally, our customers pay our fees according to the work progress by milestones/stages and achievements of certain stages of the project, such as the issuance of the first report. The first instalment will be paid upon engagement. We receive additional payment upon issue of the report in the agreed/advanced form and/or upon completion of work stages and the final payment upon issue of the final report. In some cases, we also receive monthly installment of our fees.

The table below sets forth the breakdown of our revenue by types of customers for the years indicated:

	Year ended 31 March					
	2015			2016		
	<i>Number of customers</i>	<i>Revenue recognised</i> <i>HK\$'000</i>	<i>Percentage to total revenue</i> <i>%</i>	<i>Number of customers</i>	<i>Revenue recognised</i> <i>HK\$'000</i>	<i>Percentage to total revenue</i> <i>%</i>
Green building certification consultancy						
(i) Property developers and owners ( <i>Note 1</i> )	25	6,222	22.0	27	7,460	23.0
(ii) Contractors	21	7,478	26.4	28	6,298	19.5
(iii) Architects and designers	12	3,001	10.6	13	3,752	11.6
(iv) Government authority and public bodies	5	323	1.1	6	1,643	5.1
(v) Others ( <i>Note 2</i> )	1	26	0.1	1	154	0.1
<b>Total</b>	<b>64</b>	<b>17,050</b>	<b>60.2</b>	<b>75</b>	<b>19,307</b>	<b>59.3</b>

*Notes:*

1. Owner represents the landlord and property owners.
2. Others mainly refer to professional firms and property management offices.

For the year ended 31 March 2015, contractors were the largest customers in this business segment, which accounted for approximately 26.4% of our total revenue for this year and was primarily due to these contractors were mainly engaged by the property developers and owners and we were engaged by the contractors to provide consultancy services to ensure meeting the green building certification requirements. We were also engaged by the property developers and owners to provide green building certification consultancy to meet the pre-requisites for the grant of GFA concessions for certain green and amenity features of the development. For the year ended 31 March 2016, property developers and owners were the largest customers in this business segment, which accounted for approximately 23.0% of our total revenue for the same year.

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## BUSINESS

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	Year ended 31 March					
	2015			2016		
	<i>Number of customers</i>	<i>Revenue recognised HK\$'000</i>	<i>Percentage to total revenue %</i>	<i>Number of customers</i>	<i>Revenue recognised HK\$'000</i>	<i>Percentage to total revenue %</i>
Sustainability and environmental consultancy						
(i) Property developers and owners ( <i>Note 1</i> )	16	1,592	5.6	11	1,866	5.8
(ii) Contractors	12	1,148	4.0	9	575	1.8
(iii) Architects and designers	11	1,443	5.1	20	2,871	8.8
(iv) Government authority and public bodies	4	2,920	10.3	5	3,129	9.6
(v) Others ( <i>Note 2</i> )	3	529	1.9	1	20	–
<b>Total</b>	<b>46</b>	<b>7,632</b>	<b>26.9</b>	<b>46</b>	<b>8,461</b>	<b>26.0</b>

*Notes:*

1. Owner represents the landlord and property owners.
2. Others mainly refer to professional firms and property management office.

For each of the two years ended 31 March 2016, government authority and public bodies accounted for approximately 10.3% and 9.6%, respectively of our total revenue in the corresponding year.

## BUSINESS

	Year ended 31 March					
	2015			2016		
	<i>Number of customers</i>	<i>Revenue recognised</i> <i>HK\$'000</i>	<i>Percentage to total revenue</i> <i>%</i>	<i>Number of customers</i>	<i>Revenue recognised</i> <i>HK\$'000</i>	<i>Percentage to total revenue</i> <i>%</i>
Acoustics, noise and vibration control and audio-visual design consultancy						
(i) Property developers and owners ( <i>Note 1</i> )	16	2,340	8.3	15	3,022	9.3
(ii) Contractors	5	406	1.4	9	687	2.2
(iii) Architects and designers	5	406	1.4	4	462	1.5
(iv) Government authority and public bodies	1	54	0.2	1	6	–
(v) Others ( <i>Note 2</i> )	5	459	1.6	2	81	0.1
<b>Total</b>	<b>32</b>	<b>3,665</b>	<b>12.9</b>	<b>31</b>	<b>4,258</b>	<b>13.1</b>

*Notes:*

1. Owner represents the landlord and property owners.
2. Others mainly refer to professional firms and property management office.

For each of the two years ended 31 March 2016, property developers and owners were the largest customers in this business segment which accounted for approximately 8.3% and 9.3%, respectively of our total revenue for the corresponding year.

### Major terms of the typical agreements with our customers

Given the non-recurring nature of our project, we generally do not enter into any long-term contracts or agreements with our customers.

The agreements with our customers generally include the following major terms:

**Term of the project:** The agreements set out the commencement date and completion date of the relevant project. Normally, the commencement date is the date of the relevant agreement and the completion date may be the completion of the main contract.

**Scope of services:** The agreements set out the scope of services and such scope of services is determined on project basis and is a key factor when we propose our fee quotation or tender price.

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## BUSINESS

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<b>Deliverables:</b>	The agreements normally provide for the contents and types of deliverables we have to prepare and deliver to our customers. The deliverables may be in the form of information brief, working papers, design specifications, preliminary and final reports.
<b>Fee:</b>	We and our customers agreed on a fixed fee, such fee covers the whole project from project design stage to final report stages. Some agreements may explicitly provide that such fixed fee is inclusive of minor adjustments to the design or minor additional works, such as routine comments by our customers.
<b>Fee payment schedule:</b>	We are paid on a milestone basis or upon the achievement of certain works. Normally, we receive 5% to 10% of the total fee as our first payment upon signing of the agreement. The remaining balance of the fee is paid to us in different percentages and installments of the total fee during the implementation of the project when we reach a certain milestone or achievement as set out in the agreements. Generally, the final payment, which is about 5% to 10% of the total fee, is made upon completion of the project.
<b>Variation of work scope:</b>	<p>We are not allowed to vary the work scope unless with the consent of our customers. We may be required to submit to our customers the reasons for the variation and the estimated additional cost incurred.</p> <p>Some of the agreements state that customers will not pay additional fees for minor variations to the original scope of works. Subject to approvals of our customers, additional fee will be paid for adjustments or amendments which constitute material change to the original scope of works.</p>
<b>Intellectual property rights:</b>	The agreements normally provide that all intellectual property rights created or developed as a result of or in connection with the performance of the services to the projects will be vested in our customers.
<b>Assignment:</b>	Normally, we are not allowed to assign or transfer the benefits or obligations under the agreements to a third party unless with the prior written consent of our customers.

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## BUSINESS

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- Termination:** Some of the agreements provide that the agreement may be terminated by the parties by prior written notice while some agreements do not include any termination clause.
- Insurance requirements:** Some of the agreements expressly require us to maintain in force a professional indemnity insurance of a certain amount. In cases where our staff have to conduct works on the construction sites, the agreements expressly require us to maintain contractors' all risks and employees' compensation insurances.
- Indemnity:** Some agreements include an express indemnity clause. Some of the agreements may state that time is of essence and we have to adhere to the time schedule of the relevant main contract.

### Major customers

For each of the two years ended 31 March 2016, the aggregate revenue attributable to our five largest customers amounted to approximately HK\$10.7 million and HK\$10.9 million, respectively, representing approximately 37.8% and 33.6% of our total revenue for the corresponding period. For the same period, the aggregate revenue attributable to our largest customer amounted to approximately HK\$2.7 million and HK\$3.9 million, respectively, representing approximately 9.4% and 11.9% of our total revenue for the corresponding period. Our Directors confirmed that our Group had no material dispute with or recovery of claims from our customers up to the Latest Practicable Date.

## BUSINESS

Based on the information available in the public domain, the table below sets out the details of our top five customers during the Track Record Period:

Customers (Note 1)	Revenue contribution (HK\$'000)	Percentage of our total revenue (%)	Principal business/activity (Note 2)	Background (Note 2)	Services provided by us	Years of business relationship with us as at the Latest Practicable Date	Credit terms and payment method
<b>Year ended 31 March 2015</b>							
Customer A	2,660	9.4%	Property development and property investment in Hong Kong and the PRC  Complementary operations in property-related fields including hotels, property management, construction, insurance and mortgage services as well as investments in telecommunications, information technology, infrastructure and other businesses	Subsidiaries of one of the largest property companies in Hong Kong listed on the Stock Exchange since 1972 and one of the Hang Seng Index constituents stocks, with a market capitalisation of approximately HK\$343 billion as at the Latest Practicable Date	Green building certification consultancy and sustainability and environmental consultancy	over 20 years	In general no credit period, only additional or supplemental services offered 30 days credit period.
Hong Kong Housing Authority	2,371	8.4%	Implementation of public housing programme in Hong Kong  It plans, builds, manages and maintains different types of public housing, including rental housing, interim housing and transit centres in Hong Kong	A statutory body established in April 1973 under the Housing Ordinance	Green building certification consultancy and sustainability and environmental consultancy	over 16 years	In general no credit period, only additional or supplemental services offered 30 days credit period.
Customer C	1,920	6.8%	Handles different types of building projects from feasibility studies to design documentation and construction, and on full range of building services engineering, performance based fire engineering, sustainable/low energy building design and interior/exterior lighting design	A private group of architects and building services engineers with over 400 professional, technical staff and supporting personnel with offices in Hong Kong and the PRC	Green building certification consultancy and sustainability and environmental consultancy	over 20 years	In general no credit period, only additional or supplemental services offered 30 days credit period.

## BUSINESS

Customers (Note 1)	Revenue contribution (HK\$'000)	Percentage of our total revenue (%)	Principal business/activity (Note 2)	Background (Note 2)	Services provided by us	Years of business relationship with us as at the Latest Practicable Date	Credit terms and payment method
Customer D	1,913	6.7%	Foundation piling and property development in Hong Kong and the PRC  Foundation piling and machinery hiring and trading in Hong Kong  Property development, property investment and property management in PRC	Subsidiaries of a leading foundation piling company in Hong Kong having one of the most advanced fleet of machinery and equipment and listed on the Stock Exchange since 1991, with a market capitalisation of approximately HK\$4 billion as at the Latest Practicable Date	Green building certification consultancy	over 14 years	In general no credit period, only additional or supplemental services offered 30 days credit period.
Customer E	1,838	6.5%	Piling construction including bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling, and other ancillary services including excavation and lateral support works, site formation and pile cap construction, and drilling and site investigation	A construction company listed on the Stock Exchange since 2015, with a market capitalisation of approximately HK\$540 million as at the Latest Practicable Date	Green building certification consultancy	over 15 years	No credit period.
<b>Year ended 31 March 2016</b>							
Customer A	3,865	11.9%	Property development for sale and investment in Hong Kong and the PRC  Complementary operations in property-related fields including hotels, property management, construction, insurance and mortgage services as well as investments in telecommunications, information technology, infrastructure and other businesses	Subsidiaries of one of the largest property companies in Hong Kong listed on the Stock Exchange since 1972 and one of the Hang Seng Index constituents stocks, with a market capitalisation of approximately HK\$343 billion as at the Latest Practicable Date	Green building certification consultancy and sustainability and environmental consultancy	over 20 years	In general no credit period, only additional or supplemental services offered 30 days credit period.



## BUSINESS

Customers (Note 1)	Revenue contribution (HK\$'000)	Percentage of our total revenue (%)	Principal business/activity (Note 2)	Background (Note 2)	Services provided by us	Years of business relationship with us as at the Latest Practicable Date	Credit terms and payment method
Hong Kong Housing Authority	2,815	8.7%	Development and implementation of public housing programme in Hong Kong  It plans, builds, manages and maintains different types of public housing, including rental housing, interim housing and transit centres in Hong Kong	A statutory body established in April 1973 under the Housing Ordinance	Green building certification consultancy and sustainability and environmental consultancy	over 16 years	In general no credit period, only additional or supplemental services was offered with 30 days credit period.
Customer C	1,746	5.4%	Handles different types of building projects from feasibility studies design documentation and construction, and on full range of building services engineering, performance based fire engineering, sustainable/low energy building design and interior/exterior lighting design	A private group of architects and building services engineers with over 400 professional, technical staff and supporting personnel with offices in Hong Kong and the PRC	Green building certification consultancy and sustainability and environmental consultancy	over 20 years	In general no credit period, only additional or supplemental services was offered with 30 days credit period.
Customer F	1,302	4.0%	Property development for sale and investment in Hong Kong and the PRC	A leading property developer listed on the Stock Exchange since 1981 and one of the Hang Seng Index constituents stocks, with a market capitalisation of approximately HK\$169 billion as at the Latest Practicable Date, and its subsidiaries	Green building certification consultancy, sustainability and environmental consultancy and acoustics and audio-visual design consultancy	over 20 years	In general no credit period, only additional or supplemental services was offered with 30 days credit period.

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## BUSINESS

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Customers (Note 1)	Revenue contribution (HK\$'000)	Percentage of our total revenue (%)	Principal business/activity (Note 2)	Background (Note 2)	Services provided by us	Years of business relationship with us as at the Latest Practicable Date	Credit terms and payment method
Customer G	1,172	3.6%	Architectural design	A private architectural firm founded in 1868 in Hong Kong engaging architecture design in Hong Kong, the PRC, Southern Asia and Middle East  It has over 2,000 architects, engineers, planners and designers operating in over 70 cities	Green building certification, consultancy, sustainability and environmental consultancy and acoustics, noise and audio-visual design and vibration control consultancy	over 9 years	In general no credit period, only additional or supplemental services was offered with 30 days credit period.

*Notes:*

1. For illustration purpose, contracts entered into with subsidiaries of the same customer are presented on a group basis.
2. Such information is based on publicly available information from the official websites of our customers or their respective holding company and the Stock Exchange, if applicable.

None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest customers during the Track Record Period. We are not aware that our Group had experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties during the Track Record Period. Our Directors further confirmed that they are not aware any of our major customers have experienced material financial difficulties that may materially affect our Group's business.

**Pricing strategy and policy**

Our pricing is determined on a case-by-case basis having regard to various factors including (i) the scope of works we are responsible for; (ii) the type and rating of certification our customers intend to obtain; (iii) the estimated amount of time required and the personnel to be involved and resources required (including those of our sub-contractors); (iv) the scale, complexity and particular technical requirement of the project; (v) the prices offered to the customer in the past; (vi) the prevailing market conditions; and (vii) any special terms or requirements.

Our pricing is largely determined based on the estimated time and costs involved in a project, which may deviate from the time and costs actually incurred due to factors such as substantial departures from the original design intent, delays in delivering their works by other parties on the project team, unforeseen site conditions, adverse weather conditions, and other unexpected problems and circumstances. Any material inaccurate estimation may lead to significant cost overruns and may adversely affect our financial results.

In this connection, we have established certain measures to manage the potential risk of cost overruns include:

- (a) a preliminary estimate of time and costs expected to be incurred in a project is prepared on a prudent and best estimate basis and is reviewed by our executive Directors and principal consultants before submitting a quotation to customer;
- (b) a fixed scope of work is to be agreed with the customers, which forms the basis of our fee quotation. Customers' requests for variation in the scope of work are to be accepted on the basis that a supplemental quotation for additional work is agreed upon;
- (c) during the implementation of the projects, our senior staff will monitor the time spent by the staff, review the work efficiency periodically, and arrange for upgrading or relocation of resources if deemed necessary; and
- (d) upon completion of the projects, we will review the time spent and resources allocation on the project and such data shall be used as a reference for future fee quotation.

During the Track Record Period, all of our projects were priced at fixed costs (i.e. priced based on a pre-agreed fixed scope of work). We may accept customers' requests for variation in the scope of work on the basis that a supplemental quotation for additional fee is agreed upon. During the Track Record Period, we recorded revenue attributable to variation orders and such revenue was recognised on the basis that it had been agreed with customers. During the Track Record Period, we did not experience any dispute with our customers on the amount of fees payable to us for variation orders. As of the Latest Practicable Date, substantially all of our revenue and accounts receivable recorded during the Track Record Period that were attributable to variation orders had been fully settled by our customers to us.

During the Track Record Period, we had not experienced any material loss in relation to any of our projects due to substantial inaccurate cost estimate or failure to negotiate for additional fee on variation orders.

### **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 industry. However, we generally have a higher settlement and collection rate for our receivables shortly before long holidays such as Christmas and the Chinese New Year.

### **OUR SUPPLIERS**

#### **Overview**

Our suppliers mainly include sub-contractors engaged by us to perform site measurements, laboratory testing, asbestos investigation and ecological survey and suppliers of software and technical support. To the best knowledge of our Directors, the sub-contractors we engaged during the Track Record Period included software suppliers, consulting firms and laboratories located in Hong Kong.

During the Track Record Period, most of our suppliers are located in Hong Kong and there were no over-lapping in our suppliers and customers. All of our five largest suppliers during the Track Record Period have established a relationship of over three years to over 15 years with us.

Our suppliers generally grant us a credit term ranging from 0 to 30 days. During the Track Record Period, we mainly settled payments with our suppliers in Hong Kong dollars by cheques and bank transfers.

During the Track Record Period, we engaged our suppliers on a project basis and we did not enter into any long-term agreements with our suppliers.

During the Track Record Period, we had not experienced any material dispute with our suppliers, nor any disruption, shortage or delay in relation to the delivery of their services which may materially and adversely affect our operations and financial conditions.

#### **Major suppliers**

For each of the two years ended 31 March 2016, the sub-contracting costs incurred in respect of our five largest suppliers amounted to approximately HK\$3.1 million and HK\$3.0 million, accounted for approximately 83.6% and 83.7%, respectively, of our total sub-contracting costs incurred and the sub-contracting costs incurred in respect of our largest supplier amounted to approximately HK\$1.2 million and HK\$1.5 million, accounted for 32.7% and 41.2%, respectively, of our total sub-contracting costs incurred. Except for Kindle Maple Company Limited and Man Acoustics Limited, which are our Company's connected persons, all of our five largest suppliers for the two years ended 31 March 2016 are Independent Third Parties.

## BUSINESS

The table below sets out details of our top five suppliers during the Track Record Period:

Suppliers (Note 1)	Amount of total sub-contracting costs incurred (HK\$'000)	Percentage of our total sub-contracting costs incurred (%)	Principal business	Background	Services provided to us	Years of business relationship with us as at the Latest Practicable Date	Credit terms and payment method
<b>Year ended 31 March 2015</b>							
Supplier A	1,225	32.7%	Providing environmental monitoring, BEAM Plus, green building (noise, sewage, dust) consultancy in Hong Kong	A private company in Hong Kong	Dust and noise impact monitoring services	over 15 years	No credit period
Man Acoustics Limited (Note 2)	744	19.9%	Provision of acoustics consultancy services	A private company in Hong Kong	Consultancy service – Acoustics	over 12 years	No credit period
Kindle Maple Company Limited (Note 3)	585	15.6%	Provision of green building certification, sustainability and environmental and acoustics consultancy services	A private company in Hong Kong	Consultancy service – green building certification and sustainability and environmental and acoustics consultancy	over 3 years	No credit period
Supplier B	393	10.5%	Computational fluid dynamics modelling software provider	A private company in Hong Kong	Provision of software and technical support	over 8 years	30 days
Supplier C	182	4.9%	Provision of risk assessment services	A private company in Hong Kong	Provision of risk assessment services	over 7 years	30 days

## BUSINESS

Suppliers (Note 1)	Amount of total sub-contracting costs incurred (HK\$'000)	Percentage of our total sub-contracting costs incurred (%)	Principal business	Background	Services provided to us	Years of business relationship with us as at the Latest Practicable Date	Credit terms and payment method
<b>Year ended 31 March 2016</b>							
Supplier A	1,485	41.2%	Providing environmental monitoring, BEAM Plus, green building (noise, sewage, dust) consultancy in Hong Kong	A private company in Hong Kong	Dust and noise impact monitoring services	over 15 years	No credit period
Supplier B	410	11.4%	Computational fluid dynamics modelling software provider	A private company in Hong Kong	Provision of software and technical support	over 8 years	30 days
Supplier D	383	10.6%	Provision of ecology consultancy service	A private company in Hong Kong	Provision of ecological survey	over 12 years	No credit period
Dr. James Wong (Note 2)	372	10.3%	Provision of acoustics consultancy services	A consultant experienced in acoustic and environmental sectors	Consultancy services – Acoustics	over 12 years	No credit period
Man Acoustics Limited (Note 2)	369	10.2%	Provision of acoustics consultancy services	A private company in Hong Kong	Consultancy service – Acoustics	over 12 years	No credit period

*Notes:*

- (1) All our top five suppliers during the Track Record Period are our sub-contractors.
- (2) Dr. James Wong provided to us the services through Man Acoustics Limited, a company wholly-owned by him for over 12 years. On 9 November 2015, Dr. James Wong entered into the consultancy services agreement with our Group, pursuant to which Dr. James Wong agreed to provide services to us in his own capacity, details of which are set out in the section headed “Connected Transaction” of this prospectus. The sub-contracting costs paid to Dr. James Wong are the consultancy fee referred to under the consultancy services agreement.
- (3) Kindle Maple Company Limited is wholly-owned by Ms. Grace Kwok, our executive Director.

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## BUSINESS

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Except for Kindle Maple Company Limited (a company controlled by Ms. Grace Kwok) and Man Acoustics Limited (a company controlled by Dr. James Wong) and Dr. James Wong, to the best knowledge of our Directors, none of our Directors, their respective close associates or any shareholders who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these five largest suppliers upon completion of the Placing.

### *Kindle Maple Company Limited*

Kindle Maple Company Limited is a company with limited liability incorporated in Hong Kong on 16 January 2013 and wholly-owned by Ms. Grace Kwok. Kindle Maple Company Limited is a service company. From 1 April 2013 to 31 March 2015, Ms. Grace Kwok was not an employee of our Group and she had not entered into an employment agreement with us. During the above period, we engaged Kindle Maple Company Limited to render Ms. Grace Kwok to provide to us the green building certification consultancy, sustainability and environmental consultancy and acoustics consultancy by attending project meetings, tender interviews and issuing technical opinions for and on behalf of our Group. During the Track Record Period, Kindle Maple Company Limited derived most of its revenue from services provided to our Group. The net profit after tax of Kindle Maple Company Limited for the two years ended 31 March 2016 is considered immaterial to the financial results of our Group. For each of the two years ended 31 March 2016, the fees paid to Kindle Maple Company Limited amounted to approximately HK\$0.6 million and nil, respectively. The service fees paid to Kindle Maple Company Limited are comparable to the remuneration paid to our employees or sub-contractors of similar grade and experiences as Ms. Grace Kwok.

In preparation for the Listing, Ms. Grace Kwok ceased to provide services to our Group through Kindle Maple Company Limited in March 2015 and she directly provides services to our Group in her capacity as our executive Director. As at the Latest Practicable Date, Ms. Grace Kwok has ceased the business operations of Kindle Maple Company Limited and has engaged auditors to conduct the annual audit for the year ended 31 March 2016. Upon completion of the audit, Ms. Grace Kwok will apply for voluntary deregistration of Kindle Maple Company Limited pursuant to section 750 of the Companies Ordinance.

Given the insignificant financial results of Kindle Maple Company Limited, our Directors are of the view that the exclusion of Kindle Maple Company Limited in our Group does not materially affect our current financial results.

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## BUSINESS

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### *Man Acoustics Limited*

Man Acoustics Limited is a company with limited liability incorporated in Hong Kong on 16 December 1993 and is wholly-owned by Dr. James Wong. During the Track Record Period, since Dr. James Wong was not our employee and he did not enter into an employment agreement with us, we engaged Man Acoustics Limited to render Dr. James Wong to provide us acoustics, noise and vibration control and audio-visual design consultancy by attending project meetings, tender interviews and issuing technical opinions for and on behalf of our Group for our acoustics, noise and vibration control and audio-visual design consultancy projects. For each of the two years ended 31 March 2016, the fees we paid to Man Acoustics Limited amounted to approximately HK\$0.7 million and HK\$0.4 million, respectively, which, in our Directors' opinion, are comparable to the remuneration we paid for employees or sub-contractors of similar grade and experiences as Dr. James Wong.

Since Dr. James Wong has been appointed as our honourable adviser from 1 October 2015 onwards to provide services directly to our Group, we ceased to engage Man Acoustics Limited as our sub-contractor. For details of the consultancy services agreement with Dr. James Wong, please refer to the section headed "Connected Transaction" of this prospectus.

As Dr. James Wong is our minority Shareholder upon Listing, the results of Man Acoustics Limited are not included into our Group.

To the best knowledge and belief of our Directors, the arrangement of outsourcing work to Kindle Maple Company Limited and Man Acoustics Limited instead of engaging Ms. Grace Kwok and Dr. James Wong to provide the services directly to our Group (the "**Outsourcing**") was for personal tax planning and risk management purposes.

We have engaged Joyce M.C. Li & Co., the sole proprietor of which is a Certified Public Accountant and Certified Tax Adviser in Hong Kong, to review the tax affairs of the Outsourcing. Joyce M.C. Li & Co. is of the view that, (i) the Outsourcing does not constitute any breach of the applicable tax laws and regulations in Hong Kong; (ii) the chance that the Outsourcing will be disallowed by the Inland Revenue Department is remote; and (iii) each of Kindle Maple Company Limited, Man Acoustics Limited, Ms. Grace Kwok and Dr. James Wong have complied their respective tax obligations under the Outsourcing due to the following reasons:

- Kindle Maple Company Limited and Man Acoustics Limited had been providing services to other customers in addition to AEC Hong Kong;
- The Outsourcing did not involve any illegal transaction structure as a whole;
- The tax consultant has reviewed certain management accounts and/or audited financial statements of Kindle Maple Company Limited and Man Acoustics Limited and noted that there was no qualified opinion issued by the auditor in respect of the audited financial statements they prepared;
- Tax filings including detailed calculation and breakdowns were duly made to the Inland Revenue Department by each of Kindle Maple Company Limited and Man Acoustics Limited. There were no tax returns of Man Acoustics Limited filed to the



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## BUSINESS

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Inland Revenue Department for the years of assessment 2012/13 to 2014/15 because it had not received profits tax returns for the aforesaid years of assessment. During the aforesaid years of assessment, based on the results stated on the draft audited financial statements and management accounts, Man Acoustics Limited has incurred tax loss and not required to notify the Inland Revenue Department about its tax position. Under the Outsourcing, the fee paid to Kindle Maple Company Limited and Man Acoustics Limited were the revenue of these companies and were recorded in their management accounts and/or audited financial statements, which were fully reflected in their respective tax filings made to the Inland Revenue Department. As the fee paid was not personal income of Ms. Grace Kwok and Dr. James Wong, they had no obligation to make a tax filing individually in respect of the fee received by Kindle Maple Company Limited and Man Acoustics Limited, respectively, under the Outsourcing. As at the Latest Practicable Date, neither Kindle Maple Company Limited, Man Acoustics Limited, Ms. Grace Kwok nor Dr. James Wong had been investigated by or received any notice in relation to additional assessments, disagreement or enquires from the Inland Revenue Department in relation to the Outsourcing;

- The fee paid to Kindle Maple Company Limited and Man Acoustics Limited for their services provided to us were negotiated on arm's length basis between the parties and were in line with the market rates and comparable to the fees quoted by other independent consultants.

Regarding the tax obligation of the director of Kindle Maple Company Limited and Man Acoustics Limited, Joyce M.C. Li & Co. is of the view that:

1. Ms. Grace Kwok has not received any salary or director's fee from Kindle Maple Company Limited but instead enjoyed the director's quarter provided by Kindle Maple Company Limited. Her income from the quarter allowance was zero as income from quarter allowance was calculated on 10% of the annual income received from Kindle Maple Company Limited.
2. Dr. James Wong has received director's fee from Man Acoustics Limited. He has reported his director's fee income in his personal tax return.
3. The fee received by Kindle Maple Company Limited was not part of the personal income of Ms. Grace Kwok, and was not reported in Ms. Grace Kwok's personal tax return. The fee received by Man Acoustics was not part of the personal income of Dr. James Wong, and was not reported in Dr. James Wong's personal tax return.
4. Each of Ms. Grace Kwok and Dr. James Wong has complied and completed her/his tax obligation and her/his personal tax returns were duly completed and filed in the Inland Revenue Department.

In addition, there are potential indemnity liabilities in respect of our business and works. The exposure of Ms. Grace Kwok and Dr. James Wong to such risks could be minimised by providing services through limited liability companies.

Upon reviewing the available tax filing documents, the tax opinion of Joyce M.C. Li & Co. dated 11 September 2016 and the results of litigation searches on Ms. Grace Kwok, Dr. James

Wong, Man Acoustics Limited and Kindle Maple Company Limited conducted on 9 September 2016, the Sole Sponsor is not aware of any unusual and material matters indicating that the Outsourcing are in violation of their legal obligations relating to tax under the laws of Hong Kong.

**Reasons for sub-contracting arrangement**

During the Track Record Period, in situation where we do not have capacity or expertise, we engaged sub-contractors to perform certain services for our Group. The services we sub-contracted during the Track Record Period included collection of environmental monitoring data, acoustic and environmental consultancy, asbestos consultancy, ecological survey and assessment, laboratory testing and risk assessment. We may consider to sub-contract such services (a) if sub-contracting will incur lower cost than we perform such services ourselves, such as data collection; (b) when our in-house staff are almost fully occupied with other duties and do not have capacity to carry out such work; or (c) when we require laboratory testing services as we do not own our in-house laboratory.

For the two years ended 31 March 2016 and up to the Latest Practicable Date, we have engaged around 28 sub-contractors.

The sub-contracting fees paid/payable to our sub-contractors amounted to approximately HK\$3.7 million and HK\$3.6 million for each of the two years ended 31 March 2016 respectively.

Our Directors consider that such sub-contracting arrangement is in the interest of our Group because the arrangement enables us to deliver quality services through provision of sufficient manpower and expertise of professional parties we engaged. We further consider that it is more cost-effective to engage sub-contractors during such period which we may not have sufficient manpower temporarily and delegate tasks which are not within our own expertise to other qualified professional parties such as accredited laboratories.

**Major terms of sub-contracting**

Most of our sub-contractors are engaged on a project basis by invoices or an annual lump-sum basis. They are engaged to perform a selective service of the whole project and, subject to the nature and selective type of services sub-contracted, we pay our sub-contractors in installment based on work milestones and a fee upon completion of the appointment.

**Basis of selection of sub-contractors**

We maintain an internal list of approved sub-contractors to avoid over-reliance on a limited number of sub-contractors. We carefully evaluate sub-contractors and decide whether to include them in our list based on a number of factors such as their technical capability, track records, deliverable quality, delivery time, fees, labour resources and sufficiency of equipment. When sub-contractors are needed for a particular project, we select sub-contractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations.

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## BUSINESS

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### **Control on sub-contractors**

We may be liable to our customers for the performance of our sub-contractors. Our personnel also review our sub-contractors' works from time to time to ensure that our sub-contractors' works conform to our requirements. Such supervision and review procedures include, among others:

- check and review the works performed by our sub-contractors;
- regularly communicate and coordinate with our sub-contractors to ensure that they fully understand our requirements and the requirements of our customers;
- request for interim reports from our sub-contractors;
- conduct background check on our sub-contractors on various aspects including whether they have possessed the necessary qualifications; and
- conduct on-site evaluation of the sub-contractors.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint or demand for any kind of compensation from our customers due to quality issue in relation to services provided by us or works performed by our sub-contractors.

During the Track Record Period, we did not experience any material disputes with our sub-contractors.

### **INVENTORY MANAGEMENT**

Given the nature of our business, we did not have any inventory during the Track Record Period.

### **INFORMATION TECHNOLOGY**

In developing and evaluating the designs, testing of various options for demonstrating compliance with the requirements for green building certifications, or conducting various sustainability and environmental studies as well as acoustic and audio-visual design, we need to rely on certain computer programs to perform modelling and simulations, to conduct calculations and analysis and to devise details of engineering designs. We also require certain computer software to prepare our drawings, reports and presentation. The computer programs that we were using during the Track Record Period were purchased from third parties.

Our Directors consider that well-proven computer programs can enhance our overall efficiency and efficacy. Our Directors also consider that these computer programs would be sufficient to our business operations.

### QUALITY ASSURANCE

AEC Hong Kong, our major operating subsidiary, has obtained ISO 9001 certification on quality management system in April 2007 and ISO 14001 on environmental management system certification in June 2014.

Our business is operated under a set of procedures that conform to the ISO 9001 quality standards. Our project managers are responsible for the daily monitoring of work quality and work progress, ensuring that the works are completed according to schedule and ensuring effective communications with our customers. Our project managers, along with our executive Director, exercise an overall supervision over the projects. Each project is closely monitored by our project managers and regular meetings are held to discuss any potential or identified issues to ensure the efficient execution of our projects (i) to meet our customers' requirements and internal quality standards; (ii) are completed within the work schedule and the budget allocated for the project; and (iii) to comply with all relevant laws and regulations applicable to the works.

Please also refer to the paragraph headed "Our suppliers – Control on sub-contractors" of this section for quality assurance control over our sub-contractors.

### MARKETING AND PROMOTION

We adopt direct marketing strategies. We obtain business from direct invitation for quotation or tendering by our existing and potential customers. Our Directors believe that maintaining and developing our Group's technical competency and reputation in the industry would be essential in our marketing strategies. We are of the view that the diversity and quality of services delivered by our professional staff would contribute to the maintenance and expansion of our customer base. In addition, we keep contacts with our existing customers and keep our customers informed of the recent developments of our Group including the design concept and showcase of some of the completed projects through our website, public forum, networking media and e-mails. Our executive Director also promotes our Group through delivering presentations and organise seminars to our customers on, among others, our experiences and to provide practical insights on green building certification requirements and updates in the statutory requirements.

We also promoted our Group through sponsorship for industry conferences, advertisements in industry conference booklets and participations in conference and exhibitions, such as the International Acoustic Conference (Acoustics 2012 Hong Kong), Quiet Construction Symposium (2014) and WorldGBC Congress 2015, ECO Expo Asia 2015 – International Trade Fair on Environmental Protection and Macao International Environmental Co-operation Forum & Exhibition 2016. Since July 2016, we became a corporate member of the Business Environmental Council, a charitable membership organisation in Hong Kong.

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## BUSINESS

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### AWARDS AND CERTIFICATIONS

In recognition of our service quality performance, we have been granted a number of awards and certifications.

The following table sets forth the major awards and certifications received by us:-

Nature	Award/ Certification	Awarding organisation or authority	Business segment	Recipient	Date of Grant/ Period of validity
<i>Award</i>					
Community contribution	Caring company	The Hong Kong Council of Social Science	Company level	AEC Hong Kong	1 March 2016 to 28 February 2017
Community contribution	Social Caring Awards for Green Excellence	Social Enterprise Research Institute	Company level	AEC Hong Kong	Valid till 12 April 2017
Industry appreciation	BOCHK Corporate Environmental Leadership Awards 2015	Federation of Hong Kong Industries	Company level	AEC Hong Kong	2 June 2016
Green Management	Green Management Award – service provider – SME – Honourable Mention	Green Council	Company level	AEC Hong Kong	3 December 2015
Industry appreciation	Hong Kong's Most Valuable Companies Award 2015 – Most Reliable Environmental Consultants	Mediazone Publishing's	Company level	AEC Hong Kong	12 November 2015

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## BUSINESS

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Nature	Award/ Certification	Awarding organisation or authority	Business segment	Recipient	Date of Grant/ Period of validity
Community contribution	Outstanding Social Caring Organisation Award	Social Enterprise Research Institute	Company level	AEC Hong Kong	15 April 2015
Industry appreciation	Hong Kong's Most Valuable Companies Award 2014	Mediazone Publishing's	Company level	AEC Hong Kong	14 January 2013
Community contribution	2015/16 Family-Friendly Employers Award Scheme	Family Council	Company level	AEC Hong Kong	1 September 2016
Industry appreciation	Energywise Certificate of the Hong Kong Green Organisation Certification	The Environmental Campaign Committee	Company level	AEC Hong Kong	13 July 2016
<i>Certification</i>					
Environmental Management System	ISO 14001:2004	Accredited Certification International Limited	– Green building certification consultancy  – Sustainability and environmental consultancy  – Acoustics, noise and vibration control and audio-visual design consultancy	AEC Hong Kong	21 June 2014 to 21 June 2017
Quality Management System	ISO 9001:2008	Hong Kong Quality Assurance Agency	– Sustainability and environmental consultancy  – Acoustics, noise and vibration control and audio-visual design consultancy	AEC Hong Kong	26 April 2007 to 14 September 2018

The ISO accreditations demonstrate that we have achieved an internal standard of quality management in an environmentally friendly manner. We actively implement our commitment to ISO 9001 (Quality Management) and ISO 14001 (Environmental Stewardship) by setting internal targets and guidelines that align to stringent performance indicators.

### COMPETITION

We face competition from local and overseas consultancy service companies which have been present in the industry with comparable track records. We believe that the principal competitive factors include the following:

- the ability to maintain a relationship with local property developers and contractors;
- the spectrum of consultancy services provided;
- the history of establishment in the industry;
- expertise on various certification systems and criteria and local statutory requirements;
- reputation to deliver innovative solutions and ideas;
- ability to offer a competitive fee; and
- ability to recruit and retain experienced qualified staff.

There is no major market entry barrier to the industry in which we operate as there are no specific laws and regulations governing the licensing and provision of services by our Group, nor is there any heavy capital requirement or other major market entry barriers for new competitors to participate in the relevant business. For further information, please refer to the section headed “Summary of Principal Legal and Regulatory Provisions – The laws and regulations of Hong Kong – Laws and membership accreditation systems in relation to the services provided by us” of this prospectus. There are various green building certification systems adopted in Hong Kong. Expertise on the requirements and criteria of these different systems and experiences in application for different certifications in a local setting are important to remain competitive in the industry. Our Directors believe that the sustainability and environmental consultancy is a highly regional specific field. With the lack of knowledge of the local statutory and regulatory requirements, new entrants may not be able to deliver the services effectively and meet the expectation of customers. Acoustic and audio-visual design is a field involving many aspects of engineering and sciences and an extensive background on building construction techniques, music, theatre and architectural design, etc. is required. Experience therefore is critical in determining the quality and outcome of the acoustic and audio-visual design. Our Directors believe that our Group has well-established presence and proven track records in the industry. Our extensive industry experience, established relationships with customers and market recognition contributed to the success of our operations. We are on the list of qualified service providers of certain government authorities in Hong Kong and term consultant list maintained by private sector companies for the purpose of selective tendering. We consider this will enhance our competitive advantage over the new market players who may not have the sufficient experience and qualifications. For further information, please refer to the paragraph headed “Permits, licences and qualifications” in this section.

## **INSURANCE**

During the Track Record Period, we maintained insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. Our Directors confirm that no material claims have been made in respect of any of our insurance policies during the Track Record Period and up to the Latest Practicable Date.

### **Exposure to potential indemnity liabilities**

At present, there is no professional body governing our Group's business and there are no statutory standards or requirements applicable to our Group's business. To meet the eligibility for certain tenders or invitations for quotation, we and our employees have to obtain certain accredited qualifications and admitted as members to certain industry councils and professional institutes. Despite the lack of a statutory monitoring system for our business, claims in respect of our consulting services and reports may be made against us when third parties allege that they have sustained financial losses due to our breach of duty by reason of negligent act, error or omission committed or allegedly committed by us. Please refer to the section headed "Risk Factors – Risks relating to our business – We may be exposed to indemnity liabilities" in this prospectus.

Currently, we have maintained professional indemnity insurance to cover claims made in respect of the profession of consulting environmental engineer and acoustics engineers.

Our Group did not experience any actual or threatened claims in relation to professional indemnity during the Track Record Period and up to the Latest Practicable Date.

### **Employees' compensation insurance**

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). We have taken out insurance policies in accordance with such requirement.



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## BUSINESS

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During the Track Record Period and up to the Latest Practicable Date, no industrial accident causing material personal injury or death to our employees had occurred.

During the Track Record Period and up to the Latest Practicable Date, we have not made or been the subject of any material insurance claims.

### **Third party liability insurance**

In rendering our services, our staff may have to conduct on-site inspection and verification at the construction site. We may be required by our customers to maintain contractors' all risks and employee's compensation insurances.

### **ENVIRONMENTAL PROTECTION**

Our Directors confirmed that our Group was in full compliance with all relevant environmental laws and regulations in Hong Kong and we have not been subject to any penalty for failure to comply with the applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date. We have also established the ESG committee to advise our Board on matters relating to, among others, corporate social responsibility, maintenance of an environmental friendly working environment and ESG performance of our business operation.

### **OCCUPATIONAL SAFETY**

Our occupational health and safety measures that are required to be followed by the employees of our Group include, among others, staff are required to observe the occupational health and safety measures and policy of our customers and the contractors of the relevant work site.

Pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and our typical agreements with our customers and/or the insurance companies, accidents and injuries involving employees of our Group during their course of employment are required to be reported to the Department of Labour of the Hong Kong Government and/or our customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. We also maintain an internal record of accidents, if any.

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## BUSINESS

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date:

- (a) there were no claims against our Group for personal injuries or property damages;
- (b) our Group did not experience any significant incidents or accidents in relation to work safety; and
- (c) our Group did not commit any non-compliance with the applicable laws and regulations relevant to the work safety and occupational health.

### EMPLOYEES

For each of the two years ended 31 March 2016, we had 33 and 40 employees in Hong Kong, respectively. As at the Latest Practicable Date, our Group had a total of 42 employees in Hong Kong. The following table sets out the number of our Group's employees by functions as at the Latest Practicable Date.

<b>Department</b>	<b>Number of employees</b>
Executive Director and senior management	9
Project management ( <i>Note</i> )	28
Administration and human resources	3
Finance and accounting	1
Contract management	1
	<hr/>
	42
	<hr/> <hr/>

*Note:* Project management refers to staff who are primarily responsible for handling the projects and attending to the relevant services we provide. They will also be responsible for preparing the technical parts of the bidding documents.

We believe that our ability to recruit and retain experienced and qualified staff is crucial to our growth and development. We generally recruit our employees from the open market. We mainly place recruitment advertisements for recruitment purpose.

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## BUSINESS

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We encourage our staff to attend seminars and conferences organised by us or by other third parties by sponsoring the registration fees. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

Our Group entered into separate service contracts with each of our employees in accordance with the applicable labour laws in Hong Kong. The remuneration package our Group offers to employees includes salary and bonuses. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

We consider that we have maintained a positive relationship with our employees during the Track Record Period and up to the Latest Practicable Date. We have not experienced any strike, labour dispute or other labour disturbances which have materially and adversely affected our operations.

For each of the two years ended 31 March 2016, we incurred staff costs (including Directors' remuneration) of approximately HK\$8.6 million and HK\$11.0 million, respectively.

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period and as at the Latest Practicable Date, our research and development activities are conducted as part and parcel of the relevant project and we did not have staff who were fully dedicated to research and development works.

### **PERMITS, LICENCES AND QUALIFICATIONS**

We do not require specific permits and licences under applicable laws in Hong Kong, the PRC and Macau in relation to the conduct of our business. However, to be eligible to be selected for invitation for open tenders for projects from certain government authorities and bodies, a company has to be approved to be included on the list of qualified service providers and require qualification and accredited professionals on the personal level in order to sign the green building certification applications or to issue the relevant reports.

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## BUSINESS

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As at the Latest Practicable Date, AEC Hong Kong was on the list of qualified service providers of certain Hong Kong government authorities including:

<b>Hong Kong government authorities</b>	<b>Qualifications</b>	<b>Scope of services</b>
Housing Authority ( <i>Note 1</i> )	List of environmental consultants	Environmental design studies
	Pre-qualified BEAM Plus service provider	BEAM Plus certification consultancy
Urban Renewal Authority	List of environmental consultants	Air ventilation assessment
		Environmental assessment
Environmental Protection Department	Directory of environmental consultants	Environmental impact assessment
Hong Kong Productivity Council	Qualified service providers for CarbonSmart Programme	Carbon audit

*Note 1:* The approved list of Housing Authority is not opened for public inspection. Such information is contained in the correspondence between the Company and Housing Authority in 2012.

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## BUSINESS

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Based on information from the relevant government authority, the table below sets forth the requirements or assessment criteria for qualifying as a listed service provider of the Hong Kong government authorities:

<b>Hong Kong government authorities</b>	<b>Requirements/assessment criteria</b>
Housing Authority	<p>For consultancies for environmental design studies:</p> <ol style="list-style-type: none"><li>1. Local establishment for at least three years</li><li>2. Local experience of relevant work within the previous three years</li><li>3. A team with specific composition and experience and expertise requirements</li></ol> <p>For BEAM Plus service providers:</p> <ol style="list-style-type: none"><li>1. Background, project reference and BEAM Plus setup/facilities</li><li>2. Relevant local experience in green building certification</li><li>3. Project team's resources</li><li>4. Past experience and performance in Housing Authority's project within the previous five years</li></ol>
Urban Renewal Authority	<ol style="list-style-type: none"><li>1. Job references for all projects completed during the last three years and present commitment in terms of current active projects and any reference letters from relevant parties</li><li>2. Certification to ISO 9000 or equivalent quality assurance standard</li></ol>
Environmental Protection Department	<ol style="list-style-type: none"><li>1. Certification to ISO 9000</li><li>2. Project team's resources</li></ol>

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## BUSINESS

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### Hong Kong government authorities

### Requirements/assessment criteria

Hong Kong Productivity Council

1. Successfully undertaken carbon audit for at least one company from at least three out of the four specified sectors as defined by the Carbon Audit Pilot Fund (“CAPF”);
2. Has no substantiated complaint received from the CAPF applicants and no report of unsatisfactory performance regarding the quality of service

## INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had two registered trademarks in Hong Kong and one domain name which were material to the business of our Group. Further details on our intellectual property rights are set out in the section headed “Statutory and General Information – Further information about the business of our Group – Intellectual property rights of our Group” in Appendix IV to this prospectus.

Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial positions.

Our Directors confirmed that as at the Latest Practicable Date, there had not been any material infringement or disputes on our trademarks and domain names.

## PROPERTIES LEASED BY US

As at the Latest Practicable Date, we did not own any property.

As at the Latest Practicable Date, we leased the following properties located in Hong Kong:

Address	Landlord	Date of tenancy agreement	Use of the property	Key terms of the tenancy agreement	Amount of rental payments paid during the Track Record Period
Offices 1 to 5, 19/F., Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong	An Independent Third Party	6 July 2016	Office	For a term from 15 July 2016 to 14 July 2017 (both days inclusive) at a monthly rental of HK\$112,000 (excluding government rates, management fees and utilities charges)	HK\$2,082,000

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## BUSINESS

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Address	Landlord	Date of tenancy agreement	Use of the property	Key terms of the tenancy agreement	Amount of rental payments paid during the Track Record Period
Offices 4 and 5, 20/F., Kwan Chart Tower, 6 Tonnochy Road, Hong Kong	An Independent Third Party	20 November 2014	Office	For a term from 17 November 2014 to 16 November 2017 (both days inclusive) at a monthly rental of HK\$51,216 (excluding government rates, management fees and utilities charges)	HK\$788,156
Flat 1, 21st Floor, Block C, Imperial Court, No. 62G Conduit Road, Hong Kong	Two Independent Third Parties	17 April 2015	Staff quarter for our executive Director	For a term from 1 May 2015 to 30 April 2017 (both days inclusive) at a monthly rental of HK\$50,000 (excluding government rates, management fees and government rent)	HK\$550,000

Accordingly, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by the GEM Listing Rules include in this prospectus any valuation reports. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUAM) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUAM) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Our rent in relation to the properties leased were HK\$1.2 million and HK\$2.3 million for each of the two years ended 31 March 2016, respectively.

### LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge after having made reasonable enquiries, there was no litigation or arbitration proceedings or claims pending or threatened against us or any of our Directors which would have a material adverse effect on our financial condition or operating results and reputation.

### LEGAL COMPLIANCE

As at the Latest Practicable Date, save as disclosed below in the paragraphs headed “Potential PRC tax exposures” and “Failure to register with the Macau Finance Bureau” in this section, we have been in compliance in all material aspects with the applicable laws and regulations in Hong Kong, the PRC and Macau where we operate business and have obtained all necessary approvals, permits, licence and certificates that are material to our business operations from the relevant government authorities.

### POTENTIAL PRC TAX EXPOSURES

During the Track Record Period, we entered into 13 contracts with projects located in the PRC (total contract value was approximately RMB6.2 million and the total revenue was approximately HK\$4.2 million during the Track Record Period) of which seven were subject to PRC EIT and VAT payment as we did not explicitly indicate in the relevant contracts that the PRC customers are required to settle the relevant PRC taxes and our Group would only receive the net-of-tax service income.

According to the Administrative Measures for the Assessment and Levy of Enterprise Income Tax on Non-resident Enterprises announced by the State Administration of Taxation of the PRC on 20 February 2010, as a non-PRC resident enterprise, for the service fees of our Group directly received from the PRC customers, the tax payable shall be settled with the taxation authority within the PRC by the PRC customers who act as withholding obligor of EIT for their obligation of payment to our Group, or by the PRC customers who act as withholding obligor of VAT for their receipt of our Group’s tax payable services, before making remittance to our Group.

According to the Implementing Measures for the Pilot Program of Replacing Business Tax with Value-Added Tax, entities and individuals engaged in the provision of transportation services, postal services and some of the modern services shall be considered as value-added taxpayers. The tax payable services include assurance and consultancy services.

Based on the net amount of cash remittance received by our Group from our PRC customers and the relevant tax payment filings provided by them, we believe our PRC customers had withheld the relevant amount of EIT and VAT payable. However, we have no information as to whether all these customers have fully settled or not the relevant taxes with the relevant PRC authorities or whether there are any disagreement raised by the relevant tax authorities. With reference to the tax review opinion from our Company’s tax adviser, the total estimated EIT expense for the Track Record Period is approximately HK\$156,123 and the chance of our Company to be considered as having a permanent establishment in the PRC and therefore subject to any potential EIT exposure is remote given (i) a substantial amount of our work is performed in Hong Kong; (ii) our Group does not have any physical operation establishment in the PRC; and (iii) our employees perform their duties in the PRC on an ad hoc basis for less than 183 days each year and are not authorised to negotiate or conclude any contracts with our customers in the PRC on our behalf. Up to the Latest Practicable Date, our Group has not received any request from any PRC government authority for payment of any such tax.

Since November 2015, we have explicitly indicated in the contracts with projects located in the PRC that our PRC customers are required to settle the relevant PRC taxes and our Group would only receive the net of tax service income.



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## BUSINESS

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Pursuant to the Deed of Indemnity, our Controlling Shareholders have jointly and severally provided indemnity on any tax liability incurred by any member of our Group at any time on or prior to the Listing Date for which provision was not made in the accounts.

### **FAILURE TO REGISTER WITH THE MACAU FINANCE BUREAU**

During the Track Record Period, AEC Hong Kong failed to register with the Macau Finance Bureau for taxation purpose.

#### **The legal requirements**

According to our Macau Legal Adviser, entities which do not have permanent establishments in Macau but carry on an ongoing commercial or industrial activity in Macau related to construction works, research or technical or scientific services (including mere consultancy or assistance), are generally subject to Industrial Contribution and Complementary Income Tax in Macau and must register with the Macau Finance Bureau for taxation purpose under Article 9 of the Macau Industrial Contribution Regulation.

#### **The incident**

During the Track Record Period, AEC Hong Kong was engaged by Macau clients to provide consultancy services relating to buildings in 6 projects in Macau, and the deliverables produced by AEC Hong Kong were used in Macau. According to our Macau Legal Adviser, since AEC Hong Kong has carried out business in Macau and earned profits in Macau or in light of the business conducted with its customers in Macau, AEC Hong Kong is subject to Industrial Contribution and Complementary Income Tax in Macau, and must register with the Macau Finance Bureau for taxation purpose under Article 9 of the Macau Industrial Contribution Regulation.

#### **Reason for the incident**

Since our services were substantially rendered in Hong Kong and AEC Hong Kong is not a company incorporated in Macau, our Directors had no knowledge that registration with the Macau Finance Bureau for taxation purpose under Article 9 of the Macau Industrial Contribution Regulation was required. The non-compliance did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group and was due to (i) inadequate understanding of the relevant tax regulatory requirements of our relevant staff who had been responsible for our tax filing matters, (ii) lack of proper system and control to keep track of our compliance status, and (iii) failure to seek proper tax advice from external advisers.

#### **The legal consequences**

In relation to the period during which AEC Hong Kong did not register with the Macau Finance Bureau, according to our Macau Legal Adviser, our Group may be subject to the following penalties according to Articles 64 and 68 of Macau Income Tax Law:

- a fine between MOP200 and MOP100,000;
- if 60 days have passed after the specified period for payment of the tax, the taxpayer which has not settled the relevant amount may be fined a maximum amount equal to half of the tax payable;

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## BUSINESS

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- non-submission, inaccuracy or omissions of tax returns and failure to provide clarifications when requested may be sanctioned with a fine between MOP100 and MOP10,000 in negligent cases and with a fine between MOP1,000 and MOP20,000 in intentional cases; and
- refusal to exhibit accounting records or documents related thereto to the tax authorities, as well as their hiding, destruction, falsification or vitiation may be sanctioned with a fine between MOP1,000 and MOP20,000.

During the Track Record Period, we had rendered services for projects located in Macau under six contracts with aggregate contract sum of approximately HK\$2,992,000. The Macau Finance Bureau could treat each of the six contracts as separate infractions whereby the maximum aggregate amount of penalties which AEC Hong Kong is liable would amount to MOP690,000. However, as AEC Hong Kong has voluntarily presented itself for assessment of and payment of the taxes and corresponding fines, our Macau Legal Adviser advised that pursuant to Article 43 of the Industrial Tax Regulation, the possible maximum aggregate amount of penalties which AEC Hong Kong may be liable is reduced to half and it is unlikely that any additional penalties will be imposed on our Group, Directors, officers or employees in relation to such non-compliance.

### **Current status**

As at the Latest Practicable Date, we have not received assessment results or requests from the Macau government authority in relation to payment of tax and/or corresponding fines and have not been penalised by the Macau government authority in relation to our failure to comply with Article 9 of the Macau Industrial Contribution Regulation. In relation to the possible maximum aggregate amount of penalties which AEC Hong Kong may be liable to as advised by our Macau Legal Adviser, we have made a provision in the amount of approximately HK\$335,000 in the accounts as of 31 March 2015 and 31 March 2016. On 18 September 2015, AEC Hong Kong has duly registered with the Macau Finance Bureau for taxation purpose. Since AEC Hong Kong has registered its activity in Macau, our Macau Legal Adviser is of the view that we, from 18 September 2015 onwards, have complied with all applicable laws, regulations and rules in Macau in all material respects as far as our business in Macau are concerned. Further, based on the tax review opinion from our Company's tax adviser, our Directors are of the view that there is no tax payable by our Group in Macau as at the Latest Practicable Date since our taxable profits in Macau for each of the two years ended 31 March 2016 was below the tax free income threshold of MOP600,000 pursuant to the special tax incentives approved in the government annual budget of Macau. Therefore, our Directors are of the view that we would not be exposed to tax liability in Macau for the two years ended 31 March 2016.

Pursuant to the Deed of Indemnity, the Controlling Shareholders have jointly and severally undertaken to indemnify us in respect of any tax liabilities and penalties arising from such failure to register with the Macau Finance Bureau for which provision was not made in the accounts.

**MEASURES TO PREVENT RECURRENCE AND INTERNAL CONTROL MEASURES**

We believe that the above failure to register with the Macau Finance Bureau is not crucial to our operation and would not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of non-compliance incidents.

We have a set of internal control and risk management procedures in place to address various potential operational, financial and legal risks identified in relation to our operations. These risk management policies set forth procedures to identify, categorise, analyse, mitigate and monitor various risks. The procedures also set forth the relevant reporting hierarchy of risks identified in our operations. Our Board together with our risk management committee are responsible for overseeing our overall risk management.

In particular, in order to prevent recurrence of the above failure to register with the Macau Finance Bureau:

- Our finance department which consists of two staff with one of them having over five years of experience in taxation matters including the preparation of tax computation, filing of tax return and preparation of replies to enquiries from tax authorities, will be responsible for attending to the relevant tax registration procedures and where required, we will appoint a legal adviser in Macau to assist in advising our Group on the regulatory requirements on tax registration and filings in respect of our future projects located in Macau;
- We will designate our compliance officer and company secretary, who are experienced in compliance matters of companies listed on the Stock Exchange, to assist our Board to ensure due compliance of laws, rules and regulations applicable to our Group;
- We have established a risk management committee to review general goals and fundamental policies of our risk and compliance management, internal control and risk management system of our Group and internal audit functions and made recommendations on the same.
- Our management will ensure our finance department are equipped with personnel having sufficient experience and knowledge on tax issue and tax filing/registration requirements in Hong Kong, the PRC and Macau;
- Our Directors have attended training session in which they were given an overview on the applicable laws and regulations in Hong Kong in relation to the Listing. We will continue to arrange various trainings to be provided by external legal adviser and/or other appropriate accredited institution, to reinforce our Directors' awareness on applicable Hong Kong laws, PRC laws, Macau laws, especially in respect of the tax obligation that may arise during the course of business of our Group;

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## BUSINESS

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- Our Group has engaged a tax adviser to review our operating structure and overall tax position (including tax compliance in all relevant jurisdictions) as well as to review our tax filing before submission of our profit tax return to the Inland Revenue Department of Hong Kong for an initial term of three years commencing from July 2015. Our Group will also obtain their tax advices if we are in doubt of any tax issue as necessary;
- Our finance department will be responsible for handling all tax related matters of our Group and will regularly report to our audit committee on our compliance with tax laws and regulations;
- Our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations.

### **Views of our Directors and Sole Sponsor**

Our Directors and the Sole Sponsor have reviewed the relevant internal control measures adopted by our Group, and the Sole Sponsor has discussed with our Company's internal control consultant, a Hong Kong professional firm specialising in corporate governance, internal audit and internal review services. After due consideration, our Directors are of the view, which the Sole Sponsor concurs, that the above corporate governance measures, when adopted and effectively implemented, will be sufficient to prevent recurrence of such non-compliance incident, and our non-compliance incident does not have any material impacts on the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

In light of the non-compliance incidents disclosed in the paragraphs headed "Potential PRC tax exposures" and "Failure to register with the Macau Finance Bureau" in this section, the Sole Sponsor had taken into account the following considerations regarding the competency and suitability of our Directors:

1. Based on the information available to the Sole Sponsor, the incidents are not of material non-compliance and, as confirmed by our Directors, the incidents do not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors which would affect their suitability as a director of a listed company;
2. Regarding the potential PRC tax exposures, our Directors had honestly believed that the PRC customers had withheld the relevant amount of EIT and VAT payable based on the relevant documents provided by our customers, and up to the Latest Practicable Date, our Group had not received any request from any PRC government authority for payment of any such tax.

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## BUSINESS

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3. Regarding the failure to register with the Macau Finance Bureau, as confirmed by our Directors:
  - (a) as a substantial part of the services were rendered in Hong Kong and AEC Hong Kong is not a company incorporated, nor has any establishment, in Macau, our Directors did not comprehend in details the registration requirements of Macau for taxation purpose;
  - (b) since the non-compliance was discovered, our Directors had exercised their duties of care and diligence to procure AEC Hong Kong to promptly register with the Macau Finance Bureau for taxation purpose and AEC Hong Kong had duly registered on 18 September 2015;
  - (c) our Directors had taken immediate remedial action to rectify such non-compliance, in which they had procured AEC Hong Kong to voluntarily present itself to the Macau Finance Bureau for assessment of and payment of the taxes and corresponding fines;
  - (d) our Directors had already made accruals of approximately HK\$335,000 for the potential liabilities of fines, if any, as at 31 March 2015 and 2016; and
  - (e) up to the Latest Practicable Date, our Group had not received any request from the Macau government authority for payment of any such taxes and fines.
4. Our Directors had enhanced their knowledge on the laws, rules and regulations relating to the tax issues in PRC and Macau. For instance, they had discussed with their legal adviser and tax adviser on the compliance with the requirements of Macau. As confirmed by our Directors, they have been keeping themselves updated periodically on the latest development of all the tax-related laws, rules and regulations of Hong Kong, the PRC and Macau; and
5. Our Directors have endeavoured to improve and strengthen the internal control system of our Group as disclosed in the paragraph headed “Measures to prevent recurrence and internal control measures” in this section in order to prevent the recurrence of the non-compliance incidents.

Having considered the above factors, the Sole Sponsor is of the view that our Directors are competent and able to fulfil their duties of skill, care and diligence, and the non-compliance incidents do not have any material impact on the suitability and competency of our Directors pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules.

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## CONNECTED TRANSACTION

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### EXEMPTED CONNECTED TRANSACTION

On 9 November 2015, Dr. James Wong entered into a consultancy services agreement whereby he was appointed as our honourable adviser for an initial term of two years from 1 October 2015 to (i) provide, upon our request, advice on acoustic and audio-visual design; and (ii) compile and issue research papers in the name of AEC Hong Kong in relation to the acoustic and audio-visual design industry for publication on our website and for marketing purpose. In return for such appointment, Dr. James Wong receives a consultancy fee of HK\$750,000 per year. Dr. James Wong receives no additional fees for the research papers to be issued by him pursuant to the consultancy services agreement. The consultancy fee is determined by the parties with reference to prevailing market rate.

Since Dr. James Wong was the director of AEC Hong Kong in the last 12 months, he is a connected person of our Company and therefore the consultancy services agreement and the transaction contemplated thereunder constitutes connected transaction of our Company under Chapter 20 of the GEM Listing Rules.

Our Directors (including our independent non-executive Directors) confirm that the consultancy services agreement has been and will be entered into in the ordinary and usual course of our business and is based on normal commercial terms that are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the consultancy fee is fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Since all the applicable percentage ratios are less than 5% and the total consideration of the consultancy services agreement is less than HK\$3,000,000, the consultancy services agreement with Dr. James Wong and the transactions contemplated thereunder are exempt from announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately following completion of the Placing and the Capitalisation Issue, Gold Investments will be interested in approximately 60.14% of the issued share capital of our Company. Hence, Gold Investments, Ms. Grace Kwok and Mr. Wu Dennis Pak Kit will be our Controlling Shareholders. For details on the company controlled by Ms. Grace Kwok, Kindle Maple Company Limited, please refer to the paragraph headed “Major suppliers” in the section headed “Business” of this prospectus. Our Directors are of the view that Kindle Maple Company Limited does not have interest which may compete with our Group’s business in a material respect given that during the Track Record Period, save for the provision of green building certification and sustainability and environmental and acoustic consultancy services to our Group, the only principal business activities carried out by Kindle Maple Company Limited was to provide advice to a professional green building certification body, which is not the principal business of our Group. For further information of our relationship with Kindle Maple Limited, please refer to the section headed “Business – Our suppliers – Major suppliers – Kindle Maple Company Limited” of this prospectus.

### RELATIONSHIP WITH DR. JAMES WONG

As set out in the section headed “Directors and Senior Management – Our honourable adviser” of this prospectus, Dr. James Wong, a major shareholder of AEC Hong Kong during the Track Record Period, wishes to continue to focus on his other interests, he will not be a director of our Company or any of our subsidiaries upon the Listing.

Please refer to the section headed “Business – Our suppliers – Major suppliers” of this prospectus for details of our suppliers and our previous subcontracting arrangement with Dr. James Wong and Man Acoustics Limited. Our Directors are of the view that Man Acoustics Limited does not have interest in business which may compete with our Group’s business in a material respect given that during the Track Record Period, save for the provision of consultancy services to us, the only principal business activities carried out by Man Acoustics Limited was the design of products in relation to acoustics and noise control in return for royalty income to which is not a business of our Group.

Upon Listing, Dr. James Wong will enter into a non-competition undertaking in favour of our Group whereby he agrees and undertakes to offer to our Group all business opportunities of similar business as that of our Group available to him and/or his associates, and will only participate in such business opportunity if we refuse to participate in such business opportunity.

On 9 November 2015, Dr. James Wong entered into a consultancy services agreement whereby he was appointed as our honourable adviser for an initial term of two years from 1 October 2015 to (i) provide, upon our request, advice on acoustic and audio-visual design; and (ii) compile and issue research papers in the name of AEC Hong Kong in relation to the acoustic and audio-visual design industry for publication on our website and for marketing purpose. Please refer to the section headed “Connected Transaction” of this prospectus for details of the consultancy services agreement.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE TO OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective associates (other than our Group) upon Listing for the following reasons:

- (a) as at the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business;
- (b) save as disclosed in the section headed “Connected Transaction” in this prospectus, our Controlling Shareholders do not operate any business other than our business;
- (c) as at the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (d) as at the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and we had not entered into any connected transaction with any connected person of our Group save as disclosed in the section headed “Connected Transaction” in this prospectus. Details of the continuing connected transaction that will continue after Listing are set out in the section headed “Connected Transaction” in this prospectus. Our Group’s continuing connected transaction will continue to be entered into on normal commercial terms and in our ordinary course of business; and
- (e) we are financially independent of our Controlling Shareholders and their respective associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates will be fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group’s borrowing will be fully released before or upon Listing.

### Management independence

Our Board comprises one executive Director, one non-executive Director and three independent non-executive Directors. Our Board comprises a majority composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. In addition, each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a director and his personal interests. If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall declare such interest to the Board at or prior to the meeting of the Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles.

In addition, our Group has a senior management team which is capable of carrying out the business decision of our Group independently. None of our senior management team has any family relationship with our Controlling Shareholders or any of their respective associates.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Three of our Board members are independent non-executive Directors who are experienced in different professions to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions on the Board.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

### **Operational independence**

While our Board has full authority to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing and human resources) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors and Senior Management" in this prospectus), without unduly requiring the support of our Controlling Shareholders and their associates.

Other than the consultancy services agreement with Dr. James Wong as disclosed in the section headed "Connected Transaction" of this prospectus, our Group has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective associates.

Our Group does not rely on our Controlling Shareholders or their associates and have our independent access to our customers.

Our Group has also established a set of internal control policies and guidelines to facilitate the effective and independent operation of its business. Further details are set out in the section headed "Business – Measures to prevent recurrence and internal control measures" of this prospectus.

### **Administrative independence**

Our Group has our own capabilities and staff to perform all essential administrative functions, including financial and accounting management and human resources. Our senior management staff is independent of our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Financial independence

Our Group has our own financial management system and the ability to operate independently from our Controlling Shareholders from the financial perspective. Our Directors confirm that as at the Latest Practicable Date, our Group was not indebted to our Controlling Shareholders. All guarantees provided by our Controlling Shareholders and/or their respective associates to secure loans/financing facility granted to our Group will be fully discharged before or upon Listing. Our Directors are of the view that our Group is able to obtain financing from external sources without reliance on our Controlling Shareholders after Listing. There will be no financial dependence on our Controlling Shareholders or any of their respective associates.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly disclosed in the paragraph headed “Non-competition undertakings” below), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective associates after Listing.

### NON-COMPETITION UNDERTAKINGS

In order to eliminate any existing or future competition with us, our Controlling Shareholders have undertaken to us in the Deed of Non-Competition that they will not, and will procure their associates (other than members of our Group) except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group, (1) not to directly or indirectly, either on their own account, in conjunction with, on behalf of or through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest, provide any support to, financial or otherwise, or otherwise be interested, involved or engaged in or concerned with any business that directly or indirectly competes with the Restricted Business (as defined below), or acquire or hold shares or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any companies or business that compete directly or indirectly with the Restricted Business (as defined below); and (2) not to engage, invest, participate or be interested (economically or otherwise) in any business involving the provisions of consultancy services in respect of (i) green building certification consultancy; (ii) sustainability consultancy and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy (the “**Restricted Business**”).

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, 30% or more of our Shares, or our Shares cease to be listed on GEM.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The Deed of Non-Competition also provides that:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- our Controlling Shareholders have undertaken to us that they will, and will procure their associates to use their best endeavors to, provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the GEM Listing Rules;
- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholders and/or his/her/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking under the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with our Shareholders and no dispute has arisen among those shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the above corporate governance measures, our Directors believe that the interests of our Shareholders will be protected.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, the following persons will, immediately following the completion of the Placing and the Capitalisation Issue taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of shareholder	Capacity	Number of Shares	Approximate percentage of issued Shares
Gold Investments <i>(Note 1)</i>	Beneficial owner	721,701,600 Shares (long position)	60.14%
Ms. Grace Kwok <i>(Note 1)</i>	Interest of a controlled corporation	721,701,600 Shares (long position)	60.14%
Mr. Wu Dennis Pak Kit <i>(Note 1)</i>	Interest of spouse	721,701,600 Shares (long position)	60.14%
Dr. James Wong	Beneficial owner	109,161,600 Shares (long position)	9.10%
City Beat <i>(Note 2)</i>	Beneficial owner	86,552,400 Shares (long position)	7.21%

*Notes:*

- Gold Investments is a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Grace Kwok and 30% by Mr. Wu Dennis Pat Kit. Accordingly, Ms. Grace Kwok is deemed to be interested in the Shares held by Gold Investments under the SFO, and Mr. Wu Dennis Pak Kit is deemed to be interested in the Shares held by Ms. Grace Kwok under the SFO.
- City Beat is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund II L.P. which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund II L.P. is Ocean Equity Partners Fund II GP Limited.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Placing and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, save for the persons disclosed above, there are no other persons who will immediately following completion of the Capitalisation Issue and the Placing (but without taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company under the Provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interested in 10% or more of the voting power at general meetings of our subsidiaries.

### UNDERTAKINGS

#### Undertakings under the GEM Listing Rules

Each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange. Each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments have also given undertakings to our Company and the Stock Exchange as required by Rule 13.16A of the GEM Listing Rules and are bound by the non-disposal restrictions as imposed by Rule 13.16A of the GEM Listing Rules.

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments has undertaken to our Company and the Stock Exchange that she/he/it will not and will procure that the relevant registered holder(s) will not: (a) at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Six-Month 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 Shares in respect of which they are shown by this prospectus to be the beneficial owners; and (b) at any time in the period of six months immediately after the expiry of the First Six-Month Period (“**Second Six-Month 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 Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

#### Undertakings under the Underwriting Agreement

To demonstrate the commitment to our Group, each of Ms. Grace Kwok and Mr. Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments, pursuant to the Underwriting Agreement, have voluntarily undertaken to us that they will not (a) dispose of our Shares for a period of the first 24 months after the Listing Date; and (b) within the further 12 months commencing on the expiry of the first 24-month period, dispose of our Shares which will result in any of our Controlling Shareholders cease to hold over 30% interests in our Company. Further details of such undertakings are set out under the section headed “Underwriting – Underwriting arrangements and expenses – Other undertakings” of this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

The table below shows certain information in respect of members of the Board:

Name	Age	Position	Responsibility	Date of first joining our Group	Date of appointment as Director	Relationship with other Directors or senior management
Ms. Kwok May Han Grace (郭美珩)	42	Executive Director	Responsible for the overall planning, management and strategic development of and overseeing the operations of our business	8 April 1999	11 November 2015	She is the wife of Mr. Wu Dennis Pak Kit, our non-executive Director
Mr. Wu Dennis Pak Kit (胡伯杰)	42	Non-executive Director	Responsible for providing advice on strategic development and financial planning of our Group	9 January 2015	16 November 2015	He is the husband of Ms. Grace Kwok
Professor Lam Kin Che (林健枝)	68	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	23 September 2016	23 September 2016	Nil
Mr. Lie Kong Sang (李港生)	51	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	23 September 2016	23 September 2016	Nil
Ms. Wong Yee Lin Elaine (王綺蓮)	62	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	23 September 2016	23 September 2016	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board currently consists of five Directors, comprising one executive Director, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include determining business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with our executive Director. We have also entered into letters of appointment with our non-executive Director and each of our independent non-executive Directors.

#### Executive Director

**Ms. Kwok May Han Grace (郭美珩)**, aged 42, has been appointed as our executive Director on 11 November 2015. She is responsible for the overall planning, management and strategic development of and oversees the operations of our business. She is also our compliance officer. Ms. Kwok graduated from the Hong Kong Polytechnic University with a degree of Bachelor of Engineering in Environmental Engineering in November 1998.

Ms. Kwok joined our Group in April 1999 and has over 17-year experiences working as acoustics, environmental and sustainability consultant. She was appointed as a director of AEC Hong Kong on 10 June 2004. She was accredited as a member of the Green Building Faculty from 2012 to 2016 and BEAM Professional since July 2010, both by the Hong Kong Green Building Council and LEED Accredited Professional by the Green Building Certification Institute in November 2007. She received certificate on training from the China Green Building Council in March 2015. Ms. Kwok is a member of the Corporate Affairs and Membership Committee as well as Public Education Committee of the Hong Kong Green Building Council. She is also appointed as member of the BEAM Expert Panel by the BEAM Society Limited. She is a Certified Carbon Auditor Professional accredited by Association of Energy Engineers, a member of the Hong Kong Institute of Environmental Impact Assessment and a founding fellow of Hong Kong Institute of Qualified Environmental Professionals Limited. Ms. Kwok is currently the Chairman of the Hong Kong Institute of Acoustics and serves on the board of directors of the Hong Kong Institute of Qualified Environmental Professionals Limited.

#### Non-executive Director

**Mr. Wu Dennis Pak Kit (胡伯杰)**, aged 42, has been appointed as our non-executive Director on 16 November 2015. He is responsible for providing advice on strategic development of our Group.

Mr. Wu graduated from University of Southern California with a bachelor's degree in business administration, majoring in Finance, in December 1996. He obtained a master's degree of Accountancy from The Chinese University of Hong Kong in November 2001. He has 18 years of experience in the finance industry.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wu worked as an accounting supervisor at Techno Group, a company engaging in manufacturing of plastic moulds for home appliances, in Hong Kong from April 1998 to June 2000. From September 2000, he worked as a staff accountant at the Assurance and Business Advisory Services Department of Arthur Andersen (which was acquired by PricewaterhouseCoopers since July 2002) and he left the firm as a senior associate in April 2003. He has been the executive director in the finance department of CITIC Capital Holdings Limited, a company focusing on alternative asset management including private equity, real estate, mezzanine venture capital and marketable securities since April 2003. He is also a director of the Hong Kong Private Equity Finance Association, which aims to promote the private equity and venture capital industry in Hong Kong.

Mr. Wu joined our Group in January 2015 as a director and he received certificate on training from the China Green Building Council in March 2015.

### **Independent non-executive Directors**

**Professor Lam Kin Che (林健枝)**, SBS, JP, aged 68, has been appointed as our independent non-executive director on 23 September 2016.

Professor Lam graduated from The University of Hong Kong with a degree of Bachelor in Arts in November 1970 and a degree of Master of Philosophy in November 1974. He obtained a degree of Doctor of Philosophy from The University of New England in Australia in April 1981.

Professor Lam was admitted as an honorary fellow of The Chartered Institution of Water and Environmental Management, the United Kingdom in April 2006, of Hong Kong Institute of Acoustics in June 2012 and The Hong Kong Institute of Environmental Impact Assessment in June 2012.

For previous community services in Hong Kong, Professor Lam was a council member of the Sustainable Council from March 2003 to February 2011, the Advisory Committee on Water Resources and Quality of Water Supplies from April 2000 to March 2004, Hong Kong Observatory from October 2006 to September 2010, and the Advisory Committee on Agriculture and Fisheries from May 1988 to May 1992. He served as the Chairman of the Advisory Council on the Environment from January 2003 to December 2009 and has been the Chairman of the Biodiversity Strategy and Action Plan Steering Committee from June 2013 to May 2016. He was also a member of the Appeal Board Panel (Town Planning) from November 1991 to December 1999, Registration of Persons Tribunal from June 1999 to May 2005, Air Pollution Control Appeal Board Panel from March 1989 to January 2001, Noise Control Appeal Board Panel from February 1989 to January 2004, Environmental Impact Assessment Appeal Board Panel from April 2013 to March 2016, and Waste Disposal Appeal Board Panel from February 2013 to January 2016, all of which are boards, committees or councils of the government of Hong Kong.

Professor Lam has been an adjunct professor of the Department of Geography & Resources Management of The Chinese University of Hong Kong since August 2012.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Lie Kong Sang (李港生)**, aged 51, has been appointed as our independent non-executive director on 23 September 2016.

Mr. Lie graduated from the University of Glasgow in the United Kingdom with a bachelor degree in accountancy in December 1988. He has over 20 years of experience in providing assurance and advisory services to global and local financial institutions, fund management companies, service providers and traditional, hedge, private equity and real estate funds during which he worked in PricewaterhouseCoopers, (formerly known as Arthur Andersen), an accounting firm in Hong Kong from January 1995 to June 2015, with his last position as an assurance partner.

Mr. Lie was conferred by Hong Kong Institute of Certified Public Accountants as a certified public accountant in November 1993. He has also been a member of Hong Kong Securities Institute since April 2011 and a fellow member of The Association of Chartered Certified Accountants since May 1998.

**Ms. Wong Yee Lin Elaine (王綺蓮)**, aged 62, has been appointed as our independent non-executive director on 23 September 2016.

Ms. Wong obtained certificates of Competence (Level A and Level B) in Occupational Testing from British Society of Psychology in September 1996 and December 1996 respectively. She also obtained a master degree, majoring in human resources management through a Distance learning programme from American States University in February 1995. She has over 25 years of experience in human resources management.

Ms. Wong has been a fellow member of Hong Kong Institute of Human Resources Management (“**HKIHRM**”) since April 2003, member of Employee Engagement and Employer’s Branding Committee of HKIHRM since 1999, and of Remuneration Committee of HKIHRM since 2012. She was a Executive council member of HKIHRM from 1999 to 2011.

Ms. Wong was the Head of Human Resources (Hong Kong and China) of Northwest Airlines (now Delta Airlines) from October 1989 to August 1992. She was the Employee Relations Manager of Enviropace Limited (now Ecospace) from August 1992 to February 1994. She then worked as the Head of Human Resources (Greater China Area) of Tandem Computers Limited (now Hewlett Packard Ltd.) from March 1994 to October 1994. She worked as a Human Resources Manager of Unisys Computers Limited from November 1994 to April 1995. She was the Human Resources Manager in International Private Banking of Standard Chartered Bank from May 1995 to March 1996. She was the Human Resources Manager of Jardine Fleming Holdings Limited (now J.P. Morgan Holdings (Hong Kong) Limited) from June 1996 to September 1998. She was the Vice President and Head of Human Resources Services of CITIC Bank International Limited from October 1998 to April 2002. She was the director and Head of Human Resources and Administration of CITIC Capital Holdings Limited from May 2002 to May 2006. She was the Managing Director, Head of Human Resources of CITIC Securities International Company Limited from May 2006 to April 2015. Ms. Wong was served as Senior Human Resources Adviser in CITIC Securities International Co., Ltd. from April to December 2015.

Ms. Wong is currently serving as Vice President of the Asia Pacific Professional Managers Association and member of the Staff Panel of Scout Association of Hong Kong since March 2016. She is a founder and director of a non-governmental organisation, Hong Kong Credible Care Volunteers Association Limited since February 2013.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as disclosed above, each of our Directors has not been involved in any of the events described under Rule 17.50(2) of the GEM Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Position	Responsibility	Date of joining our Group	Relationship with other Directors or senior management
Mr. Ho Tin Kit (何天杰)	36	Principal consultant	Acoustic, environmental and green building project management, coordination with different parties and progress monitoring	17 March 2014	Nil
Mr. Sze Wing Hong (施泳匡)	35	Principal consultant	Acoustic, environmental and green building project management, coordination with different parties and progress monitoring	17 January 2011	Nil
Mr. Chan Chi Kee Henry (陳翹麒)	42	Associate director	Acoustic and audio-visual design, project management, coordination with different parties and progress monitoring	18 April 2016	Nil
Mr. Ip Chee Wang Rodney (葉子泓)	38	Associate director	Acoustic, environmental and green building project management, coordination with different parties and progress monitoring	14 March 2016	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Responsibility	Date of joining our Group	Relationship with other Directors or senior management
Mr. Lai Ka Yeung Andy (黎家揚)	29	Senior Consultant	Acoustic, environmental and green building project management, coordination with different parties and progress monitoring	14 November 2011	Nil
Mr. Tong Jonathan (湯臻恩)	29	Senior consultant	ESG reporting and consultancy, and environmental and green building project	7 November 2011	Nil
Ms. Man Yi Hang Cathy (文爾珩)	30	Senior consultant	Environmental and green building project management, coordination with different parties and progress monitoring	27 September 2010	Nil
Mr. Chong Hing Cheong (莊慶昌)	29	Finance manager and company secretary	Oversee the overall financial management and company secretarial work of our Group	9 September 2014	Nil

**Mr. Ho Tin Kit** (何天杰), aged 36, is our principal consultant, being responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Ho joined our Group in March 2014 as a senior environmental consultant and was promoted to a principal environmental consultant in January 2015. He has been involved in a variety of projects relating to air quality investigation, air ventilation assessment, carbon audit, energy simulation, environmental assessment and wastewater investigation.

Prior to joining our Group, he was an assistant engineer in JOINTEX Engineering Ltd., responsible for structure calculation, preparation of fabrication drawings, procurement management and construction management, from February 2004 to October 2004. During October 2004 and October 2007, Mr. Ho served the Environmental Protection Department of Hong Kong Government as an environmental engineering graduate, being environmental engineer trainee (scheme A) responsible for landfill restoration, landfill extension, EIA enforcement work and EIA application review. He worked in URS Hong Kong Limited, a company engaging in engineering, design and construction services, as an assistant engineer in October 2007 and was promoted to a senior environmental consultant from July 2011 to September 2013, overseeing air quality investigation, air ventilation assessment, carbon audit, energy stimulation, environmental assessment and waste water investigation.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ho obtained a degree of Bachelor of Engineering from University of Adelaide in Australia and a Postgraduate Diploma in Engineering (Environmental Engineering) from the University of Hong Kong in December 2002 and September 2006, respectively.

**Mr. Sze Wing Hong (施泳匡)**, aged 35, is our principal consultant, being responsible for acoustic, environmental and green building project management, coordination with different parties and progress meeting. Mr. Sze was our senior consultant from January 2011 to June 2013 and was promoted to as a principal consultant in July 2013. He has participated in a variety of projects involving the design of heating, ventilation, air conditioning system, fire services system, plumbing and drainage system.

Prior to joining our Group, Mr. Sze was a graduate engineer in Ove Arup & Partners Hong Kong Ltd, a company engaging in engineering design, from July 2006 to May 2010, responsible for mechanical services design and due diligence study.

Mr. Sze obtained a degree of Bachelor of Engineering in Building Services Engineering and a degree of Master of Engineering in Building Services Engineering, both in December 2006 and from the Hong Kong Polytechnic University. He is a BEAM Professional accredited by the Hong Kong Green Building Council in August 2011.

**Mr. Chan Chi Kee Henry (陳翹麒)**, aged 42, is our associate director, being principally responsible for acoustic and audio-visual design, project management, coordination with different parties and progress monitoring. Mr. Chan joined our Group in April 2016. Mr. Chan graduated from the Hong Kong Polytechnic University with a bachelor of engineering (Hons) in Environmental Engineering in November 1997. He has 18 years of experience in the building construction industry. Prior to joining our Group, Mr. Chan worked with Ove Arup & Partners Hong Kong Ltd. for 16 years who led the venue design team and the lighting leader in East Asia regions.

Mr. Chan has started his professional as an acoustician, was accredited as a member of Institute of Acoustics (MIOA) in March 2002 and the Certified Technology Specialist (CTS) by InfoComm in February 2008. He has then further developed his lighting design skills and become a professional member of the International Association of Lighting Designers (IALD) in January 2013. Mr. Chan is also an accredited BEAM Professional by Hong Kong Green Building Council Limited in April 2016 and a qualified project manager as he obtained the membership of the Association for Project Management (APM) in November 2007.

**Mr. Ip Chee Wang Rodney (葉子泓)**, aged 38, is our associate director, being responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Ip first joined our Group in May 2002 as an assistant consultant and was promoted to a senior consultant. He resigned from our Group in March 2007. He recently re-joined our Group in March 2016.

Prior to re-joining our Group, Mr. Ip worked in Scott Wilson Limited (“**SW**”), which was acquired and turned to URS Hong Kong Limited (“**URS**”) in 2010, and further acquired by and merged with AECOM Asia Company Limited (“**AECOM**”) in 2014. He was an environmental engineer in April 2007 when first joined SW, promoted to senior environmental engineer in January 2008, to principal environmental engineer in January 2011, and to an associate in November 2015.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ip obtained a degree of Bachelor of Engineering in Mechanical Engineering from Hong Kong University of Science and Technology (“HKUST”) in November 1999, and a degree of Master of Philosophy in Mechanical Engineering in HKUST in November 2001. He is a chartered engineer, corporate member of The Hong Kong Institution of Engineers and the Hong Kong Institute of Environmental Impact Assessment, member of the Institution of Mechanical Engineers, qualified BEAM Pro and Registered Energy Assessor with Electrical and Mechanical Services. He was admitted as a committee member for HKIOA in 2006 to 2009.

**Mr. Lai Ka Yeung Andy (黎家揚)**, aged 29, is our Senior Consultant, being responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Lai joined our Group in November 2011 as a consultant and was promoted to as a senior consultant in April 2015. Mr. Lai obtained a degree of Bachelor of Science from the University of Nottingham in July 2008.

**Mr. Tong Jonathan (湯臻恩)**, aged 29, is our Senior Consultant, being responsible for ESG reporting and consultancy, and environmental and green building project management. Mr. Tong joined our Group in November 2011 as an Assistant Consultant, and gradually moved up the ranks where he was promoted Senior Consultant in December 2015. Prior to joining the Group, Mr. Tong worked as an assistant chemist at Fugro Technical Services Ltd. from December 2009 to June 2011, responsible for routine lab tests and project management. Mr. Tong graduated from the University of Wisconsin- Madison in May 2009 with a Bachelor of Science. He obtained his Master of Science degree in Environmental Engineering and Management from the HKUST in November 2013.

**Ms. Man Yi Hang Cathy (文爾珩)**, aged 30, is our senior consultant, being responsible for environmental and green building project management coordination with different parties and progress monitoring. Ms. Man joined our group in September 2010 as an assistant consultant. She was promoted as our consultant and senior consultant in November 2011 and March 2014, respectively. Ms. Man has been involved in environmental assessments and sustainable building design studies for development in both the public and private sectors.

Ms. Man graduated from the Hong Kong Baptist University with a degree of Bachelor of Social Science in China Studies (Geography) in November 2008. She further obtained a degree of Master of Applied Science (Environmental Science) from the University of Sydney in October 2010. Ms. Man was accredited by the Green Business Certificate Institute as a LEED Green Associate in August 2013. She is an associate member of the Hong Kong Institute Acoustics since January 2012, Beam Pro specialist since January 2016, and member of Chartered Institution of Water and Environmental Management since November 2015.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Chong Hing Cheong (莊慶昌)**, aged 29, is our finance manager, responsible for overseeing the overall financial management of our Group. He joined our Group as an accountant in September 2014. Since Mr. Chong joined our Group, he was also responsible for company secretarial work of our Group.

Prior to joining our Group, Mr. Chong worked in Joyce M.C. Li & Co., an accounting firm, from July 2008 to May 2012, with his last position as a semi-senior audit trainee. He was an accountant in Tinson Logistics Limited from November 2012 to August 2014 during which he was responsible for audit related matters and company secretarial work such as preparation of board minutes and attending to corporate statutory filings and returns.

Mr. Chong graduated from the City University of Hong Kong with a degree of Bachelor of Business Administration in Finance in November 2008. He further obtained a degree of Bachelor of Business Administration in Accounting from the Open University of Hong Kong in November 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2013.

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, our senior management has not been a director of any public company the securities of which are listed on any securities market of Hong Kong or overseas in the three years immediate preceding the date of this prospectus.

### COMPANY SECRETARY

**Mr. Chong Hing Cheong (莊慶昌)**, aged 29, was appointed as our company secretary on 10 June 2016, being responsible for company secretarial work of our Group. He is also our finance manager. Please refer to his biographical details in the paragraph headed “Senior management” of this section.

Our Directors believe that, by virtue of Mr. Chong’s professional qualification as a Certified Public Accountant, he should be capable of discharging the functions as a company secretary. Nonetheless, we have implemented the following measures to assist Mr. Chong in discharging his duties as company secretary:

- We have engaged Boardroom Corporate Services (HK) Limited (“**Boardroom**”), a company focusing on the provision of listed company secretarial, corporate governance and compliance services, to provide assistance to Mr. Chong if and when necessary in discharging his duties as company secretary, in particular, in relation to compliance and corporate governance issues under the GEM Listing Rules. Given Boardroom’s relevant experience, it will be able to advise both Mr. Chong and our Company on the relevant requirements of the GEM Listing Rules as well as other applicable laws and regulations of Hong Kong;
- Boardroom has been engaged to assist Mr. Chong for a period of one year commencing from the Listing Date, which should be sufficient for Mr. Chong to acquire the requisite knowledge and experience under Rule 5.14 of the GEM Listing Rules; and

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## DIRECTORS AND SENIOR MANAGEMENT

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- We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules which will assist us with compliance matters and issues in relation to the GEM Listing Rules and we will seek legal advice from external legal advisers where appropriate and necessary after the Listing.

We will further ensure that Mr. Chong has access to the relevant training and support to enable him to familiarise himself with the GEM Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Mr. Chong has attended the training session relating to the GEM Listing Rules which was conducted by the Hong Kong legal adviser to our Company of the Listing. In addition, Mr. Chong will endeavour to familiarise himself with the GEM Listing Rules during his term of office as company secretary from the Listing Date.

### **OUR HONOURABLE ADVISER**

Dr. James Wong became the sole shareholder of AEC Hong Kong in November 1997. Since June 2004, Dr. James Wong has been gradually reducing his involvement in the management and operation of AEC Hong Kong as he wishes to place more effort and time in pursuing his other interests (which are not and are not likely to be in competition with AEC group). Basically, Ms. Grace Kwok has been overseeing and responsible for all the management, operation and decision-making of AEC Hong Kong and Dr. James Wong has not participated in the day-to-day management and operation and execution of the projects of AEC Hong Kong. Dr. James Wong primarily provides assistance to AEC Hong Kong.

On 1 October 2015, we appointed Dr. James Wong as the honourable adviser of AEC Hong Kong for an initial term of two years from 1 October 2015 to (i) provide upon our request, advice on acoustics and audio-visual design consultancy and (ii) compile and issue research papers in the name of AEC Hong Kong in relation to the acoustics and audio-visual design consultancy industry for publication on our website and use for its marketing purpose.

### **BOARD COMMITTEES**

#### **Audit Committee**

We established an Audit Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Lie Kong Sang (who is the chairman), Professor Lam Kin Che and Ms. Wong Yee Lin Elaine. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, making recommendation to the Board on the appointment and removal of external auditors, reviewing our financial information and disclosures, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Remuneration Committee**

We established a Remuneration Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee consists of four members, being Ms. Wong Yee Lin Elaine (who is the chairman), Mr. Lie Kong Sang, Professor Lam Kin Che, our independent non-executive Directors and Mr. Wu Dennis Pak Kit, our non-executive Director. Three of the members of the Remuneration Committee are our independent non-executive Directors. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our Remuneration Committee.

### **Nomination Committee**

We established a Nomination Committee on 23 September 2016 with written terms of reference. The Nomination Committee consists of five members, being Ms. Grace Kwok (who is the chairman), our executive Director, Mr. Wu Dennis Pak Kit, our non-executive Director, Mr. Lie Kong Sang, Ms. Wong Yee Lin Elaine and Professor Lam Kin Che, our independent non-executive Directors. Three of the members of the Nomination Committee are our independent non-executive Directors. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board.

### **ESG committee**

We have established an environmental, social and governance committee on 23 September 2016 to report and advise our Board on matters relating to environmental protection, social responsibility and governance of our Group. The environmental, social and governance committee comprises five members, namely Ms. Grace Kwok (who is the chairman), our executive Director, Mr. Wu Dennis Pak Kit, our non-executive Director, Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine, our independent non-executive Directors.



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## DIRECTORS AND SENIOR MANAGEMENT

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### **Risk management committee**

We have established a risk management committee on 23 September 2016 to review general goals and fundamental policies of our risk and compliance management, internal control and risk management system of our Group and internal audit functions and made recommendations on the same. The risk management committee comprises five members, namely Ms. Grace Kwok (who is the chairman), our executive Director, Mr. Wu Dennis Pak Kit, our non-executive Director, Mr. Lie Kong Sang, Professor Lam Kin Che and Ms. Wong Yee Lin Elaine, our independent non-executive Directors.

### **Compensation of employees**

For each of the two years ended 31 March 2016, we incurred employee costs (including Directors remuneration) of HK\$9.0 million and HK\$11.5 million, respectively, representing 31.7% and 35.4%, respectively of our revenue during the corresponding year.

### **Compensation of Directors and senior management**

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid to our Directors for each of the two years ended 31 March 2016 was HK\$0.9 million and HK\$1.4 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for each of the two years ended 31 March 2016 was HK\$2.6 million and HK\$3.2 million, respectively.

No remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of the two years ended 31 March 2016. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances and benefits in kind) of our Directors for the year ending 31 March 2017 is estimated to be approximately HK\$1.4 million.

### **Share Option Scheme**

We have adopted the Share Option Scheme. For details of the Share Option Scheme, see the section headed “Statutory and General Information – Other information – Share Option Scheme” in Appendix IV to this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Pension scheme**

All of our employees in Hong Kong have joined a mandatory provident fund scheme (the “**MPF Scheme**”). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. The Group has complied with the relevant laws and regulations, and that relevant contributions have been paid by the Group in accordance with the aforesaid laws and regulations.

### **COMPLIANCE ADVISER**

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. The compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds of the Placing in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year ending 31 March 2019, and such appointment may be subject to extension by mutual agreements.

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## SHARE CAPITAL

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The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Placing and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

HK\$

*Authorised Share capital:*

<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000</u>
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HK\$

*Issued and to be issued, fully paid or credited as fully paid:*

10,000	Shares in issue as at the date of this prospectus	100
	Shares to be issued pursuant to	
995,990,000	the Capitalisation Issue	9,959,900
<u>204,000,000</u>	Shares to be issued pursuant to the Placing	<u>2,040,000</u>
<u>1,200,000,000</u>	Shares	<u>12,000,000</u>

### ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and the issue of Shares pursuant to the Placing and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

### RANKINGS

The Placing Shares will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus save for entitlements to the Capitalisation Issue.

### CAPITALISATION ISSUE

Conditional on the share premium account of our Company being credited as a result of the Placing, the Directors are authorised to capitalise the amount of HK\$9,959,900 from such account and to apply such sum in paying up in full at par a total of 995,990,000 Shares for allotment and issue to its then Shareholders.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (a) 20% of the total number of shares of our Company in issue immediately following the completion of Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of shares of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted or which may be granted under the Share Option Scheme.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on this general mandate is set out in the section headed "Statutory and General Information – Further information about our Company and its subsidiaries – Resolutions in writing of all our Shareholders passed on 23 September 2016" in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total number of shares of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

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## SHARE CAPITAL

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This mandate only relates to repurchases made on the Stock Exchange or on 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 in accordance with the GEM Listing Rules.

A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information – Further information about our Company and its subsidiaries – Repurchase of Shares by our Company” in Appendix IV to this prospectus.

This mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

whichever is earliest.

Further information on this general mandate is set out in the section headed “Statutory and General Information – Further information about our Company and its subsidiaries – Resolutions in writing of all our Shareholders passed on 23 September 2016” in Appendix IV to this prospectus.

### **SHARE OPTION SCHEME**

Pursuant to the written resolutions of the Shareholder dated 23 September 2016, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section entitled “Statutory and General Information – Other information – Share Option Scheme” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law – Articles of Association – Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law – Articles of Association – Shares – Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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*The following discussion and analysis of our financial condition and operating results should be read in conjunction with our combined financial information, including the notes thereto, as set out in the Accountants' Report included as Appendix I to this prospectus. Our combined financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

*This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out under "Risk Factors" and elsewhere in this prospectus.*

### MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

#### OVERVIEW

We are a Hong Kong-based consulting company specialised in providing (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy. During the Track Record Period, we generated our revenue from projects where we provided our environmental consultancy services in Hong Kong, the PRC and Macau, among which, over 90% of our revenue was generated from projects in Hong Kong.

During the Track Record Period, our total revenue amounted to approximately HK\$28.3 million and HK\$32.5 million for each of the two years ended 31 March 2016 respectively. Our total revenue was derived from the following four business segments:

(i) Green building certification consultancy

Our revenue derived from the green building certification consultancy segment was the largest component of our total revenue, accounted for approximately 60.2% and 59.3% of our total revenue for each of the two years ended 31 March 2016 respectively;

(ii) Sustainability and environmental consultancy

Our revenue derived from the sustainability and environmental consultancy segment was the second largest component of our total revenue, accounted for approximately 26.9% and 26.0% of our total revenue for each of the two years ended 31 March 2016 respectively;

(iii) Acoustics, noise and vibration control and audio-visual design consultancy

Our revenue derived from the acoustics, noise and vibration control and audio-visual design consultancy segment accounted for approximately 12.9% and 13.1% of our total revenue for each of the two years ended 31 March 2016 respectively; and

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## FINANCIAL INFORMATION

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(iv) ESG reporting and consultancy

Our revenue derived from the ESG reporting and consultancy segment accounted for approximately nil and 1.6% of our total revenue for each of the two years ended 31 March 2016 respectively.

Revenue is recognised progressively based on the actual contract costs incurred to date as a percentage of total estimated contract costs to depict the transfer of control of the goods or services to the customer. The increase in our revenue throughout the Track Record Period was primarily due to substantial progress of the contracted services work of our on-going green building certification consultancy projects attained during the year ended 31 March 2016.

Our gross profit margin for each of the two years ended 31 March 2016 remained stable and were approximately 62.0% and 61.6% respectively.

Our net profit for each of the two years ended 31 March 2016 amounted to approximately HK\$10.0 million and HK\$5.4 million respectively, representing a decrease of approximately 45.5% which was resulted from charging of Listing expenses of approximately HK\$5.4 million and also increase in rental expenses and staff costs in relation to our business expansion during the year ended 31 March 2016.

### **BASIS OF PRESENTATION AND PREPARATION**

Our Company was incorporated in the Cayman Islands on 11 November 2015. On 22 September 2016, as part of the Reorganisation, the entire issued share capital of AEC BVI was transferred to the Company in consideration for an issue of our Company's shares to the equity shareholders of AEC BVI (the "**Share Transfer**"). Upon the completion of the Share Transfer, our Company became the parent company of AEC BVI and its subsidiaries, and the holding company of the Group.

AEC BVI was incorporated in the BVI on 30 January 2015. On 24 March 2015, the then shareholders of AEC Hong Kong transferred their shares of AEC Hong Kong to AEC BVI in return for an issue of AEC BVI's shares (the "**AEC BVI Share Transfer**"). Upon the completion of the AEC BVI Share Transfer, AEC BVI became the immediate holding company of AEC Hong Kong.

The companies that took part in the Share Transfer were controlled by the same group of ultimate equity shareholders before and after the Share Transfer and there were no changes in the business and operations of AEC BVI and its subsidiaries. The Share Transfer only involved incorporating our Company with no prior substantive operations as the holding company of AEC BVI and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that for a reverse acquisition with AEC BVI treated as the acquirer for accounting purposes. The same basis applies to the AEC BVI Share Transfer, with the AEC BVI Share Transfer accounted for using a principle similar to that for a reverse acquisition with AEC Hong Kong treated as the acquirer for accounting purposes. The Financial Information as set out in the Accountants' Report in Appendix I of this prospectus has been prepared and presented as a continuation of the combined financial statements of AEC BVI and its subsidiaries, with the assets and liabilities of our Group recognised and measured at their historical carrying amounts prior to

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## FINANCIAL INFORMATION

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the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence since 1 April 2014 and throughout the entire Track Record Period.

All significant intragroup transactions and balances have been eliminated on combination.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations and our financial condition have been and will continue to be affected by a number of factors, including those set out below.

#### **Availability of property construction projects in Hong Kong**

Our revenue generated in relation to property construction projects, redevelopment projects and projects for changing usage of land and buildings in Hong Kong amounted to approximately HK\$25.6 million and HK\$29.7 million respectively for each of the two years ended 31 March 2016 representing approximately 90.5% and 91.2% of our total revenue, respectively over the same period. Hence, the performance of our Group is significantly affected by the number and availability of construction works in property development projects and redevelopment projects in Hong Kong, which are affected by factors including the general economic conditions in Hong Kong, the general conditions of property markets in Hong Kong, the changes in government policies relating to Hong Kong property markets, and the amount of investments in new construction projects. In general, any unfavourable changes may result in a decline in the number of the existing and planning property construction projects in Hong Kong.

We expect that our results of operations and financial condition will be materially affected by both the positive and negative changes in the availability of property construction projects in Hong Kong.

#### **Ability to achieve success in the bidding process**

Most of the projects undertaken by us, including those from the public and private sectors, are awarded to us through competitive open tender or direct invitation for fee quotation. Our revenue derived from contracts with bidding or quotation processes amounted to approximately HK\$27.0 million and HK\$31.0 million respectively for each of the two years ended 31 March 2016, representing approximately 95.2% and 95.4% of our total revenue, respectively over the same period. We recorded an overall success rates of bidding of approximately 20.1% and 15.6% respectively for each of the two years ended 31 March 2016 in terms of the number of tenders and quotations submitted and approximately 12.9% and 9.0% respectively for each of the two years ended 31 March 2016 in terms of the aggregated value of tenders and quotations submitted. We may or may not meet the quotations requirement set by our customers from time to time. Even if we are able to meet the prerequisite requirements for tendering or quotation, our tenders or quotations may or may not be selected by our customers as our success rate depends on a range of factors, which primarily include our price, experience, quality of our services and our performance ratings in the internal rating systems of the customers according to the past projects as well as those of other bidders. The historical success rates of bidding may not be indicative for future success rates of bidding. Please refer to the section headed “Risk Factors” of this prospectus for further details.

We expect that our financial condition and results of operations will be materially affected if we do not succeed during the bidding process.



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## FINANCIAL INFORMATION

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### **Demand for green building certification consultancy and sustainability and environmental consultancy in Hong Kong**

Revenue attributable to the provision of green building certification consultancy and sustainability and environmental consultancy in Hong Kong in total amounted to approximately HK\$23.8 million and HK\$26.8 million respectively for each of the two years ended 31 March 2016 representing approximately 84.0% and 82.5% of our total revenue, respectively over the same period.

Revenue attributable to the provision of green building certification consultancy in Hong Kong amounted to approximately HK\$16.6 million and HK\$18.4 million respectively for each of the two years ended 31 March 2016 representing approximately 58.4% and 56.5% of our total revenue, respectively over the same period. Hong Kong is our largest market by geographical segment during the Track Record Period. Hence, our ability to sustain our growth will be primarily driven by the demand for green building certification in Hong Kong. Increasing recognition of green building certification rating systems, including BEAM Plus, LEED and China GBL, in Hong Kong in recent years is one of the major factors to raise the demand for our green building certification consultancy. Apart from the policy and measures formulated by the Government, relevant laws and regulations were also imposed which has raised the demand for the green building certification. Please refer to the section headed “Summary of Principal Legal and Regulatory Provisions” of this prospectus for further details. According to the F&S Report, the market size of the green building certification consultancy in Hong Kong in terms of revenue grew steadily from HK\$92.8 million in 2011 to HK\$143.2 million in 2015, representing a CAGR of 11.5%, and expected to achieve HK\$280.0 million in 2020, representing a CAGR of 14.5%.

Revenue derived from the provision of sustainability and environmental consultancy in Hong Kong amounted to approximately HK\$7.3 million and HK\$8.4 million respectively for each of the two years ended 31 March 2016 representing approximately 25.6% and 26.0% of our total revenue, respectively over the same period. In Hong Kong, the Environmental Protection Department, along with other related government departments, have implemented various laws regulating environment issues, such as the Environmental Impact Assessment Ordinance which made environmental impact assessment report a prerequisite requirement for the construction projects in nearly every industry. Please refer to the section headed “Summary of Principal Legal and Regulatory Provisions” of this prospectus for further details. According to the F&S Report, the market size of the sustainability and environmental consultancy in Hong Kong in terms of revenue grew steadily from HK\$73.2 million in 2011 to HK\$101.5 million in 2015, representing a CAGR of 8.5%, and expected to achieve HK\$169.4 million in 2020, representing a CAGR of 11.1%.

We expect that our financial condition and results of operations will, in a material respect, continue to be affected by the demand for our green building certification consultancy and sustainability and environmental consultancy in Hong Kong.

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## FINANCIAL INFORMATION

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### **Expansion of our service coverage and presence in the PRC**

Our ability to increase our revenue is expected to be affected by the expansion of our service coverage in the PRC. During the Track Record Period, we had provided green building certification consultancy, sustainability and environmental consultancy, and acoustics, noise and vibration control and audio-visual design consultancy in the PRC. Our revenue attributable to the provision of services in the PRC amounted to approximately HK\$1.8 million and HK\$2.3 million respectively for each of the two years ended 31 March 2016, representing approximately 6.4% and 7.2% of our total revenue, respectively over the same period. We intend to further expand our service coverage and our presence in the PRC where the demand for green building certification consultancy is rapidly increasing according to the F&S Report. The rapid development is driven by “Environmental Protection Law of The PRC 《中華人民共和國環境保護法》” which requires environmental assessment to be conducted before any construction, “Law of the PRC on Prevention and Control of Pollution from Environmental Noise 《中華人民共和國環境噪聲污染防治法》” which aims to prevent and control environmental noise pollution and “Assessment Standard for Green Building 《綠色建築評價標準》” which sets the evaluation standard for green building in the PRC. In addition, we plan to acquire or cooperate with the existing companies in the PRC with extensive local connections in our industry in the PRC and we believe that their extensive customer networks in the different regions in the PRC will help us to tap into new markets, broaden our customer base nationwide and increase our existing market share in the PRC.

We expect that our results of operations and financial condition will be materially affected by our ability to expand our service coverage and presence in the PRC and the related revenue generated and costs incurred.

### **Our ability to control and manage our cost of services provided**

Our cost of services provided comprises direct labour costs and sub-contracting costs attributed to the projects. Our direct labour costs included in cost of services provided amounted to approximately HK\$7.0 million and HK\$8.9 million respectively for each of the two years ended 31 March 2016, representing approximately 65.2% and 71.2% of our total cost of services provided, respectively, over the same period. Our sub-contracting costs included in cost of services provided amounted to approximately HK\$3.7 million and HK\$3.6 million respectively for each of the two years ended 31 March 2016, representing approximately 34.8% and 28.8% of our total cost of services provided, respectively, over the same period. We continue to adjust the ratio of consultancy work between those outsourced to sub-contractors and performed by our in-house team with an aim to improve the service quality and to enhance our profitability. The sub-contracting costs would be affected by the volume, the timing and the complexity of services outsourced. We would obtain preliminary quotations from our sub-contractors and prepare the bidding price; while the direct labour costs would be affected by the salary level of the consulting staff and job market in our industry.

The following sensitivity analysis only illustrates the impact of hypothetical fluctuations of our direct labour costs on our net profit during the Track Record Period, assuming all other variables, including our revenue, remained constant. Fluctuations in our direct labour costs are assumed to be 5%, 15% and 25% and the maximum fluctuation in our direct labour costs during the Track Record Period is set out below.

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## FINANCIAL INFORMATION

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### *Hypothetical fluctuations of our direct labour costs*

	<b>+/-5%</b>	<b>+/-15%</b>	<b>+/-25%</b>	<b>Maximum fluctuation in our direct labour costs during the Track Record Period +/-27%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Decrease/increase in net profit</b>				
Year ended 31 March 2015	293	880	1,466	1,560
Year ended 31 March 2016	371	1,114	1,856	1,975

The following sensitivity analysis only illustrates the impact of hypothetical fluctuations of our sub-contracting costs on our net profit during the Track Record Period, assuming all other variables, including our revenue, remained constant. Fluctuations in our sub-contracting costs are assumed to be 5%, 10% and 15% and the maximum fluctuation in our sub-contracting costs during the Track Record Period is set out below.

### *Hypothetical fluctuations of our sub-contracting costs*

	<b>+/-5%</b>	<b>+/-10%</b>	<b>+/-15%</b>	<b>Maximum fluctuation in our sub- contracting costs during the Track Record Period +/-4%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Decrease/increase in net profit</b>				
Year ended 31 March 2015	156	313	469	119
Year ended 31 March 2016	150	301	451	115

We expect that our results of operations and financial condition rely heavily on our ability to control and manage our costs of services provided, which will be adversely affected if there is an increase in our cost of services and we may not be able to pass the increased costs to our customers.

### **Business relationship with our major customers**

We derived our revenue from a number of customers with long business relationship in Hong Kong and the PRC. For each of the two years ended 31 March 2016, our revenue from the provision of the environmental consultancy services to our five largest customers accounted for approximately 37.8% and 33.6%, respectively, of our total revenue.

## FINANCIAL INFORMATION

Based on the information available in the public domain, the following table sets out certain information with respect to our top five customers during the Track Record Period:

Customers (Note 1)	Principal business/ activity (Note 2)	Background (Note 2)	Services provided by us	Reporting period which the customer was one of our five largest customers	Length of relationship with our Group as at the Latest Practicable Date
Customer A	Property development and property investment in Hong Kong and the PRC  Complementary operations in property-related fields including hotels, property management, construction, insurance and mortgage services, as well as investments in telecommunications, information technology, infrastructure and other businesses	Subsidiaries of one of the largest property companies in Hong Kong listed on the Stock Exchange since 1972 and one of the Hang Seng Index constituents stocks, with a market capitalisation of approximately HK\$343 billion as at the Latest Practicable Date	Green building certification consultancy and sustainability and environmental consultancy	Years ended 31 March 2015 and 31 March 2016	Over 20 years
Hong Kong Housing Authority	Implementation of public housing programme in Hong Kong  It plans, builds, manages and maintains different types of public housing, including rental housing, interim housing and transit centres in Hong Kong	A statutory body established in April 1973 under the Housing Ordinance	Green building certification consultancy and sustainability and environmental consultancy	Years ended 31 March 2015 and 31 March 2016	Over 16 years
Customer C	Handles different types of building projects from feasibility studies to design documentation and construction, and on full range of building services engineering, performance based fire engineering, sustainable/low energy building design and interior/exterior lighting design	A private group of architects and building services engineers with over 400 professional, technical staff and supporting personnel with offices in Hong Kong and the PRC	Green building certification consultancy and sustainability and environmental consultancy	Years ended 31 March 2015 and 31 March 2016	Over 20 years

## FINANCIAL INFORMATION

Customers (Note 1)	Principal business/ activity (Note 2)	Background (Note 2)	Services provided by us	Reporting period which the customer was one of our five largest customers	Length of relationship with our Group as at the Latest Practicable Date
Customer D	<p>Foundation piling and property development in Hong Kong and the PRC</p> <p>Foundation piling and machinery hiring and trading in Hong Kong</p> <p>Property development, property investment and property management in PRC</p>	<p>Subsidiaries of a leading foundation piling company in Hong Kong having one of the most advanced fleet of machinery and equipment and listed on the Stock Exchange since 1991, with a market capitalisation of approximately HK\$4 billion as at the Latest Practicable Date</p>	<p>Green building certification consultancy</p>	<p>Year ended 31 March 2015</p>	<p>Over 14 years</p>
Customer E	<p>Piling construction including bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling, and other ancillary services including excavation and lateral support works, site formation and pile cap construction, and drilling and site investigation</p>	<p>A construction company listed on the Stock Exchange since 2015, with a market capitalisation of approximately HK\$540 million as at the Latest Practicable Date</p>	<p>Green building certification consultancy</p>	<p>Year ended 31 March 2015</p>	<p>Over 15 years</p>
Customer F	<p>Property development for sale and investment in Hong Kong and the PRC</p>	<p>A leading property developer listed on the Stock Exchange since 1981 and one of the Hang Seng Index constituents stocks, with a market capitalisation of approximately HK\$169 billion as at the Latest Practicable Date, and its subsidiaries</p>	<p>Green building certification consultancy, sustainability and environmental consultancy and acoustics and audio-visual design consultancy</p>	<p>Year ended 31 March 2016</p>	<p>Over 20 years</p>

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## FINANCIAL INFORMATION

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Customers (Note 1)	Principal business/ activity (Note 2)	Background (Note 2)	Services provided by us	Reporting period which the customer was one of our five largest customers	Length of relationship with our Group as at the Latest Practicable Date
Customer G	Architectural design	<p>A private architectural firm founded in 1868 in Hong Kong engaging architecture design in Hong Kong, the PRC, Southern Asia and Middle East</p> <p>It has over 2,000 architects, engineers, planners and designers operating in over 70 cities</p>	<p>Green building certification, sustainability and environmental consultancy and acoustics, noise and vibration control and audio-visual design consultancy</p>	Year ended 31 March 2016	Over 9 years

*Note 1:* For illustration purpose, contracts entered into with subsidiaries of the same customer are presented on a group basis.

*Note 2:* Such information is based on publicly available information from the official websites of our customers or its holding company and the Stock Exchange, if applicable.

We have not entered into any long-term recurring contract with our top five customers during the Track Record Period. Notwithstanding our efforts in marketing and promotion, there is no assurance that we would be able to maintain business relationships with these customers. In the event that we fail to retain these customers and we are unable to secure new customers to recover such loss of revenue, our results of operations and financial position may be adversely affected.

### **Timing of collection of our accounts receivable**

We normally bill and receive progress payments from our customers pursuant to the respective contractual terms and normally by the stages of services we rendered, typically from appointment to delivery of our final reports. There can be no assurance that progress payment will be paid to us on time and in full upon completion of our services or in some cases after the maintenance or defect liability period. For each of the two years ended 31 March 2016, our accounts receivable amounted to approximately HK\$13.4 million and HK\$9.4 million, respectively. As at the Latest Practicable Date, approximately 94.8% and 73.4% of the accounts receivable balance for each of the two years ended 31 March 2016 has been subsequently settled. Any failure by our customers to make remittance on time and in full may have an adverse effect on our liquidity and financial position. Any non-recoverable amounts may lead to impairment loss and affect our results of operations.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the financial position and results of operations of the Group as included in this prospectus is based on the financial information prepared under the significant accounting policies set forth in note 4 to the Accountants' Report set out in Appendix I to this prospectus, which are in accordance with the HKFRS issued by the HKICPA.

The following is a summary of critical accounting policies of our Group that our Directors believe to be important to the presentation of its financial results and position. The other accounting policies that our Directors consider to be significant have been set out in note 4 to the Accountants' Report set out in Appendix I to this prospectus.

#### Revenue recognition and contracts for services

Revenue is recognised progressively based on the stage of completion of each project by making reference to the actual contract costs incurred to date as a percentage of total estimated contract costs to complete the project. Actual contract costs incurred are based on the cost of direct labour recorded and the sub-contracting costs incurred during the Track Record Period. Estimated contract costs of the project are based on budgets prepared by the management, which mainly comprise direct labour costs and sub-contracting costs estimated by the management on the basis of (i) estimated cost of direct labour based on the experience of the management on previously completed projects; and (ii) estimated sub-contracting costs based on the quotations provided by the sub-contractors or suppliers involved and the experience of the management on previously completed projects. Our Group recognises revenue from a project over time only if it can reasonably measure progress towards completion. Otherwise, it would recognise revenue to the extent of the actual costs incurred.

Please see note 4 to the Accountants' Report set out in Appendix I to this prospectus for details.

#### Income tax

##### *Cayman Islands and the BVI*

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

##### *Hong Kong*

Pursuant to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), the estimated assessable profits arising in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% for each reporting period during the Track Record Period.

Since we are carrying on our business in Hong Kong, we are subject to Hong Kong profits tax for assessable profits arising in our consultancy services provided for projects located in Hong Kong.

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## FINANCIAL INFORMATION

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### *Macau*

According to Article 2 of the Macau Complementary Tax Law, Macau Complementary Tax is imposed on the taxable income earned by corporations in Macau, irrespective of the residence or situation of headquarters and the nature of income, at the rate of 12.0% for each reporting period during the Track Record Period.

Since we may send our staff to perform part of our services in Macau for the projects located in Macau, we are subject to Macau Complementary Tax for income generated from projects located in Macau. Pursuant to special tax incentives approved in the Macau government's annual budget for the two years ended 31 March 2016, the Company should not be liable to Macau Complementary Tax as the taxable income derived during the Track Record Period is below the tax free income threshold.

### *PRC*

#### EIT

The Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) (the “**EIT Law**”), enacted on 16 March 2007 and effective on 1 January 2008, adopts a tax rate of 25% for all enterprises (including foreign-invested enterprises). According to the Administrative Measures for the Assessment and Levy of Enterprise Income Tax on Non-resident Enterprises (非居民企業所得稅核定徵收管理辦法) announced by the State Administration of Taxation on 20 February 2010, non-resident enterprise who generates income from the provision of services to customers within the PRC shall be subject to EIT for the whole amount of income incurred from the provision of services within the PRC. If the non-resident enterprise provides services within and outside the PRC, the income so generated shall be classified as domestic and overseas income by the place where the services are provided, and shall be subject to EIT for the income from provision of services within the PRC. Taxable income of non-resident enterprises shall be the amount of total income multiplied by a margin approved by the taxation authority. For non-resident enterprises engaging in the provision of consultancy services, the taxation authority may confirm a standard margin of 15% to 30%. As our Group provides consultancy services within the PRC, the effective EIT rate shall be 3.75% to 7.5% of related revenue.

#### Value-added Tax

Pursuant to the Implementing Measures for the Pilot Program of Replacing Business Tax with Value-Added Tax (the “**Implementing Measures**”) (營業稅改徵增值稅試點實施辦法), entity and individual who provide tax payable services are value-added tax obligor and shall be subject to 6% value-added tax for the provision of Tax Payable Services within the category of modern service industry. According to the Annotations of Taxable Services Scope, which is an appendix to the Implementing Measures, consultancy service is categorised as assurance and consultancy service which is one kind of modern services. Therefore, our Group is subject to 6% value-added tax for its provision of consultancy services within the PRC.



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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are set forth in note 4 to the Accountants' Report set out in Appendix I to this prospectus, the Directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Please see note 5 to the Accountant's Report set out in Appendix I to this prospectus for details.

### RESULTS OF OPERATIONS

The table below sets out financial information on the combined statements of profit or loss and other comprehensive income of our Group for the years indicated, which is derived from, and should be read in conjunction with, the combined financial information set out in the Accountants' Report in Appendix I to this prospectus.

### COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March	
	2015 HK\$'000	2016 HK\$'000
Revenue	28,347	32,539
Cost of services provided	<u>(10,771)</u>	<u>(12,496)</u>
Gross profit	17,576	20,043
Other income and gains	8	560
Administrative expenses	(5,303)	(7,305)
Finance costs	(13)	(11)
Other expenses	(211)	(307)
Listing expenses	<u>-</u>	<u>(5,373)</u>
Profit before tax	12,057	7,607
Income tax expense	<u>(2,060)</u>	<u>(2,159)</u>
Profit and total comprehensive income for the year	<u>9,997</u>	<u>5,448</u>

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## FINANCIAL INFORMATION

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### Revenue

We generate our revenue principally from projects where we provide our consultancy services in Hong Kong, the PRC and Macau. During the Track Record Period, our revenue was derived from four business segments: (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy.

The segment revenue from each of the four business segments is primarily driven by the number, size and types of projects involved, nature of services to be provided and the stage of completion of the projects which affects the timing of recognition of our revenue.

#### *Revenue by business segment*

The following table sets out the breakdown of our revenue by types of our business segment for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Green building certification consultancy	17,050	60.2	19,307	59.3
Sustainability and environmental consultancy	7,632	26.9	8,461	26.0
Acoustics, noise and vibration control and audio-visual design consultancy	3,665	12.9	4,258	13.1
ESG reporting and consultancy	—	—	513	1.6
Total	<u>28,347</u>	<u>100.0</u>	<u>32,539</u>	<u>100.0</u>

#### *(1) Green building certification consultancy*

For each of the two years ended 31 March 2016, our revenue generated from green building certification consultancy was the largest component of our total revenue, representing approximately 60.2% and 59.3% of our total revenue respectively.

## FINANCIAL INFORMATION

### Analysis by status of projects

The following table sets out the breakdown of our revenue generated from our completed and on-going green building certification consultancy projects for the years indicated:

		Year ended 31 March							
		2015				2016			
		Average	Revenue recognised			Average	Revenue recognised		
		Number of projects undertaken				amount of revenue recognised <sup>(3)</sup> HK\$'000			Number of projects undertaken
			HK\$'000	%	%		HK\$'000	%	
Green building certification consultancy									
(i)	Completed projects <sup>(1)</sup>	45	120	5,383	31.6	29	126	3,642	18.9
(ii)	On-going projects <sup>(2)</sup>	105	111	11,667	68.4	108	145	15,665	81.1
		<u>150</u>	<u>114</u>	<u>17,050</u>	<u>100.0</u>	<u>137</u>	<u>141</u>	<u>19,307</u>	<u>100.0</u>

*Notes:*

1. The number of completed projects undertaken by us for each of the reporting period represents the projects completed in that reporting period. There were 8 and 4 new projects undertaken by us which had been completed for each of the two years ended 31 March 2016 respectively.
2. Some of the number of on-going projects undertaken by us may span over one year. During the Track Record Period, there were 31 and 28 new projects undertaken by us which are on-going for each of the two years ended 31 March 2016 respectively.
3. Average amount of revenue recognised represents the total revenue recognised in the respective period divided by the number of projects undertaken during that reporting period.

Our revenue generated from green building certification consultancy increased from approximately HK\$17.1 million to approximately HK\$19.3 million, despite the total number of projects undertaken decreased while the average amount of revenue recognised per project increased between the year ended 31 March 2015 and 2016. The increase is due to (i) the substantial progress of the contracted services work of our on-going projects attained during the year ended 31 March 2016, resulting in the significant increase in our revenue recognised of our on-going projects during the year ended 31 March 2016; offset by (ii) the decrease in the number of completed projects during the year ended 31 March 2016, resulting in a significant decrease in the revenue recognised of our completed projects during the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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(i) Completed projects

During the years ended 31 March 2015 and 2016, our revenue generated from our completed projects slightly decreased from approximately HK\$5.4 million in 2015 to approximately HK\$3.6 million in 2016 and the number of projects undertaken also decreased.

The decrease in number of projects undertaken with the slight increase in average amount of revenue recognised per each completed project between the years ended 31 March 2015 and 2016 was primarily due to (i) the completion of three projects with relatively larger contract sum in the year ended 31 March 2015, namely project GBC9, project GBC11 and project GBC13; (ii) the fact that we completed 11 projects with relatively larger contract sum in the year 31 March 2016, however, we were already working on those projects in the year ended 31 March 2015 and a significant portion of revenue was recognised in the year ended 31 March 2015 and only the remaining revenue was recognised in the year ended 31 March 2016, namely project GBC1, project GBC2, project GBC3, project GBC4 and project GBC5; and (iii) the decrease in the number of small scale projects undertaken and completed with small contract sum in the year ended 31 March 2016 when compared to the year ended 31 March 2015.

## FINANCIAL INFORMATION

Set out below is the summary of sizeable projects which had been completed during the Track Record Period, (i) with awarded contract sum over HK\$300,000; and (ii) in aggregate contributed over HK\$300,000 revenue during the Track Record Period.

Project code	Type of service work	Certification obtained	Scope of work	Building type	Client type	Location of project	Project period <sup>(1)</sup> (year/month)	Awarded contract sum <sup>(2)</sup> HK\$'000	Revenue recognised		Total revenue recognised during the Track Record Period <sup>(3)</sup> HK\$'000	
									for the year ended 31 March 2015 HK\$'000	2016 HK\$'000		
<b>Hong Kong</b>												
GBC1	LEED certification	Platinum	Full scope	Commercial building	Developer	Central	2013/07 – 2015/04	655	525	65	590	
GBC2	BEAM certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Residential building	Contractor	Shatin	2013/10 – 2015/12	615	371	182	553	
GBC3	LEED certification and integrated environmental consultancy	Gold	Composite <sup>(6)</sup>	Public usage building and infrastructure	Contractor	Kai Tak	2012/03 – 2015/07	1,185	294	210	504	
GBC4	BEAM certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Residential building	Contractor	Kai Tak	2013/05 – 2016/01	693	294	203	497	
GBC5	LEED certification	Platinum	Full scope	Commercial building	Owner <sup>(4)</sup>	Shatin	2010/11 – 2016/02	1,030	270	171	441	
GBC6	BEAM certification	Platinum	Full scope	Commercial building	Owner <sup>(4)</sup>	North Point	2014/03 – 2015/12	466	176	274	450	
GBC7	BEAM and LEED certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Residential building	Contractor	Ho Man Tin	2014/05 – 2015/12	427	227	200	427	
GBC8	BEAM certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Residential building	Contractor	Ma On Shan	2014/02 – 2015/10	432	245	177	422	
GBC9	BEAM certification	Platinum	Full scope	Public usage building and infrastructure	Designer/ Architects	Shatin	2011/09 – 2014/11	680	408	-	408	
GBC10	BEAM and LEED certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Commercial building	Contractor	Kowloon Bay	2014/09 – 2016/02	380	215	165	380	
GBC11	LEED certification	Gold	Full scope	Commercial building	Owner <sup>(4)</sup>	Central	2013/01 – 2014/12	498	324	-	324	
GBC12	BEAM certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Residential building	Contractor	Repulse Bay	2013/05 – 2016/02	447	162	195	357	
GBC13	BEAM certification	Not applicable <sup>(5)</sup>	Monthly consultancy	Residential building	Contractor	Tseung Kwan O	2013/09 – 2015/01	448	314	-	314	

## FINANCIAL INFORMATION

Project code	Type of service work	Certification obtained	Scope of work	Building type	Client type	Location of project	Project period <sup>(1)</sup> (year/month)	Awarded contract sum <sup>(2)</sup> HK\$'000	Revenue recognised		Total revenue recognised during the Track Record Period <sup>(3)</sup> HK\$'000
									for the year ended 31 March 2015 HK\$'000	2016 HK\$'000	
PRC											
GBC14	LEED certification	Gold	Full scope	Commercial building	Developer	Shanghai	2014/10 – 2015/12	1,000	298	702	1,000

*Notes:*

1. Project period for a particular contract refers to the period from the date of actual commencement of services work to the actual date of completion of our services work in such contract.
2. The awarded contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
3. The amount of revenue recognised during the Track Record Period included the subsequent variation orders.
4. Owner represents the landlord or property owner, as the case maybe.
5. We were only engaged to provide monthly consultancy services work and were not involved in the application of green building certification. Therefore, we cannot confirm the certification or rating obtained or to be obtained.
6. Composite scope refer to our professional services provided for both green building certification consultancy and other segments.

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## FINANCIAL INFORMATION

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The table below sets forth the breakdown of the project number and contract value by project size of the completed projects of green building certification consultancy segment for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<b>Number of contracts</b>	<b>Total contract value (HK\$'000)</b>	<b>Number of contracts</b>	<b>Total contract value (HK\$'000)</b>
Project with contract value of below HK\$300,000	26	3,342	15	1,370
Project with contract value of over or equal to HK\$300,000	19	8,479	14	8,426
<b>Total</b>	<b>45</b>	<b>11,821</b>	<b>29</b>	<b>9,796</b>

(ii) On-going projects

During the years ended 31 March 2015 and 2016, our revenue generated from our on-going projects significantly increased from approximately HK\$11.7 million in 2015 to approximately HK\$15.7 million in 2016 and the number of on-going projects undertaken also increased.

The increase in average amount of revenue recognised for each on-going project as well as the increased number of projects undertaken between the years ended 31 March 2015 and 2016 was primarily due to the increase in number of on-going projects in Hong Kong attaining substantial progress from three on-going projects undertaken during the year ended 31 March 2015, namely, project GBO2, project GBO7 and project GBO9, to seven projects undertaken during the year ended 31 March 2016, namely project GBO1, project GBO3, project GBO4, project GBO5, project GBO7, project GBO8 and project GBO12.

## FINANCIAL INFORMATION

We further set out below the summary of sizable projects which (i) had awarded contract sum over HK\$450,000; (ii) in aggregate contributed over HK\$450,000 revenue during the Track Record Period; and (iii) had not been completed as at respective reporting dates.

Project code	Type of service work	Certification targeted to obtain	Scope of work	Building type	Client type	Location of project	Estimated project period (year/month) <sup>(1)</sup>	Awarded contract sum <sup>(2)</sup> HK\$'000	Revenue recognised for the year ended 31 March 2015 HK\$'000	2016 HK\$'000	Total revenue recognised during the Track Record Period <sup>(3)</sup> HK\$'000	Outstanding contract sum as at 31 August 2016 <sup>(4)</sup> HK\$'000	Estimated percentage of completion up to 31 March 2017 <sup>(5)</sup>
<b>Hong Kong</b>													
GB01	BEAM certification	Platinum	Full scope	Commercial building	Designer/ Architects	Shatin	2014/03 – 2016/09	1,040	154	685	839	12	100%
GB02	BEAM certification	Not applicable <sup>(7)</sup>	Monthly consultancy	Residential building	Contractor	Kowloon Tong	2014/03 – 2016/05	757	373	369	742	–	100%
GB03	BEAM certification and integrated environmental consultancy	Gold	Composite <sup>(8)</sup>	Public usage building and infrastructure	Designer/ Architects	Tuen Mun	2012/02 – 2019/01	1,680	151	504	655	588	72%
GB04	BEAM certification and integrated environmental consultancy	Gold	Composite <sup>(8)</sup>	Public usage building and infrastructure	Designer/ Architects	Tai Po	2014/03 – 2020/04	1,553	154	478	632	658	67%
GB05	BEAM and LEED certification	BEAM – unclassified rating	Full scope	Commercial building	Owner <sup>(6)</sup>	Tseung Kwan O	2013/11 – 2017/03	900	90	451	541	196	100%
GB06	BEAM certification	LEED – Gold	Monthly consultancy	Residential building	Contractor	Sha Po	2012/12 – 2017/01	1,005	335	197	532	76	100%
GB07	BEAM certification and integrated environmental consultancy	Gold	Composite <sup>(8)</sup>	Public usage building and infrastructure	Designer/ Architects	Fanling	2013/07 – 2017/10	880	258	266	524	258	85%
GB08	BEAM certification	Gold	Full scope	Residential building	Developer	Yuen Long	2011/04 – 2016/06	676	84	422	506	18	100%
GB09	BEAM and LEED certification	Gold	Full scope	Commercial building	Developer	San Po Kong	2012/04 – 2017/04	1,018	300	200	500	263	97%
GB010	BEAM certification	Silver	Monthly consultancy	Residential building	Contractor	Shatin	2013/11 – 2017/01	744	259	224	483	173	100%
GB011	BEAM certification	Not applicable <sup>(7)</sup>	Monthly consultancy	Residential building	Contractor	Tseung Kwan O	2013/08 – 2016/07	706	228	233	461	27	100%
GB012	BEAM certification	Platinum	Full scope	Commercial building	Developer	Central	2013/04 – 2017/06	648	97	357	454	141	94%



## FINANCIAL INFORMATION

*Notes:*

1. Estimated project period in general refers to the expected commencement date and completion date of the project as specified in the relevant contract, which is subject to variation. Where no expected commencement date and completion date is specified in a contract, estimated project period refers to the completion date to the best estimation of the management of our Group.
2. The awarded contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
3. The amount of revenue recognised during the Track Record Period included the subsequent variation orders (if any).
4. Outstanding contract sum as at 31 August 2016 is calculated by the awarded contract sum (with adjustment for variation orders) minus the revenue recognised until 31 August 2016.
5. Estimated percentage of completion is estimated based on the total costs incurred divided by the estimated total contract costs for the project representing the completion progress up to 31 March 2017.
6. Owner represents landlord or property owners as the case may be.
7. We were only engaged to provide monthly consultancy services work and would not be involved in the application of certification. Therefore, we cannot confirm the target certification or rating to be obtained.
8. Composite scope refer to our professional services provided for both green building certification consultancy and other segments. Our scope of services include consultancy services from design stage to construction complete, thus a significant portion of our revenue will be recognised in the early stage of the estimated project period. The expected completion date for such projects is heavily depending on the construction schedule of the contractors.

The table below sets forth the breakdown of the project number and contract value by project size of the on-going projects of green building certification consultancy segment for the years indicated:

	Year ended 31 March			
	2015	2016	2015	2016
	Number of contracts	Total contract value (HK\$'000)	Number of contracts	Total contract value (HK\$'000)
Project with contract value of below HK\$450,000	50	13,895	47	13,208
Project with contract value of over or equal to HK\$450,000	55	41,344	61	45,732
<b>Total</b>	<b>105</b>	<b>55,239</b>	<b>108</b>	<b>58,940</b>

## FINANCIAL INFORMATION

### (II) Sustainability and environmental consultancy

For each of the two years ended 31 March 2016, our revenue generated from our sustainability and environmental consultancy was the second largest component of our total revenue, representing approximately 26.9% and 26.0% of our total revenue respectively.

#### Analysis by status of projects

The following table sets out the breakdown of our revenue generated from our completed and on-going sustainability and environmental consultancy projects for the years indicated:

	Year ended 31 March							
	2015				2016			
	Number of amount of projects undertaken	Average revenue recognised <sup>(3)</sup>	Revenue recognised	%	Number of amount of projects undertaken	Average revenue recognised <sup>(3)</sup>	Revenue recognised	
		HK\$'000	HK\$'000	%		HK\$'000	HK\$'000	%
Sustainability and environmental consultancy								
(i) Completed projects <sup>(1)</sup>	56	85	4,774	62.6	39	99	3,874	45.8
(ii) On-going projects <sup>(2)</sup>	39	73	2,858	37.4	43	107	4,587	54.2
	<u>95</u>	<u>80</u>	<u>7,632</u>	<u>100.0</u>	<u>82</u>	<u>103</u>	<u>8,461</u>	<u>100.0</u>

#### Notes:

1. The number of completed projects undertaken by us for each of the reporting period represents the projects completed in that reporting period. There were 19 and 16 new projects undertaken by us which had been completed for each of the two years ended 31 March 2016 respectively.
2. Some of the number of on-going projects undertaken by us may span over one year. During the Track Record Period, there were 18 and 27 new projects undertaken by us which are on-going for each of the two years ended 31 March 2016 respectively.
3. Average amount of revenue recognised represents the total revenue recognised in the reporting period divided by the number of projects undertaken during that reporting period.

Our revenue generated from sustainability and environmental consultancy increased from approximately HK\$7.6 million to approximately HK\$8.5 million, despite the total number of projects undertaken decreased during the corresponding period between the years ended 31 March 2015 and 2016. The increase is primarily due to the fact that substantial progress of the contracted services work of our on-going projects were attained during the year 31 March 2016, resulting in significant increase in our revenue recognised of our on-going projects during the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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(i) Completed projects

During the years ended 31 March 2015 and 2016, our revenue generated from our completed projects decreased from approximately HK\$4.8 million to approximately HK\$3.9 million and the number of projects undertaken also decreased.

The slight increase in average amount of revenue recognised per each completed project with the decrease in number of projects undertaken between the years ended 31 March 2015 and 2016 was due to the fact that (i) substantial progress of contract service work of two sizeable project with relatively larger awarded contract sum, namely project SEC1 and project SEC6 which were completed during the year ended 31 March 2016; and (ii) the decrease in the number of small scale projects undertaken and completed in the year ended 31 March 2016 when compared to the year ended 31 March 2015.

## FINANCIAL INFORMATION

Set out below is the summary of sizeable projects which had been completed during the Track Record Period, (i) with awarded contract sum equal or over HK\$400,000; and (ii) in aggregate contribute over HK\$400,000 revenue during the Track Record Period.

Project code	Type of service work	Scope of work	Building type	Client type	Location of project	Project period (year/month) <sup>(1)</sup>	Awarded contract sum <sup>(2)</sup> HK\$'000	Revenue recognised for the year ended 31 March		Total revenue recognised during the Track Record Period <sup>(3)</sup> HK\$'000
								2015 HK\$'000	2016 HK\$'000	
<b>Hong Kong</b>										
SEC1	Environmental assessment	Environmental assessment, drainage impact assessment, sewerage impact assessment, air ventilation assessment, water quality impact assessment, water supply impact assessment, ecological impact assessment	Residential building	Developer	Ma On Shan	2015/01 – 2015/11	978	293	685	978
SEC2	Environmental impact assessment	Full scope	Public usage building and infrastructure	Government	Chai Wan	2013/05 – 2016/01	920	412	416	828
SEC3	Environmental assessment	Air ventilation assessment	Residential building	Government	Sha Tin	2011/06 – 2015/12	688	235	316	551
SEC4	Environmental assessment	Air ventilation assessment	Residential building	Government	Tung Chung	2012/12 – 2014/12	480	480	–	480
SEC5	Environmental assessment	Air ventilation assessment	Public usage building and infrastructure	Designer/ Architects	Ho Man Tin	2012/04 – 2015/03	520	468	–	468
SEC6	Environmental assessment	Air ventilation assessment	Residential building	Government	Fo Tan	2011/12 – 2016/01	428	–	400	400

*Notes:*

1. Project period for a particular contract refers to the period from the date of actual commencement of services work to the actual date of completion of our services work in such contract.
2. The awarded contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
3. The amount of revenue recognised during the Track Record Period included the subsequent variation orders.

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## FINANCIAL INFORMATION

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The table below sets forth the breakdown of the project number and contract value by project size of the completed projects of sustainability and environmental consultancy segment for the years indicated:

	Year ended 31 March			
	2015	2016	2015	2016
	Number of contracts	Total contract value (HK\$'000)	Number of contracts	Total contract value (HK\$'000)
Project with contract value of below HK\$400,000	50	5,849	35	3,856
Project with contract value of over or equal to HK\$400,000	6	3,509	4	3,014
<b>Total</b>	<b>56</b>	<b>9,358</b>	<b>39</b>	<b>6,870</b>

(ii) On-going projects

During the years ended 31 March 2015 and 2016, our revenue recognised from our on-going projects increased from approximately HK\$2.9 million to approximately HK\$4.6 million and the number of projects undertaken also slightly increased.

The increase in number of projects undertaken with the increase in average revenue recognised per each on-going project between the years ended 31 March 2015 and 2016 was due to the fact that (i) there were four new on-going projects with large contract sum, namely project SEO1, project SEO3, project SEO4 and project SEO5 engaged and commenced during the year ended 31 March 2015. The contract service work rendered for such on-going projects were relatively insignificant and relatively small amount of revenue was recognised during the year ended 31 March 2015, while three of such on-going projects, namely project SEO1, project SEO3 and project SEO4, attained substantial progress of contract service work and relatively large amount of revenue was recognised during the year ended 31 March 2016; and (ii) there were two new on-going projects with relatively larger contract sum, namely project SEO2 and project SEO7, engaged and commenced during the year ended 31 March 2016 and one of such on-going projects, namely project SEO2, attained substantial progress of contract service work, therefore relatively large amount of revenue was recognised during the year ended 31 March 2016.

## FINANCIAL INFORMATION

We further set out below the summary of sizable projects which (i) awarded contract sum over HK\$500,000; (ii) in aggregate contributed over HK\$100,000 revenue during the Track Record Period; and (iii) had not been completed as at respective reporting dates.

Project code	Type of service work	Scope of work	Building type	Client type	Location of project	Estimated Project period (year/month) <sup>(1)</sup>	Awarded contract sum <sup>(2)</sup> HK\$'000	Revenue recognised for the year ended 31 March 2015 HK\$'000	2016 HK\$'000	Total revenue recognised during the Track Record Period <sup>(3)</sup> HK\$'000	Outstanding contract sum as at 31 August 2016 <sup>(4)</sup> HK\$'000	Estimated percentage of completion up to 31 March 2017 <sup>(5)</sup>
<b>Hong Kong</b>												
SEO1	Environmental assessment	Air ventilation assessment	Residential building	Government	Fanling	2014/04 – 2017/08	1,200	480	600	1,080	48	95%
SEO2	Environmental assessment	Environmental assessment, drainage impact assessment, visual impact assessment, sewage impact assessment, air ventilation assessment	Residential building	Designer/ Architects	Mong Kok	2015/07 – 2016/06	1,121	-	922	922	-	100%
SEO3	Environmental assessment	Air ventilation assessment	Residential building	Government	Diamond Hill	2014/07 – 2017/01	598	57	419	476	89	100%
SEO4	Environmental assessment	Ecological monitoring	Rivers	Government	Tai Po	2014/12 – 2018/08	1,680	25	447	472	1,175	63%
SEO5	Environmental assessment	Environmental monitoring	Commercial building	Contractor	Tuen Mun	2014/11 – 2018/10	641	96	169	265	320	65%
SEO6	Environmental assessment	Air ventilation assessment	Residential building	Government	Kwun Tong	2013/10 – 2016/12	518	76	105	181	272	100%
SEO7	Environmental assessment and integrated consultancy	Air ventilation assessment, preliminary environmental review	Public usage building and infrastructure	Designer/ Architects	Chat Wan	2016/01 – 2020/12	1,462	-	146	146	1,171	50%

### Notes:

- Estimated project period in general refers to the expected commencement date and completion date of the project as specified in the relevant contract, which is subject to variation. Where no expected commencement date and completion date is specified in a contract, estimated project period refers to the completion date to the best estimation of the management of our Group.
- The awarded contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
- The amount of revenue recognised included the subsequent variation orders (if any).
- Outstanding contract sum as at 31 August 2016 is calculated by the awarded contract sum (with adjustment for variation orders) minus the revenue recognised until 31 August 2016.
- Estimated percentage of completion is estimated based on the total costs incurred divided by the estimated total contract costs for the project representing the completion progress up to 31 March 2017.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of the project number and contract value by project size of the on-going projects of sustainability and environmental consultancy segment for the years indicated:

	Year ended 31 March			
	2015		2016	
	Number of contracts	Total contract value (HK\$'000)	Number of contracts	Total contract value (HK\$'000)
Project with contract value of below HK\$500,000	30	5,311	34	5,321
Project with contract value of over or equal to HK\$500,000	<u>9</u>	<u>7,851</u>	<u>9</u>	<u>9,087</u>
<b>Total</b>	<b><u>39</u></b>	<b><u>13,162</u></b>	<b><u>43</u></b>	<b><u>14,408</u></b>

### (III) Acoustics, noise and vibration control and audio-visual design consultancy

For each of the two years ended 31 March 2016, our revenue generated from our acoustics, noise and vibration control and audio-visual design consultancy, representing approximately 12.9% and 13.1% of our total revenue respectively.

#### Analysis by status of projects

The following table sets out the breakdown of our revenue generated from our completed and on-going acoustics, noise and vibration control and audio-visual design consultancy projects for the years indicated:

	Year ended 31 March							
	2015				2016			
	Number of projects undertaken	Average amount of revenue recognised <sup>(3)</sup> HK\$'000	Revenue recognised HK\$'000	%	Number of projects undertaken	Average amount of revenue recognised <sup>(3)</sup> HK\$'000	Revenue recognised HK\$'000	%
Acoustics, noise and vibration control and audio-visual design consultancy								
(i) Completed projects <sup>(1)</sup>	16	52	837	22.8	12	43	516	12.1
(ii) On-going projects <sup>(2)</sup>	<u>26</u>	<u>109</u>	<u>2,828</u>	<u>77.2</u>	<u>28</u>	<u>134</u>	<u>3,742</u>	<u>87.9</u>
	<b><u>42</u></b>	<b><u>87</u></b>	<b><u>3,665</u></b>	<b><u>100.0</u></b>	<b><u>40</u></b>	<b><u>106</u></b>	<b><u>4,258</u></b>	<b><u>100.0</u></b>

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## FINANCIAL INFORMATION

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*Notes:*

1. The number of completed projects undertaken by us for each of the reporting period represent the projects completed in that respective period. There were 6 and 7 new projects undertaken by us which had been completed for each of the two years ended 31 March 2016 respectively.
2. Some of the number of on-going projects undertaken by us may span over one year. During the Track Record Period, there were 17 and 7 new projects undertaken by us which are on-going for each of the two years ended 31 March 2016 respectively.
3. Average amount of revenue recognised represents the total revenue recognised in the reporting period divided by the number of projects undertaken during that reporting period.

Our revenue generated from acoustics, noise and vibration control and audio-visual design consultancy increased from approximately HK\$3.7 million to approximately HK\$4.3 million, the total number of projects undertaken slightly decreased while the average amount of revenue recognised increased between the year ended 31 March 2015 and 2016 relatively. The increase in revenue is primarily due to the increase in the number of on-going projects with larger contract sum for the year ended 31 March 2015.

(i) Completed projects

During the years ended 31 March 2015 and 2016, our revenue recognised for our completed projects decreased from approximately HK\$0.8 million to approximately HK\$0.5 million, and the average amount of revenue recognised per project and the number of projects undertaken also decreased.

The decrease in number of projects undertaken and the decrease in the average amount of revenue recognised per each completed project between the years ended 31 March 2015 and 2016 was primarily due to the decrease in the number of sizable projects completed with relatively larger awarded contract sum and variation orders, from three sizable projects completed during the year ended 31 March 2015, namely project AAC1, project AAC5 and project AAC6 to a relatively smaller size project completed during the year ended 31 March 2016, namely project AAC2.



## FINANCIAL INFORMATION

Set out below is the summary of sizeable projects which had been completed during the Track Record Period (i) with awarded contract sum equal or (ii) over HK\$100,000 during the Track Record Period.

Project code	Type of service work	Building type	Client type	Location of project	Project period (year/month)	Awarded contract sum <sup>(1)</sup> HK\$'000	Revenue recognised for		Total revenue recognised during the Track Record Period <sup>(2)</sup> HK\$'000
							the year ended 31 March 2015 HK\$'000	2016 HK\$'000	
<b>Hong Kong</b>									
AAAC1 <sup>(4)</sup>	Acoustics consultancy	Not applicable	Not applicable	Not applicable	2014/10 – 2015/02	300	300	–	300
AAAC2	Acoustics consultancy	Residential building	Developer	Tuen Mun	2015/07 – 2015/08	170	–	170	170
AAAC3	Acoustics and audio-visual consultancy	Commercial building	Owner	Mong Kok	2014/06 – 2015/12	120	96	24	120
AAAC4	Acoustics consultancy	Commercial building	Designer/ Architects	Yuen Long	2013/11 – 2015/06	106	51	47	98
AAAC5	Acoustics and audio-visual consultancy	Public usage building and infrastructure	Designer/ Architects	Tseung Kwan O	2008/06 – 2015/02	480	48	–	48
AAAC6	Acoustics and audio-visual consultancy	Commercial building	Developer	Yuen Long	2012/01 – 2014/08	360	36	–	36
AAAC7	Acoustics consultancy	Residential building	Developer	Yuen Long	2011/05 – 2014/10	180	18	–	18
AAAC8	Acoustics consultancy	Commercial building	Developer	Ma On Shan	2011/07 – 2014/09	155	8	–	8
<b>Macau</b>									
AAAC9	Acoustics consultancy	Commercial building	Owner	Macau	2010/09 – 2016/03	108	–	4	4

*Notes:*

- The awarded contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
- The amount of revenue recognised during the Track Record Period included the subsequent variation orders (if any).
- The revenue recognised for the completed projects other than those shown on the table above is in relatively small amount.
- Project AAAC1 is an acoustics consultancy project which our Group provided acoustics expert witness services, not for a specific project, therefore, the building type, client type and location of project are not applicable.

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## FINANCIAL INFORMATION

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The table below sets forth the breakdown of the project number and contract value by project size of the completed projects of acoustics, noise and vibration control and audio-visual design consultancy segment for the years indicated:

	Year ended 31 March			
	2015	Total	2016	Total
	Number of	contract	Number of	contract
	contracts	value	contracts	value
		(HK\$'000)		(HK\$'000)
Project with contract value of below HK\$100,000	10	472	8	357
Project with contract value of over or equal to HK\$100,000	<u>6</u>	<u>1,575</u>	<u>4</u>	<u>504</u>
Total	<u><u>16</u></u>	<u><u>2,047</u></u>	<u><u>12</u></u>	<u><u>861</u></u>

(ii) On-going projects

During the years ended 31 March 2015 and 2016, our revenue recognised from our on-going projects increased from approximately HK\$2.8 million to approximately HK\$3.7 million and the number of on-going projects slightly increased.

The increase in number of projects undertaken and the increase in average amount of revenue recognised per each on-going project between the years ended 31 March 2015 and 2016 was primarily due to five of the on-going acoustics, noise and vibration control and audio-visual design consultancy projects, namely project AAO2, project AAO3, project AAO4, project AAO7 and project AAO11, newly engaged in early 2015 and relatively large amount of contract service works attained for such projects during the year ended 31 March 2016, resulting in the increase in our revenue recognised of our on-going projects during the year ended 31 March 2016.

## FINANCIAL INFORMATION

We further set out below the summary of sizable projects which (i) had contract sum over HK\$250,000; (ii) in aggregate contributed over HK\$10,000 revenue during the Track Record Period; and (iii) had not been completed as at respective reporting dates.

Project code	Type of service work	Building type	Client type	Location of project	Estimated Project period (year/month) <sup>(1)</sup>	Revenue recognised for the year ended 31 March		Awarded contract sum <sup>(2)</sup> HK\$'000	Total revenue recognised during the Track Record Period <sup>(3)</sup> HK\$'000	Outstanding contract sum as at 31 August 2016 <sup>(4)</sup> HK\$'000	Estimated percentage of completion up to 31 March 2017 <sup>(5)</sup>
						2015 HK\$'000	2016 HK\$'000				
<b>Hong Kong</b>											
AAO1	Acoustics consultancy	Residential building	Developer	Tuen Mun	2014/07 – 2016/06	83	153	276	236	34	100%
AAO2	Acoustics consultancy	Residential building	Developer	Tseung Kwan O	2015/03 – 2020/03	8	214	740	222	406	62%
AAO3	Acoustics consultancy	Residential building	Developer	Mid-level	2015/01 – 2016/12	15	167	260	182	32	100%
AAO4	Acoustics consultancy	Public usage building and infrastructure	Designer/Architects	Fanling	2015/03 – 2017/11	–	168	560	168	392	72%
AAO5	Acoustics consultancy	Commercial building	Owner	Kowloon	2012/09 – 2017/03	54	89	280	143	32	100%
<b>PRC</b>											
AAO6	Audio-visual consultancy	Commercial building	Developer	Dongguan	2014/02 – 2018/04	882	711	2,150	1,593	225	95%
AAO7	Acoustics consultancy	Commercial building	Developer	Chengdu	2015/01 – 2018/12	356	348	1,017	704	210	82%
AAO8	Acoustics consultancy	Public usage building and infrastructure	Developer	Beijing	2015/03 – 2017/03	2	338	547	340	107	100%
AAO9	Acoustics consultancy	Commercial building	Developer	Dongguan	2012/12 – 2018/04	126	146	1,050	272	48	98%
<b>Macau</b>											
AAO10	Acoustics consultancy	Public usage building and infrastructure	Developer	Macau	2014/10 – 2016/12	108	109	270	217	27	100%
AAO11	Acoustics and audio-visual consultancy	Commercial building	Contractor	Macau	2015/01 – 2017/03	330	270	660	600	1	100%

## FINANCIAL INFORMATION

*Notes:*

1. The estimated project period is the period stated in the relevant contract, which is subject to variation.
2. The awarded contract sum is based on the initial agreement or quotation between our customer and us and may not include additions, modifications or deletions due to subsequent variation orders, as such final revenue recognised from a contract may differ from the contract sum.
3. The amount of revenue recognised included the subsequent variation orders (if any).
4. Outstanding contract sum as at 31 August 2016 is calculated by the awarded contract sum (with adjustment for variation orders) minus the revenue recognised until 31 August 2016.
5. Estimated percentage of completion is estimated based on the total costs incurred divided by the estimated total contract costs for the project representing the completion progress up to 31 March 2017.

The table below sets forth the breakdown of the project number and contract value by project size of the on-going projects of acoustics, noise and vibration control and audio-visual design consultancy segment for the years indicated:

	Year ended 31 March			
	2015		2016	
	Number of contracts	Total contract value (HK\$'000)	Number of contracts	Total contract value (HK\$'000)
Project with contract value of below HK\$250,000	13	1,865	13	1,929
Project with contract value of over or equal to HK\$250,000	13	8,340	15	8,879
Total	26	10,205	28	10,808

*(IV) ESG reporting and consultancy*

For each of the two years ended 31 March 2016, our revenue generated from our ESG reporting and consultancy, accounted for approximately nil and 1.6% of our total revenue respectively. We started our ESG reporting and consultancy segment during the year ended 31 March 2016. The segment revenue from ESG reporting and consultancy is primarily driven by four on-going projects from four companies listed in Hong Kong.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of the project number and contract value by project size of the on-going projects of ESG reporting and consultancy segment for the years indicated:

	Year ended 31 March			
	2015		2016	
	Number of contracts	Total contract value (HK\$'000)	Number of contracts	Total contract value (HK\$'000)
Project with contract value of below HK\$100,000	Nil	Nil	1	95
Project with contract value of over or equal to HK\$100,000	Nil	Nil	3	780
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>4</b>	<b>875</b>

### *Revenue by types of buildings*

The following table sets out the breakdown of our revenue by types of buildings for the years indicated:

	Year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Residential buildings <sup>(1)</sup>	11,282	39.8	14,660	45.1
Commercial buildings <sup>(2)</sup>	10,594	37.4	11,914	36.6
Public usage buildings and infrastructure <sup>(3)</sup>	6,471	22.8	5,965	18.3
<b>Total</b>	<b>28,347</b>	<b>100.0</b>	<b>32,539</b>	<b>100.0</b>

*Notes:*

1. Residential buildings includes public housings and private housings.
2. Commercial buildings includes office buildings, plaza and data center and mixed usage building.
3. Public usage buildings and infrastructure includes academic buildings, government complex, district cooling system, football pitch, public library, public transport interchange, hospital and swimming pool.

During the Track Record Period, our revenue was mainly derived from service works on residential buildings, which was primarily driven by providing green building certification consultancy and sustainability and environmental consultancy for residential buildings. The demand is primarily due to the fact that the owner of residential buildings can obtain GFA concession for those buildings which have obtained BEAM certification.

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## FINANCIAL INFORMATION

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### *Revenue by geographical location of the projects located*

The following table sets out the breakdown of our revenue by geographical locations of projects for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	25,644	90.5	29,675	91.2
PRC	1,818	6.4	2,336	7.2
Macau	885	3.1	528	1.6
	<hr/>		<hr/>	
Total	28,347	100.0	32,539	100.0
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During the Track Record Period, most of our revenue were derived from projects in Hong Kong. Our revenue derived from projects in Hong Kong for the year ended 31 March 2016 increased by approximately HK\$4.0 million, representing approximately 15.7% increase from the year ended 31 March 2015. Such growth was primarily driven by the increase in engagement of green building certification consultancy projects and sustainability and environmental consultancy projects with larger contract sums where we provided our services in Hong Kong during the Track Record Period and substantial progress of contract service works were attained for those green building certification consultancy projects and sustainability and environmental consultancy projects.

### **Cost of services provided**

Our cost of services provided comprised (i) direct labour costs and (ii) sub-contracting costs.

The following table sets out the summary of our costs of services provided by nature for the years indicated:

	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>HK\$'000</i>	<i>% of total cost of services provided</i>	<i>HK\$'000</i>	<i>% of total cost of services provided</i>
Direct labour costs	7,025	65.2	8,893	71.2
Sub-contracting costs	3,746	34.8	3,603	28.8
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Total	10,771	100.0	12,496	100.0
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## FINANCIAL INFORMATION

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### *Direct labour costs*

Direct labour costs was our major cost component during the Track Record Period. Direct labour costs accounted for approximately 65.2% and 71.2% of our total costs of services provided for each of the two years ended 31 March 2016 respectively. The increase in our direct labour costs was mainly due to (i) increase of five headcounts of our consulting staff during the year ended 31 March 2016, including one associate who are responsible for top level project management for green building certification consultancy and sustainability and environmental consultancy; (ii) staff promotion during the Track Record Period; (iii) salary increments of approximately 16.5% on average for all consulting staff; and (iv) the increase in involvement of our in-house consulting staff to conduct some of the tasks previously outsourced to sub-contractors including noise monitoring and data collection.

### *Sub-contracting costs*

During the Track Record Period, we engaged external third party specialists to carry out certain works including dust and noise monitoring, data collection and measurement, and ecological assessments and connected persons to provide specific consultancy services to facilitate us to complete our services work. The relevant cost we paid to such sub-contractors was the sub-contracting costs, which accounted for approximately 34.8% and 28.8% of our total costs of services provided for each of the two years ended 31 March 2016 respectively. The slight decrease in sub-contracting cost was primarily driven by (i) the increase in involvement of our in-house consulting staff to conduct some of the tasks previously outsourced to sub-contractors, including noise monitoring and data collection; and (ii) the cessation of business relationship with a major sub-contractor of the Group, namely Kindle Maple Company Limited which is owned by Ms. Grace Kwok, our executive Director, since April 2015. Please refer to the section headed “Business – Our suppliers – Major suppliers” of this prospectus for further information on the arrangement starting from April 2015.

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## FINANCIAL INFORMATION

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The following table sets out the breakdown of our cost of services provided by nature under each business segment for the years indicated:

	Year ended 31 March			
	2015		2016	
	<i>HK\$'000</i>	<i>% of total cost of services provided %</i>	<i>HK\$'000</i>	<i>% of total cost of services provided %</i>
Green building certification consultancy				
– Direct labour costs	4,352	40.4	5,113	40.9
– Sub-contracting costs	2,003	18.6	1,822	14.6
Sub-total	<u>6,355</u>	<u>59.0</u>	<u>6,935</u>	<u>55.5</u>
Sustainability and environmental consultancy				
– Direct labour costs	1,450	13.5	2,161	17.3
– Sub-contracting costs	980	9.1	993	7.9
Sub-total	<u>2,430</u>	<u>22.6</u>	<u>3,154</u>	<u>25.2</u>
Acoustics, noise and vibration control and audio-visual design consultancy				
– Direct labour costs	1,223	11.3	1,423	11.4
– Sub-contracting costs	763	7.1	788	6.3
Sub-total	<u>1,986</u>	<u>18.4</u>	<u>2,211</u>	<u>17.7</u>
ESG reporting and consultancy				
– Direct labour costs	–	–	196	1.6
– Sub-contracting costs	–	–	–	–
Sub-total	<u>–</u>	<u>–</u>	<u>196</u>	<u>1.6</u>
Total	<u><u>10,771</u></u>	<u><u>100.0</u></u>	<u><u>12,496</u></u>	<u><u>100.0</u></u>



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## FINANCIAL INFORMATION

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(a) Green building certification consultancy

Our direct labour costs for this segment increased by approximately HK\$0.8 million or 17.5% between the years ended 31 March 2015 and 2016. Such increase was attributable to the (i) the increase in involvement of our in-house consulting staff to conduct some of the tasks previously outsourced to sub-contractors including noise monitoring and data collection; and (ii) increase in the man-hour required for our in-house consulting staff in the provision of green building certification consultancy in accordance with the respective project schedules.

Our sub-contracting costs for this segment decreased by approximately HK\$0.2 million or 9.0% between the years ended 31 March 2015 and 2016. Such decrease was primarily attributable to (i) the increase in involvement of our in-house consulting staff to conduct some of the tasks previously outsourced to sub-contractors including noise monitoring and data collection, resulting in the decrease in works sub-contracted to third party sub-contractors; and (ii) the cessation of business relationship with a major sub-contractor of the Group, namely Kindle Maple Company Limited since April 2015.

(b) Sustainability and environmental consultancy

Our direct labour costs for this segment increased by approximately HK\$0.7 million or 49.0% between the years ended 31 March 2015 and 2016. Such increase was attributable to the increase in involvement of our in-house consultants to conduct some of the tasks previously outsourced to sub-contractors, including noise monitoring and data collection.

Our sub-contracting costs for this segment remained similar between the years ended 31 March 2015 and 2016 while our revenue generated from sustainability and environmental consultancy increased. Such trend was attributable to (i) the increase in involvement of our in-house consulting staff to conduct some of the tasks previously outsourced to sub-contractors, resulting in the decrease in works sub-contracted to third party sub-contractors including noise monitoring and data collection; and (ii) the cessation of business relationship with a major sub-contractor of the Group, namely Kindle Maple Company Limited since April 2015.

(c) Acoustics, noise and vibration control and audio-visual design consultancy

Our direct labour costs of acoustics, noise and vibration control and audio-visual design consultancy increased by approximately HK\$0.2 million or 16.4% between the years ended 31 March 2015 and 2016. Such increase was primarily due to (i) an increase in number of ongoing acoustics, noise and vibration control and audio-visual design consultancy projects conducted for the year ended 31 March 2016; and (ii) increase in man hours spent in rendering the services work for those projects.

Our sub-contracting costs of acoustics, noise and vibration control and audio-visual design consultancy remain stable at approximately HK\$0.8 million in each of the two years ended 31 March 2016.

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## FINANCIAL INFORMATION

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(d) ESG reporting and consultancy

Our direct labour costs of ESG reporting and consultancy was nil and HK\$0.2 million for each of the two years ended 31 March 2016 as we started our ESG reporting and consultancy segment business during the year ended 31 March 2016.

Our sub-contracting costs of ESG reporting and consultancy is nil for the two years ended 31 March 2016 as no sub-contractors have been engaged.

### Gross profit and gross profit margin

The table below sets out the breakdown of our gross profits and gross profit margins by service segments for the years indicated:

	Year ended 31 March					
	2015			2016		
	<i>Gross Profit</i>	<i>Gross profit margin</i>	<i>As % of total</i>	<i>Gross Profit</i>	<i>Gross profit margin</i>	<i>As % of total</i>
	<i>HK\$'000</i>	<i>%</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>
Green building certification consultancy	10,695	62.7	60.8	12,372	64.1	61.7
Sustainability and environmental consultancy	5,202	68.2	29.6	5,307	62.7	26.5
Acoustics, noise and vibration control and audio-visual design consultancy	1,679	45.8	9.6	2,047	48.1	10.2
ESG reporting and consultancy	—	—	—	317	61.8	1.6
<b>Total:</b>	<b><u>17,576</u></b>	<b>62.0</b>	<b><u>100.0</u></b>	<b><u>20,043</u></b>	<b>61.6</b>	<b><u>100.0</u></b>

Our gross profits were approximately HK\$17.6 million, HK\$20.0 million for each of the two years ended 31 March 2016 respectively. Our gross profit margins were approximately 62.0% and 61.6% for each of the two years ended 31 March 2016 respectively. During the Track Record Period, our gross profit margins of acoustics, noise and vibration control and audio-visual design consultancy were consistently lower than the gross profit margins of other segments. It was primarily due to the costs of services incurred in each project in the segment were relatively more among other segments. Since we were engaged and involved in providing acoustic designs for most of the projects to our customers, ranging from preliminary designs, detailed designs and final design, which we kept revising the designs until they could meet the expectation of and confirmed

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## FINANCIAL INFORMATION

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by our customers, thereby to a certain extent, increased our labour costs and lower the gross profit margins. The fluctuation of gross profit and gross profit margin during the Track Record Period is mainly due to the combined effect of:

(a) *Green building certification consultancy*

Our gross profit of this segment increased by approximately HK\$1.7 million or 15.7% between the years ended 31 March 2015 and 2016. Such increase was mainly attributable to the increase in revenue and gross profit recognised for our on-going projects resulting from the substantial progress of the contracted services work for our on-going projects attained during the same period.

Our gross profit margin of this segment slightly increased from approximately 62.7% for the year ended 31 March 2015 to approximately 64.1% for the year ended 31 March 2016. This increase was mainly driven by the higher gross profit margin set by our Group for most of the green building certification consultancy projects due to the increasing market demand for such consultancy services driven by government policies.

(b) *Sustainability and environmental consultancy*

Our gross profit of this segment slightly increased by approximately HK\$0.1 million or 2.0% between the years ended 31 March 2015 and 2016. This slight increase was mainly attributable to the increase in revenue and gross profit recognised for our on-going projects resulting from the substantial progress of the contracted services work for our on-going sustainability and environmental consultancy projects during the same period offset by the increase in direct labour costs.

Our gross profit margin of this segment decreased from approximately 68.2% for the year ended 31 March 2015 to approximately 62.7% for the year ended 31 March 2016 due to the strategy of setting relatively lower bidding price for government projects, especially for projects related to air ventilation assessments projects, in order to obtain project referrals in the future and expand the Group's business network.

(c) *Acoustics, noise and vibration control and audio-visual design consultancy*

Our gross profit of this segment increased by approximately HK\$0.4 million, or 21.9%, between the years ended 31 March 2015 and 2016. This increase was attributable to the increase in revenue derived from acoustics, noise and vibration control and audio-visual design consultancy primarily due to the increase in the number of on-going projects with relatively larger contract sum for the year ended 31 March 2016.

Our gross profit margin of this segment increased from approximately 45.8% for the year ended 31 March 2015 to approximately 48.1% for the year ended 31 March 2016 was primarily attributable to the higher gross profit margin set by the Group for some new engaged projects during the year ended 31 March 2016.

(d) *ESG reporting and consultancy*

Our gross profit of ESG reporting and consultancy is HK\$0.3 million which represent 1.6% of total gross profit for the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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Our gross profit margin of ESG reporting and consultancy is 61.8% for the year ended 31 March 2016.

### Other income and gains

The other income and gains mainly represented the non-recurring gain of approximately HK\$0.6 million on disposal of a car parking space to Dr. James Wong in June 2015.

### Administrative expenses

The table below sets out the breakdown of our administrative expenses for the years indicated:

	Year ended 31 March			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Rental expenses	1,548	29.2	2,239	30.7
Staff costs	1,108	20.9	1,692	23.2
Directors' remuneration	359	6.8	919	12.6
Professional fees	229	4.3	323	4.4
Business travelling and entertainment expenses	351	6.6	258	3.5
Depreciation	303	5.7	241	3.3
Marketing expenses	139	2.6	203	2.8
Printing and stationery expenses	157	3.0	199	2.7
Recruitment and training fees	64	1.2	145	2.0
Messing	208	3.9	132	1.8
Insurance expenses	132	2.5	125	1.7
Membership fees	90	1.7	117	1.6
Utility expenses	109	2.1	105	1.4
Others	506	9.5	607	8.3
	<hr/>		<hr/>	
Total:	5,303	100.0	7,305	100.0
	<hr/> <hr/>		<hr/> <hr/>	

Our administrative expenses primarily consist of (i) rental expenses including rent, rates and building management fee for our two offices in Hong Kong; (ii) staff costs including salaries, wages, contributions to defined contribution retirement plans, and other employee benefits for our management and our administrative staff engaging in administrative activities; (iii) Directors' remuneration for one of the Directors which represent directors' quarter expense; (iv) business travelling and entertainment expenses for attending international conferences, business gathering with our existing and potential customers and other administrative purpose; and (v) other expenses including cleaning, postage and courier, repair and maintenance, donation, and sundry expenses.

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## FINANCIAL INFORMATION

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### Finance costs

Our finance costs mainly represented interest expenses on a loan for our car park used by Dr. James Wong. The loan was fully repaid upon disposal of our car park to Dr. James Wong in June 2015.

### Other expenses

Other expenses represented the provision for impairment on our accounts receivables.

### Listing expenses

Listing expenses represented fees to professional parties in relation to the proposed listing of our Group paid and accrued which is non-recurring in nature for the year ended 31 March 2016.

### Income tax expenses

The income tax expenses represented our total current and deferred tax expenses mainly for Hong Kong and the PRC. Our effective tax rates, representing income tax divided by profit before tax, were approximately 17.1% and 28.4% for each of the two years ended 31 March 2016.

Effective tax rate is as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Profit before tax	12,057	7,607
Income tax expenses	2,060	2,159
Effective tax rates	17.1%	28.4%

Hong Kong and PRC profits tax have been provided at the rate of 16.5% and 25.0% on the estimated assessable profits arising in Hong Kong and PRC for each reporting period during the Track Record Period. We have incurred Listing expenses of approximately HK\$5.4 million for the year ended 31 March 2016 which is non-tax deductible which contributed to the high effective tax rate for the year ended 31 March 2016. Should such Listing expenses be excluded, the effective tax rate for the year ended 31 March 2016 would be approximately 16.6%.

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## FINANCIAL INFORMATION

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### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 March 2016 compared with the year ended 31 March 2015

##### *Revenue*

Our total revenue increased by approximately HK\$4.2 million or 14.8% from approximately HK\$28.3 million for the year ended 31 March 2015 to approximately HK\$32.5 million for the year ended 31 March 2016. The increase in our revenue was attributable to the combined effect of:

- (i) the increase in the revenue derived from green building certification consultancy by approximately HK\$2.2 million or approximately 13.2%, from approximately HK\$17.1 million for the year ended 31 March 2015 to approximately HK\$19.3 million for the year ended 31 March 2016, such increase was primarily due to the substantial progress of the contracted services work of our on-going projects attained during the year ended 31 March 2016.
- (ii) the increase in the revenue derived from sustainability and environmental consultancy by approximately HK\$0.9 million or approximately 10.9%, from approximately HK\$7.6 million for the year ended 31 March 2015 to approximately HK\$8.5 million for the year ended 31 March 2016, such increase was primarily due to the increase in the number of on-going projects undertaken with the increase in average amount of revenue recognized during the year.
- (iii) the increase in the revenue derived from acoustics, noise and vibration control and audio-visual design consultancy by approximately HK\$0.6 million or approximately 16.2% from approximately HK\$3.7 million for the year ended 31 March 2015 to approximately HK\$4.3 million for the year ended 31 March 2016, such increase was primarily due to the increase in the number of on-going projects undertaken with the increase in average amount of revenue recognised during the year.

##### *Cost of services provided*

Our cost of services provided increased by approximately HK\$1.7 million, or 16.0% from approximately HK\$10.8 million for the year ended 31 March 2015 to approximately HK\$12.5 million for the year ended 31 March 2016 which was primarily attributable to the increase in direct labour costs resulting from the increase in man-hour spent in rendering increased contract works and services for the year ended 31 March 2016.

##### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$2.4 million, or 14.0% from approximately HK\$17.6 million for the year ended 31 March 2015 to approximately HK\$20.0 million for the year ended 31 March 2016 which was primarily due to the increase in gross profit of green building certification consultancy, resulting from the increase in revenue derived during the year ended 31 March 2016.

Our gross profit margin remained relatively stable at approximately 62.0% for the year ended 31 March 2015 and approximately 61.6% for the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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### *Other income and gains*

Other income and gains increased by approximately HK\$552,000 or 69 times from approximately HK\$8,000 for the year ended 31 March 2015 to approximately HK\$560,000 for the year ended 31 March 2016, primarily due to the gain on disposal of a car parking space to Dr. James Wong in June 2015.

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$2.0 million or 37.8% from approximately HK\$5.3 million for the year ended 31 March 2015 to approximately HK\$7.3 million for the year ended 31 March 2016, primarily due to (i) the full year effect of increase in rental expenses of approximately HK\$0.7 million for a new office since December 2014; and (ii) the increase in staff costs resulted from salary increment and increase in headcounts of approximately HK\$0.6 million.

### *Finance costs*

Our finance costs decreased by approximately HK\$2,000 or 15.4% from approximately HK\$13,000 for the year ended 31 March 2015 to approximately HK\$11,000 for the year ended 31 March 2016, primarily due to decrease in interest for bank loan in relation to a car park which was fully repaid during the year ended 31 March 2016.

### *Other expenses*

Other expenses increased by approximately HK\$0.1 million or 45.5% from approximately HK\$0.2 million for the year ended 31 March 2015 to approximately HK\$0.3 million for the year ended 31 March 2016 was due to the increase in provision for impairment of accounts receivable. For further details, please refer to the paragraph headed “Net current assets – Accounts receivable” of this section.

### *Listing expenses*

The Listing expenses are approximately HK\$5.4 million paid and accrued for the year ended 31 March 2016 which was primarily due to our proposed listing on GEM.

### *Income tax expenses*

The income tax expenses increased by approximately HK\$0.1 million or 4.8% from approximately HK\$2.1 million for the year ended 31 March 2015 to approximately HK\$2.2 million for the year ended 31 March 2016. The increase in income tax expenses was in line with the increase in profit before tax and before Listing expenses which is non-tax deductible.

### *Profit for the year*

As a result of the above factors, in particular the Listing expenses which is non-recurring, our profit decreased by approximately 45.5% from approximately HK\$10.0 million for the year ended 31 March 2015 to approximately HK\$5.4 million for the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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Our profit before Listing expenses increased by approximately 8.2% from approximately HK\$10.0 million for the year ended 31 March 2015 to approximately HK\$10.8 million for the year ended 31 March 2016.

### NET CURRENT ASSETS

The following table sets out details of our current assets and current liabilities as at the dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>			
Contract assets	8,153	17,398	20,417
Accounts receivable	13,425	9,420	9,225
Prepayments, deposits and other receivables	1,262	4,485	5,336
Tax recoverable	622	–	–
Cash and cash equivalents	12,959	18,843	14,208
	<u>36,421</u>	<u>50,146</u>	<u>49,186</u>
<b>Total current assets</b>	<b>36,421</b>	<b>50,146</b>	<b>49,186</b>
<b>Current liabilities</b>			
Accounts payable	83	309	118
Other payables and accruals	3,636	1,803	6,184
Contract liabilities	3,413	676	674
Current tax payable	83	3,800	4,207
Interest-bearing bank loan	74	–	–
	<u>7,289</u>	<u>6,588</u>	<u>11,183</u>
<b>Total current liabilities</b>	<b>7,289</b>	<b>6,588</b>	<b>11,183</b>
<b>Net current assets</b>	<b><u>29,132</u></b>	<b><u>43,558</u></b>	<b><u>38,003</u></b>

We recorded net current assets for each of the two years ended 31 March 2016 which accounted for approximately HK\$29.1 million and HK\$43.6 million respectively.



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## FINANCIAL INFORMATION

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We recorded increase in net current assets position as at 31 March 2016, as compared to 31 March 2015 primarily based on the combined effect as follows:

- (i) there was an increase in contract assets of approximately HK\$9.2 million and a decrease in contract liabilities of approximately HK\$2.7 million because the increase in the revenue recognised for our work performed in relation to green building certification consultancy and sustainability and environmental consultancy projects before reaching the respective billing milestones;
- (ii) there was an increase in cash and cash equivalents of approximately HK\$5.9 million, as a result of the capital contribution by our Pre-IPO Investors of approximately HK\$10.9 million which offset by the payment of Listing expenses of approximately HK\$7.2 million during the year ended 31 March 2016; and
- (iii) there was a decrease in accounts receivable of approximately HK\$4.0 million, which was due to a better receivable collection procedure starting from April 2015.

We recorded decrease in net current assets position as at 31 July 2016 primarily due to the increase in other payables and accruals which is due to the salaries for July 2016 was paid in August 2016 and the record of Listing expenses incurred from April 2016 to July 2016.

### **CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION**

#### **Contract assets/contract liabilities**

We enter into contracts with our customers whereby we recognise our revenue based on the percentage of completion of the relevant project, as the case may be, and we issued our billings based on project milestones as agreed with our customers on the service contracts. Service contracts in progress at the end of the reporting period are recorded in the statements of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. If costs incurred plus recognised profit less recognised losses exceed progress billings, the net amount will be recognised as contract assets under our current assets. Conversely, if progress billings exceed costs incurred plus recognised profit less recognised losses, the net amount will be recognised as contract liabilities under our current liabilities. Contracts will be derecognised from contract costs incurred plus recognised profit less recognised losses only after, among other things, the completion of the projects.

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## FINANCIAL INFORMATION

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The following table sets out the information regarding the contract in progress, progress billings and the breakdown of our contract assets/contract liabilities as at the dates indicated:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	35,561	50,882
Less: progress billings	<u>(30,821)</u>	<u>(34,160)</u>
 Contract work-in-progress	 <u><u>4,740</u></u>	 <u><u>16,722</u></u>
 Analysed for reporting purposes as:		
Contract assets on:		
– Green building certification consultancy	5,072	10,301
– Sustainability and environmental consultancy	2,737	4,124
– Acoustics and audio-visual design consultancy	344	2,812
– ESG reporting and consultancy	<u>–</u>	<u>161</u>
	<u>8,153</u>	<u>17,398</u>
 Contract liabilities on:		
– Green building certification consultancy	(2,171)	(565)
– Sustainability and environmental consultancy	(740)	(47)
– Acoustics and audio-visual design consultancy	(502)	(34)
– ESG reporting and consultancy	<u>–</u>	<u>(30)</u>
	<u>(3,413)</u>	<u>(676)</u>
	<u><u>4,740</u></u>	<u><u>16,722</u></u>

The contract assets/contract liabilities are expected to be recovered/settled within one year.

Our contract costs incurred plus recognised profits less recognised losses increased from approximately HK\$35.6 million as at 31 March 2015 to approximately HK\$50.9 million as at 31 March 2016, principally due to the increase in number of projects that were still in progress as at the respective reporting dates, including project GBO1, project SEO1 and project SEO2, in respect of which our progress billings also increased from approximately HK\$30.8 million as at 31 March 2015 to HK\$34.2 million as at 31 March 2016, principally also due to more projects were still in progress as at 31 March 2016 including project GBO3 and project SEO3.

For the two years ended 31 March 2016, our total progress billings were not able to cover our total contract costs incurred plus recognised profits less recognised losses, and accordingly, our contract assets exceeded the contract liabilities as at the respective dates.

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## FINANCIAL INFORMATION

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Our contract assets and contract liabilities may vary and depend on the progress of the respective projects and the billing to or payment by our customers for each project.

Our contract assets increased from approximately HK\$8.2 million as at 31 March 2015 to approximately HK\$17.4 million as at 31 March 2016 which were principally attributable to increase in our services work performed in respect of project AAO7, project SEO2 and project GBO1.

We had contract assets of approximately HK\$17.4 million as at 31 March 2016; as at Latest Practicable Date, approximately HK\$6.6 million or 37.9% of contract assets as at 31 March 2016 we had been subsequently billed, and approximately HK\$2.0 million or 11.5% of contract assets as at 31 March 2016 we had been subsequently billed and settled. We had not made any impairment losses on contract assets during the Track Record Period.

Our contract liabilities decreased from approximately HK\$3.4 million as at 31 March 2015 to approximately HK\$0.7 million as at 31 March 2016 which were principally attributable to increase in our services work performed in respect of project SEC1, and project SEO1.

An ageing analysis of the contract assets as at the end of each reporting period during the Track Record Period, categorising contract assets according to the period during which revenue was recognised, is as follows. The ageing analysis is prepared based on the period during which revenue was recognised and net of billings by first in, first out method:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 12 months		
– Green building certification consultancy	3,907	8,753
– Sustainability and environmental consultancy	1,009	3,026
– Acoustics and audio-visual design consultancy	342	2,519
– ESG reporting and consultancy	–	161
Over 12 months but less than 24 months		
– Green building certification consultancy	929	1,050
– Sustainability and environmental consultancy	518	204
– Acoustics and audio-visual design consultancy	2	291
– ESG reporting and consultancy	–	–
Over 24 months		
– Green building certification consultancy	236	498
– Sustainability and environmental consultancy	1,210	894
– Acoustics and audio-visual design consultancy	–	2
– ESG reporting and consultancy	–	–
	<b>8,153</b>	<b>17,398</b>
	<b>8,153</b>	<b>17,398</b>

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## FINANCIAL INFORMATION

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A majority of our contract assets as at 31 March 2016 were aged within 12 months, it is mainly attributable to (i) the increment of ongoing projects of all business segments of our Group during the year ended 31 March 2016; and (ii) certain sizeable green building certification consultancy projects with wider scope of works and higher complexity which we have provided significant input but not yet reached billing milestones. Approximately HK\$1.5 million contract assets which were aged over 12 months but less than 24 months is mainly attributable to over nine sizeable and on-going green building certification consultancy projects which were in construction stage, we were working on these projects for more than one year and have not yet reached the next billing milestone. There is approximately HK\$1.4 million contract assets which were aged over 24 months, it is mainly resulted from two sustainability and environmental consultancy projects, we substantially completed our work, but we were still pending customer's approval for billing as at 31 March 2016. We have issued billings of approximately HK\$0.7 million to the customers of these two sustainability and environmental consultancy projects subsequently, approximately HK\$0.7 million of the contract assets as at 31 March 2016 were recovered.

Due to the fact that (i) our contract assets as at 31 March 2016, we have billed approximately HK\$6.6 million subsequent to 31 March 2016 and up to the Latest Practicable Date, which include HK\$5.1 million, HK\$0.7 million and HK\$0.8 million in relation to contract assets as at 31 March 2016 aged less than 12 months, over 12 months but less than 24 months and over 24 months, respectively; (ii) a significant portion of the contract assets aged over 12 months are contributed by projects engaged by major customers with ongoing and well-established business relationship; and (iii) our Directors have reviewed and considered that the remaining billable amount of our projects under the respective contracts can cover the balance of contract assets as at 31 March 2016 and the additional cost to be incurred for those specific projects up to completion, our Directors consider that all contract assets are recoverable.

There is approximately HK\$2.9 million of our contract assets as at 31 March 2015 were aged over 12 months, it is attributable to some of the sizable projects which we have provided significant input but not yet reached billing milestones, and four sustainability and environmental consultancy projects which, we substantially completed our work, but still are pending customer's approval for billings as at 31 March 2015. We have issued billings of approximately HK\$1.5 million to the customers of these four sustainability and environmental consultancy projects subsequently, approximately HK\$1.5 million of the contract assets as at 31 March 2016 were recovered.

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## FINANCIAL INFORMATION

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### Accounts receivable

Accounts receivable is primarily comprised of amounts billed to customers, but which have not yet been collected. The following table sets out our accounts receivable positions as at the respective reporting dates indicated:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Accounts receivable	14,552	10,854
Impairment	(1,127)	(1,434)
	<u>13,425</u>	<u>9,420</u>

Accounts receivable was approximately HK\$13.4 million and HK\$9.4 million for each of the two years ended 31 March 2016 respectively. Our accounts receivable decreased by approximately HK\$4.0 million from approximately HK\$13.4 million as at 31 March 2015 to approximately HK\$9.4 million as at 31 March 2016 which was attributable to the fact that our Group implemented a better receivable collection procedure starting from April 2015, including more frequent and in time payment reminders to customers and legal action against customers with long outstanding receivables (if necessary).

In order to manage the credit risks associated with accounts receivable effectively, credit limits of clients are evaluated periodically. Before accepting any new client, we generally conduct research on the creditworthiness of the new client and assess the potential client's credit quality with a predetermined threshold.

We seek to maintain strict control over our outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that our accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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## FINANCIAL INFORMATION

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The following table sets out the movement in provision for impairment of accounts receivable during the Track Record Period:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of year	916	1,127
Recognised during the year	211	567
Write-back of impairment	—	(260)
	<hr/>	<hr/>
At the end of year	<u>1,127</u>	<u>1,434</u>

As at 31 March 2015 and 2016, we had provision for impairment of accounts receivable amounting to approximately HK\$1.1 million and HK\$1.4 million for 21 projects and 31 projects, respectively, as accounts receivable relate to customers that were in financial difficulties or were in default in payments and thus we have doubts as to their collectability. Most of the accounts receivables we made provision are overdue for two years. We did not experience any material default of payment from customers during the Track Record Period. We recognised impairment on accounts receivables of approximately HK\$0.2 million and HK\$0.6 million for each of the two years ended 31 March 2016, respectively, each representing less than 1.0% of our revenue for the respective period. Our management would continue to work closely with our finance and administration team to follow up with the clients in respect of the impairment of accounts receivable recognised. We may also engage external lawyers or collection agents to facilitate our collection process. We recorded write-back of impairment of accounts receivable amounting to approximately HK\$0.3 million for two projects which were eventually settled by the customers.

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## FINANCIAL INFORMATION

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An ageing analysis of the accounts receivable as at the end of each reporting period during the Track Record Period, based on the invoice date and net of provisions, is as follows:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	3,447	2,119
Over 1 months but less than 3 months	5,796	2,330
Over 3 months but less than 6 months	2,040	1,717
Over 6 months but less than 12 months	703	2,042
Over 12 months but less than 24 months	1,439	1,068
Over 24 months	–	144
	13,425	9,420
	13,425	9,420

A majority of our accounts receivable as at 31 March 2015 and 2016 were aged within 12 months. The credit period granted to our customers was normally between 0 to 60 days. Our senior management closely reviews the accounts receivable balances and any overdue balances on an ongoing basis and assessments are made by our senior management on the collectability of overdue balances.

A significant portion of our accounts receivable as at 31 March 2016, were aged beyond the normal credit period granted but within 6 months which was attributable to the lengthy negotiation process as the customers and our Group have to finalise the deliverables at each billing stage before the customers settle the accounts receivable due to higher service complexity which may take approximately over six months.

An ageing analysis of the accounts receivable as at the end of each reporting period based on due date and net of provisions, is as follows:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	1,691	1,076
Less than 1 month past due	2,860	1,908
1 to 3 months past due	5,368	1,724
4 to 6 months past due	1,441	1,545
Over 6 months past due	2,065	3,167
	13,425	9,420
	13,425	9,420

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## FINANCIAL INFORMATION

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Based on the fact that (i) we have on-going business relationships with these customers which most of those customers with accounts receivable aged over six months have business relationships with our Group for over 5 years and we have not received any notice of disagreement on our billings from these customers as at the Latest Practicable Date; (ii) we are not aware of significant change in credit quality of these customers because approximately 95.7% of the accounts receivable aged over six months are due from customers which have settlement record in the past 12 months; (iii) it is the past experience of our Group in certain sizeable green building certification consultancy projects with wider scope of works and higher complexity to encounter prolonged negotiation period from going through our deliverables with customers to agreeing and finalising our deliverables before our billings are to be approved by our customers and settled; and (iv) the fact that less than 2.0% of the billings issued each year of the three years ended 31 March 2013, 2014 and 2015 have become bad or doubtful up to 31 March 2016, our Directors consider that the current level of provision for impairment is sufficient and the receivable balances are still considered fully recoverable.

As at the Latest Practicable Date, approximately HK\$6.9 million or 73.4% of accounts receivable as at 31 March 2016 had been subsequently settled.

The following table sets out the average accounts receivable turnover days for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Average accounts receivable turnover days ( <i>Note</i> )	150 days	129 days

*Note:* Our average accounts receivable turnover days were calculated by dividing the arithmetic mean of opening and closing balance of accounts receivable as at the respective reporting date by our total revenue for the year, multiplied by 365 days in the year.

Our average accounts receivable turnover days were approximately 150 days and 129 days for each of the two years ended 31 March 2016, respectively. In general, we issue invoices to our customers upon we deliver our reports or deliverables to the customers. In general, we did not offer any credit period to our customers; we may offer 30 to 60 days credit period to our customers for the additional or supplemental service works engaged our Group to perform. Thus, the credit period granted to our customers was between 0 to 60 days.

We experienced a decreasing trend in our average accounts receivable turnover days during the Track Record Period. The decrease trend was principally attributable to the implementation of a better receivable collection procedure since April 2015, including more frequent and in time payment reminders to customers and legal action against customers with long outstanding receivables.



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## FINANCIAL INFORMATION

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Our average accounts receivable turnover days for the Track Record Period are longer than the normal credit period, that is 0 to 60 days, we provided to customers. This was due to (i) the engagement of certain sizeable green building certification consultancy projects with wider scope of service works and higher complexity, which prolonged the negotiation process to go through our deliverables with our customers, and our customers to agree and finalise our deliverables; and (ii) the increased number of contracted services work engaged by customers including contractors and architects and designers which would only settle their receivable balances upon their ultimate customers, including Government authorities or property developers, settle their billings, which prolonged the period to settle our payments.

We did not experience any material default of payment from customers during the Track Record Period. We had impairment on accounts receivables of approximately HK\$1.1 million and HK\$1.4 million as at 31 March 2015 and 2016, respectively.

### Accounts payable

Accounts payable mainly represented amounts payable to our sub-contractors. It increased by approximately HK\$0.2 million from approximately HK\$0.1 million as at 31 March 2015 to approximately HK\$0.3 million as at 31 March 2016, primarily due to the prolonged negotiation process with sub-contractors.

An ageing analysis of the accounts payable as at the end of each reporting period, based on invoice date, is as follows:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	22	163
Over 1 month but less than 3 months	28	35
Over 3 months but less than 6 months	13	–
Over 6 months	20	111
	83	309
	83	309

As at the Latest Practicable Date, approximately HK\$190,000 or 61.5% of our total amount of accounts payable as at 31 March 2016 had been subsequently settled.

The following table sets out the average accounts payable turnover days for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
Average accounts payable turnover days ( <i>Note</i> )	162 days	20 days

*Note:* Our average accounts payable turnover days were calculated by dividing the arithmetic mean of opening and closing balance of accounts payable as at the respective reporting period divided by our sub-contracting cost for the year, multiplied by 365 days in the year.

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## FINANCIAL INFORMATION

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Our average accounts payable turnover days were approximately 162 days and 20 days for each of the two years ended 31 March 2016, respectively. The average accounts payable turnover days indicate the average number of days required for us to arrange payments to our sub-contractors. The shorter average accounts payable turnover days for the year ended 31 March 2016 was principally driven by the significant decrease in average accounts payable balance as at 31 March 2016 when compared to the average balance as at 31 March 2015 as a result of the increase in involvement of our in-house consulting staff to conduct some of the tasks previously outsourced to sub-contractors, resulting in the decrease in works sub-contracted to third party sub-contractors as well as the outstanding amount to be paid to sub-contractors as at 31 March 2016.

### Other payables and accruals

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrual for unbilled sub-contracting cost	1,500	396
Dividend payable to a director of subsidiary	900	–
Amount due to a director of the Company	684	–
Accrual for Listing expenses	–	751
Accrual for fines in relation to failure to register with the Macau Finance Bureau ( <i>Note 1</i> )	335	335
Others ( <i>Note 2</i> )	217	321
	3,636	1,803
	3,636	1,803

*Note 1:* Please refer to the section headed “Business” for details.

*Note 2:* Others include accruals made for audit fee and other professional fees for the years ended 31 March 2015 and 2016.

Our other payables and accruals decreased from approximately HK\$3.6 million as at 31 March 2015 to approximately HK\$1.8 million as at 31 March 2016 primarily due to (i) the decrease in an accrual for unbilled subcontracting cost resulting from the change in billing schedule by that sub-contractor from yearly basis to quarterly basis; and (ii) the settlement of dividend payable to a director of our subsidiary of approximately HK\$2.1 million which offset the increase in accrual for Listing expenses which amounted to approximately HK\$0.8 million.

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## FINANCIAL INFORMATION

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### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity and capital resources have been, and are expected to continue to be cash flow from operating activities. Our principal uses of cash have been, and we expect will continue to be, for the funding of required working capital to support the increase in our scale of operations and our capital expenditure needs. We plan to fund our future business plans, capital expenditures and related expenses as described in this prospectus with cash from operating activities and the net proceeds from the Placing.

The following table is a summary of our combined statement of cash flows for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash generated from operating activities before changes in working capital	12,583	7,607 <sup>note 1</sup>
Net cash generated from/(used in) operating activities	4,439	(3,097) <sup>note 2</sup>
Net cash used in investing activities	(247)	(221)
Net cash generated from financing activities	8,207	9,202
Net increase in cash and cash equivalents	12,399	5,884
Cash and cash equivalents at beginning of year	560	12,959
Cash and cash equivalents at end of the year	12,959	18,843

*Notes:*

1. The amount is derived from the profit before tax for the year ended 31 March 2016 after charging of Listing expenses of approximately HK\$5.4 million.
2. The amount represented net cash used in operating activities after Listing expenses. The amount of net cash generated from operating activities amounted to approximately HK\$2.3 million before the charging of Listing expenses of approximately HK\$5.4 million.

#### **Cash flows generated from/(used in) operating activities**

Our cash generated from operating activities before changes in working capital decreased from approximately HK\$12.6 million for the year ended 31 March 2015 to approximately HK\$7.6 million for the year ended 31 March 2016, resulting from the charging of Listing expenses of approximately HK\$5.4 million to the profit before tax during the year ended 31 March 2016.

We derived our cash generated from operating activities principally from the receipt of payments for the provision of our services. Our net cash used in operating activities is principally attributable to the payment of staff costs, sub-contracting fees, other operating expenses and tax payments.

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## FINANCIAL INFORMATION

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We had a net cash generated from operating activities of approximately HK\$4.4 million for the year ended 31 March 2015, resulting from cash generated from operations of approximately HK\$6.6 million and offset by the Hong Kong profits tax payment of approximately HK\$2.1 million. Our cash generated from operations reflects our profit before income tax and working capital changes of approximately HK\$12.6 million and net of the working capital outflows of approximately HK\$6.0 million. The net working capital outflows were primarily due to the increase in accounts receivable of approximately HK\$3.9 million and the decrease in accounts payable of approximately HK\$3.2 million offset by the increase in other payables of approximately HK\$1.2 million and the increase in contract liabilities of approximately HK\$0.9 million.

The increase in accounts receivable was primarily due to the prolonged negotiation process with our customers for the year ended 31 March 2015. The decrease in accounts payable was primarily due to late billing from a major subcontractor for the year ended 31 March 2015. The increase in other payables and accruals was driven by an accrual for the amount payable to a sub-contractor resulting from the late billing by that sub-contractor. The increase in contract liabilities was driven by the increase in the revenue recognised for our work performed to projects in which billings were made in advance for the year ended 31 March 2015.

We had a net cash used in operating activities of approximately HK\$3.1 million for the year ended 31 March 2016, resulting from cash used in operations of approximately HK\$3.0 million and payment of PRC EIT of approximately HK\$0.1 million. Our cash used in operations reflects our profit before income tax and working capital changes of approximately HK\$7.6 million and net of the working capital outflows of approximately HK\$10.6 million. The net working capital outflow were primarily due to the increase in contract assets of approximately HK\$9.2 million and the decrease in contract liabilities of approximately HK\$2.7 million, offset by the decrease in accounts receivable of approximately HK\$3.7 million.

The increase in contract assets was attributable to the increase in our work performed in relation to green building certification consultancy projects with relatively larger contract sum before reaching the respective billing milestone for the year ended 31 March 2016. The decrease in contract liabilities was driven by the increase in revenue recognised for our work performed to projects in which billings were made in advance for the year ended 31 March 2016. The decrease in accounts receivable was primarily driven by the implementation of a better receivable collection procedure since April 2015.

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## FINANCIAL INFORMATION

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### **Cash used in investing activities**

Our cash used in investing activities during the Track Record Period consist of additions of property, plant and equipment and direct attributable expenses paid for disposal of property, plant and equipment.

We had a net cash used in investing activities of approximately HK\$0.2 million for the year ended 31 March 2015 which was due to the additions of office equipment, including accounting system, design software and computers.

We had a net cash used in investing activities of approximately HK\$0.2 million for the year ended 31 March 2016 which was mainly due to the additions of office equipment, including server and design software.

### **Cash flows generated from financing activities**

Our cash generated from financing activities during the Track Record Period mainly consisted of capital contribution by the Controlling Shareholder and Pre-IPO Investors, and our cash outflows from financing activities consists of payment of Listing expenses relating to placing of shares, repayment of amount due to a director included in other payables and payment of dividend.

We had a net cash generated from financing activities of approximately HK\$8.2 million for the year ended 31 March 2015, primarily due to the capital contributions by the Controlling Shareholder of approximately HK\$11.0 million, offset by the payment of dividend of approximately HK\$2.7 million.

We had a net cash generated from financing activities of approximately HK\$9.2 million for the year ended 31 March 2016, primarily due to the capital contribution by the Pre-IPO Investors of approximately HK\$10.9 million, offset by payment of expenses relating to placing of shares of approximately HK\$0.9 million and repayment of amount due to a director of approximately HK\$0.7 million.

### **WORKING CAPITAL**

As at 31 March 2015 and 2016, our aggregate cash and cash equivalents amounted to approximately HK\$13.0 million and HK\$18.8 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not experience (i) any undue difficulty in obtaining credit facilities or withdrawal of facilities from banks, or (ii) any default in payment of bank loans or other borrowings, breach of any covenants.

Taking into account the estimated net proceeds from the Placing and cash flow generated from our operations, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

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## FINANCIAL INFORMATION

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### INDEBTEDNESS

All of our borrowings were due within one year and were denominated in HK\$. The following table sets out our borrowings as at the dates indicated.

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Bank borrowings wholly repayable within one year	74	Nil

The balance of our bank borrowings as at 31 March 2015 decreased from HK\$74,000 to nil as at 31 March 2016 due to the repayment of bank loan in relation to a carpark previously owned by the Group.

The effective interest rates of bank borrowings were 6.5% per annum as at 31 March 2015. As all our bank borrowings have been repaid as at 31 March 2016, the analysis on effective interest rate as at 31 March 2016 is not applicable. Our bank borrowings were secured by a legal charge over the Group's land and building.

Except as described above, as at 31 July 2016, being the Latest Practicable Date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that we have not experienced any withdrawal of facilities, default in payment of bank borrowing or breach of financial covenants up to the Latest Practicable Date.

Our Directors confirm that we had not experienced difficulties in meeting obligations during the Track Record Period and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Our Directors confirm that there is no material change in our indebtedness position since 31 July 2016, being the date for determining our indebtedness.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

	<i>Notes</i>	<b>Year ended 31 March</b>	
		<b>2015</b>	<b>2016</b>
Return on equity (%)	(1)	36.4	12.4
Return on total assets (%)	(2)	27.0	10.8
Interest coverage ratio (times)	(3)	928.5	692.5
		<b>As at 31 March</b>	
		<b>2015</b>	<b>2016</b>
Gearing ratio (%)	(4)	0.3	0
Net debt to equity ratio (%)	(5)	Net Cash	Net Cash
Current ratio	(6)	5.0	7.6
Quick ratio	(7)	5.0	7.6

*Notes:*

- (1) Return on equity is calculated based on profit and total comprehensive income for the year for each reporting period divided by total equity as of the end of each reporting period and multiplied by 100%.
- (2) Return on total assets is calculated based on profit and total comprehensive income for the year for each reporting period divided by total assets as of the end of each reporting period and multiplied by 100%.
- (3) Interest coverage ratio is calculated based on our profit before finance costs and income tax divided by our finance costs for each reporting period.
- (4) Gearing ratio is calculated based on our total borrowings divided by our total equity as of the end of each reporting period and multiplied by 100%.
- (5) Net debt to equity ratio is calculated based on our net debt (namely total debts net of cash and cash equivalents) divided by our total equity as of the end of each reporting period and multiplied by 100%.
- (6) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the end of each reporting period.
- (7) Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as of the end of each reporting period.

### Return on equity

The return on equity of our Group was approximately 36.4% for the year ended 31 March 2015 while it was 12.4% for the year ended 31 March 2016 which was due to (i) the decrease in profit and total comprehensive income for the year ended 31 March 2016; and (ii) the increase in total equity as a result of the capital injection by the Pre-IPO Investors for the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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### **Return on total assets**

The return on total assets of our Group decreased from approximately 27.0% for the year ended 31 March 2015 to approximately 10.8% for the year ended 31 March 2016, primarily due to (i) decrease in profit and total comprehensive income for the year ended 31 March 2016; and (ii) increase in contract assets which increased the total assets value for the year ended 31 March 2016.

### **Interest coverage ratio**

We did not rely on bank loan to finance our operations during the Track Record Period. The interest coverage ratio decreased from approximately 928.5 times for the year ended 31 March 2015 to approximately 692.5 times for the year ended 31 March 2016. The decrease was primarily due to the decrease in the profit before interest and tax for the year ended 31 March 2016 mainly resulting from the non-recurring Listing expenses. Our Group did not have any bank loan since July 2015.

### **Gearing ratio**

The gearing ratio was approximately 0.3% as at 31 March 2015 which was mainly attributable to the interest bearing bank loan as at 31 March 2015.

The Group recorded nil for its gearing ratio as at 31 March 2016 as all the interest bearing bank loan has been repaid during the year ended 31 March 2016.

### **Net debt to equity ratio**

As we recorded a net cash position as at 31 March 2015 and 2016, the analysis on net debt to equity ratio is not applicable.

### **Current Ratio**

The current ratio of the Group increased from approximately 5.0 as at 31 March 2015 to approximately 7.6 as at 31 March 2016 was primarily due to:

- (i) increase in contract assets as the increase in our revenue recognised for our services work performed to green building certification consultancy and sustainability and environmental consultancy projects before reaching the respective billing milestones for the year ended 31 March 2016;
- (ii) the increase in cash and cash equivalents as a result of capital injection by the Pre-IPO Investors and offset the payment of Listing expenses for the year ended 31 March 2016; and
- (iii) offset by the decrease in accounts receivable as a result of a better receivable collection procedure starting from April 2015.



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## FINANCIAL INFORMATION

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### Quick Ratio

Our quick ratio increased from 5.0 as at 31 March 2015 to 7.6 as at 31 March 2016. Our increasing trend in quick ratio was in line with the fluctuation in our current ratio over the same period as the Group did not have any inventory during the Track Record Period.

### CAPITAL EXPENDITURES

Our capital expenditures are used principally in connection with additions of property, plant and equipment, including office equipment and furniture and fixture. For each of the two years ended 31 March 2016, our total capital expenditures amounted to approximately HK\$0.2 million and HK\$0.2 million, respectively. During the Track Record Period, we did not incur any capital expenditure for the acquisition of land and building and motor vehicles.

We currently do not expect to incur material capital expenditures for the year ending 31 March 2017. 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 market conditions and the outlook of our future business conditions. 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 future operation results, financial condition and cash flows, and economic, political and other conditions in Hong Kong, the PRC and Macau.

### OPERATING LEASE COMMITMENTS

All the properties we leased are held under non-cancellable operating lease agreements, the lease terms are one to two years. The properties we leased are our offices in Hong Kong. The following table sets forth our future minimum lease payment under non-cancellable operating leases at of the end of the relevant reporting periods:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Within one year	891	1,103
In the second to fifth year, inclusive	999	385
	<u>1,890</u>	<u>1,488</u>

### CONTINGENT LIABILITIES

As at 31 March 2015 and 2016, we did not have any significant contingent liabilities and we confirm that as at the Latest Practicable Date, there had been no material change to our contingent liabilities.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors confirm that these transactions were conducted on, normal commercial terms and/or terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results of operations during the Track Record Period or make the results of operations not reflective of our future performance.

For more information on our related party transactions, please see note 28 to our combined financial information included in “Appendix I – Accountants’ Report” to this prospectus.

### RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to 31 March 2016 and up to the Latest Practicable Date, we have been awarded 18 and completed eight green building certification consultancy projects, awarded 20 and completed 11 sustainability and environmental consultancy projects, awarded 14 and completed four acoustics, noise and vibration control and audio-visual design consultancy projects, and awarded 13 and completed three ESG reporting and consultancy projects with total contract value of projects awarded of approximately HK\$11.6 million and submitted tenders and quotations in respect of 100 green building certification consultancy projects, 126 sustainability and environmental consultancy projects, and 25 acoustics, noise and vibration control and audio-visual design consultancy projects, and 36 ESG reporting and consultancy projects with total tender sum of approximately HK\$146.7 million.

As at the Latest Practicable Date, we had 118 green building certification consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$22.6 million; 54 sustainability and environmental consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$10.6 million; 38 acoustics, noise and vibration control and audio-visual design consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$3.8 million; and 14 ESG reporting and consultancy projects on hand, with an estimated total outstanding contract value of approximately HK\$1.7 million.

We confirm that from 31 March 2016 and up to the Latest Practicable Date, there has been no material interruption to our business and there has been no material adverse change in the financial condition and market condition in the environmental consultancy industry in Hong Kong, the PRC and Macau.

### SUBSEQUENT CHANGES

Our 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 31 March 2016 to the Latest Practicable Date.

### OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraph headed “Indebtedness” in this section.

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## FINANCIAL INFORMATION

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### MARKET RISKS

Our activities expose us to a variety of market risks, namely, foreign currency risk, credit risk, interest rate risk and liquidity 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 our Board. Our treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

#### Foreign exchange risk

The Group mainly operates in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB. Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities.

As at 31 March 2015 and 2016, if HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the pre-tax profit and total equity would have been approximately HK\$71,000 and HK\$81,000 lower or higher, respectively, mainly as a result of foreign exchange losses/gains on translation of RMB denominated accounts receivable.

#### Credit risk

Our Group exposes to credit risk primarily due to the collectability risk of the accounts receivable due from our customers. Our Directors consider that most of our customers are reputable corporations and hence the credit risk attached to these customers relatively low. Our Group performs on-going credit evaluation on the financial condition on our debtors and tightly monitors the ageing of the accounts receivable. Our Group would take necessary follow up action in case of overdue balances or when the above credit evaluation results draw the attention of our Directors. In addition, our management reviews the recoverable amount of the accounts receivable individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by our Group during the Track Record Period and are considered to be effective in limiting our exposure to credit risk. As an industry practice, our Group does not require our financial assets to be secured by collateral.

#### Interest rate risk

Our Group is exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

Certain of our banking facilities charge interest at floating interest rate. Having balanced the cost and benefit, our Directors consider it not necessary to have a policy on hedges of interest rate risk. Nevertheless, the management of our Group keeps monitor any change of interest exposure and will consider implementing measures from time to time to mitigate the adverse change of interest rate should the need arise.

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## FINANCIAL INFORMATION

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### Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

The following table sets forth the remaining contractual maturities at the end of the reporting periods of our non-derivative financial liabilities, which are based on contractual discounted cash flows and the earliest date we may be required to pay:

	As at 31 March	
	2015	2016
	Within	Within
	1 year or on	1 year or on
	demand	demand
	HK\$'000	HK\$'000
Accounts payable	83	309
Financial liabilities included in other payables and accruals	3,636	1,803
Interest-bearing bank loan	74	–
	<u>3,793</u>	<u>2,112</u>

### FINANCIAL INSTRUMENTS

We have not entered into any financial instruments for hedging purposes.

### DISTRIBUTABLE RESERVE

Our reserves available for distribution to Shareholders consist of share premium and profits. Under the Companies Law and subject to compliance with our Articles of Association, the share premium account may be applied by our Company for paying distributions or dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As at 31 March 2016, our Group had retained profits of HK\$43.4 million which are available for distribution to our Shareholders.

### DIVIDEND

As at the Latest Practicable Date, we did not have any pre-determined dividend payout ratio. During the year ended 31 March 2015, we had declared dividends of approximately HK\$3.6 million. On 13 June 2016, we declared a dividend of HK\$2.8 million to our then shareholders, which is expected to be paid in October 2016 out of internal funds. Save as disclosed, no further dividend was declared by the Group to its then shareholders after the Track Record Period and up to the Latest Practicable Date. The foregoing should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

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## FINANCIAL INFORMATION

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After completion of the Placing and the Capitalisation Issue, our Shareholders will be entitled to receive dividends declared by our Company. Any amount of dividends to be declared and paid by our Company will be at the discretion of our Directors taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association and the Companies Law. Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid except out of our distributable reserve and lawfully available for distribution under the Companies Law.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

### **IMPACT OF NON-RECURRING LISTING EXPENSES**

The financial results of our Group will be affected by the non-recurring expenses in relation to the Listing. The estimated Listing expenses in relation to the Listing are approximately HK\$22.3 million (based on the Placing Price of HK\$0.25, being the midpoint of the indicative Placing Price range of HK\$0.22 to HK\$0.28 per Placing Share), of which approximately HK\$5.4 million is directly attributable to the issue of the Placing Shares under the Placing and is expected to be capitalised as deferred expense and charged against equity upon the Placing under the relevant accounting standards. The remaining Listing expenses of approximately HK\$5.4 million was charged to profit or loss for the year ended 31 March 2016 and approximately HK\$11.5 million is expected to be charged to profit or loss for the year ending 31 March 2017. Expenses in relation to the Listing are non-recurring. Accordingly, our Board wishes to inform the Shareholders and potential investors that our Group's financial results for the year ending 31 March 2017 will be affected by the estimated expenses in relation to the Listing. Shareholders and potential investors should note that the financial performance of our Group for the year ending 31 March 2017 would be materially and adversely affected by the estimated expenses in relation to the Listing mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Placing on our net tangible assets as at 31 March 2016 as if it had taken place on 31 March 2016. The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as at 31 March 2016 or any future date following the Placing. It is prepared based on our net assets as at 31 March 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

	<b>Audited combined net tangible assets of our Group as at 31 March 2016 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Placing HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted combined net tangible assets HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)</b>
Based on a Placing Price of HK\$0.22 per Share	43,793	22,834	66,627	0.06
Based on a Placing Price of HK\$0.28 per Share	43,793	34,584	78,377	0.07

*Notes:*

1. The audited combined net tangible assets attributable to our Group as at 31 March 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets attributable to the Group of HK\$43,793,000 as at 31 March 2016.
2. The estimated net proceeds from the Placing are based on 204,000,000 shares to be issued at the minimum and maximum indicative Placing Price of HK\$0.22 and HK\$0.28 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Group subsequent to 31 March 2016.
3. The unaudited pro forma adjusted net tangible assets per Share is arrived on the basis of 1,200,000,000 shares in issue, assuming that 204,000,000 shares to be issued pursuant to the Placing had been completed on 31 March 2016.
4. No adjustment has been made to the audited combined net tangible assets of the Group as at 31 March 2016 to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2016, including dividend of HK\$2,800,000 declared after 31 March 2016.

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## FINANCIAL INFORMATION

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### **DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that since 31 March 2016, (being the date to which the latest audited combined financial information of our Group is prepared) and up to the date of this prospectus, there had been no material adverse change in our business, financial condition and market condition in the industry in which we operate which could materially affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS, BUSINESS OBJECTIVES AND STRATEGIES

Please see the section headed “Business – Our business strategies and objectives” of this prospectus for our Group’s business objectives and strategies.

### REASONS FOR THE PLACING

#### Background

Our Group, through its principal operating subsidiaries, has been operating in the environmental, sustainability and acoustics consulting industry in Hong Kong for over 20 years. Historically, we principally relied on its internal resources comprising mainly operating cash flows and shareholders’ funds as its major source of financing. While the environmental, sustainability and acoustics consulting industry, as similar to many other servicing industries, is not a capital-intensive industry requiring significant amount of fixed assets investments, our business model does require significant amount of additional working capital to support the continuous grow of our business as well as our expansion plans.

#### Business model with cost of services incurred in advance of project payments

As described in the section headed “Business” of this prospectus, our operation involves various operational stages which could span from under one year to up to four years depending on the size and complexity of the projects. Pursuant to the typical agreement with our customers, we are paid on a milestone basis or only upon the achievement of certain work stages. Normally, we only receive 5% to 10% of the total fee as its first payment upon signing of the agreement. The remaining balance of the fee is paid to us in different percentages and installments of the total fee during the implementation of the project upon reaching a certain milestone or achievement as set out in the respective agreement. Generally, the final payment, which is about 5% to 10% of the total fee, is made upon completion of the relevant project. While we usually grant credit period of 0 to 60 days to our customers, the actual repayment period are much longer than such credit period because it usually takes prolonged negotiation process to discuss, revise, agree and finalise our deliverables and many of our customers are contractors and architects and designers which would only settle their balances due to us upon their ultimate customers, including Government authorities or property developers, settle their billings, thereby causing prolonged delay to settle our payments.

Our accounts receivable as at 31 March 2015 and 2016 amounted to HK\$13.4 million and HK\$9.4 million respectively and the average accounts receivable turnover days for each of the two years ended 31 March 2015 and 2016 were approximately 150 days and 129 days respectively.

However, we have to pay our staff costs on a monthly basis and our sub-contractors only grant us credit period of 0 to 30 days in general. Under such business model, we often have to incur and pay our cost of services comprising staff costs and sub-contractors costs in advance of our progress payments for some of our projects. As at 31 March 2015 and 2016, the net contract assets (being contract costs incurred plus recognised profits less recognised losses and progress billings) amounted to HK\$4.7 million and HK\$16.7 million, respectively.



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## FUTURE PLANS AND USE OF PROCEEDS

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While we have been able to maintain a positive cash flows from operating activities (if payment of Listing expenses are excluded) for each of the two years ended 31 March 2015 and 2016, our Directors foresee, as our business further grows, there will be an increasing need for additional working capital in order to support the further growth in business by aiming to secure more number of projects and larger sized projects as well as recruiting more professional staff. Furthermore, we plan to further expand into the PRC market which would further drive our needs for additional capital. As at 31 July 2016, being the latest practicable date for determining our indebtedness, our net working capital amounted to approximately HK\$23.3 million, comprising the cash and cash equivalent of approximately HK\$14.2 million and the accounts receivable of approximately HK\$9.2 million, net of the accounts payable of approximately HK\$0.1 million. Taking into consideration of a proposed dividend of approximately HK\$2.8 million which is expected to be paid in October 2016 out of internal funds, our available working capital is estimated to amount to approximately HK\$20.5 million. Based on the average debtors turnover days of 130 days (or approximately 4 months) for the year ended 31 March 2016 and estimated monthly cash payments of approximately HK\$2.5 million to be made in relation to our operating activities and without taking into consideration of any proceeds from our Listing, our Directors estimate that a cash and cash equivalent safety level of approximately HK\$10.0 million would be required at all material time in order to maintain the current level of our business operation. Thus, the estimated free working capital available to fund our expansion plans would be approximately HK\$10.5 million. As such, our Directors are of the view that the remaining internal financial resources available would not be sufficient to finance the expansion plans of the Group in full which is approximately HK\$60.0 million, as a result, the Group is pursuing the Placing to obtain the external funding for our expansion plans.

### **Industry trend for PRC expansion**

According to the public information available to our Directors, most of our top competitors have offices and business in China. The office locations of our major competitors are mainly located in the cities which we plan to expand to according to our expansion plan. Our Directors consider that we need to expand to the PRC in order to catch up with our major competitors and capture the market share and growth of the PRC market. The Listing is crucial to the implementation of our PRC expansion plan as about 40% of the net proceeds will be applied for such purpose.

### **Exploring bank financing as alternative**

In 2015, we explored the feasibility of applying for SME loan from an licensed bank in Hong Kong. However, after preliminary assessment by the bank, the maximum loan amount available to us would be approximately HK\$4.0 million only, which in the opinion of our Directors, is not adequate to support the expansion plan of our Group even on a short-term basis.

As a consulting company, human capital is considered as our most valued assets, thus, we generally do not invest in any significant amount of fixed assets (e.g. land and buildings) to render our services. As such, we do not have any material amount of fixed assets available for security or pledge to support us securing higher amount of banking facilities for our business needs.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Reasons for pursuing the pre-IPO investments and the Placing**

In view of the above, our Directors considered that pursuing a listing status on the Stock Exchange would be a better option for our Group. However, in view of the then financial resources of the Group, our Directors decided to first raise funds through introducing pre-IPO investors in order to substantially fund for the Listing expenses. As such, in January 2015, we started preparing for the Reorganisation. In April 2015, our Group introduced four individuals as the First Tranche Pre-IPO Investors raising a total amount of approximately HK\$9.8 million. In August 2015, our Group further introduced the Second Tranche Pre-IPO Investor raising a total amount of approximately HK\$10.9 million. The total proceeds through introducing Pre-IPO Investors amounted to approximately HK\$20.7 million which have been principally used as general working capital of the Group for its ordinary course of business and to settle payment of the Listing expenses. As at the 31 March 2016, approximately HK\$17.5 million of the proceeds raised from the Pre-IPO Investments had been utilised.

Assuming an indicative Placing Price of HK\$0.25 per Placing Share (being the mid-point of the Placing Price range stated in this prospectus), the gross proceeds from the Placing would amount to approximately HK\$51.0 million.

Taking into consideration of the total proceeds from the pre-IPO investments and the Placing which are estimated to amount to HK\$73.5 million and the estimated total Listing expenses of approximately HK\$22.3 million, the Directors are of the view that pursuit of the Placing is justified.

### **Listing status and mergers and acquisitions of our major competitors**

To the knowledge of our Directors, our competitors include listed companies. For example, Company C, being our major competitor in the green building certification consultancy segment and sustainability and environmental consultancy segment, is a member of a group listed on the New York Stock Exchange, while Company D, being our major competitor in the green building certification consultancy segment, is a member of a group listed on the Toronto Stock Exchange. Our Directors consider that the Listing can help us to enhance our competitive advantage among our listed major competitors and consolidate our position in the competitive landscape. In addition, our Directors consider that the Listing can provide a platform for us to access to Hong Kong equity market and further raise fund so as to grow through mergers and acquisitions, which some of our major competitors have been conducting. Recently, according to the public information available to our Directors, Company C and Company D had completed a few mergers and acquisitions along their milestone with the recent transactions completed in 2014. According to the F&S Report, 7 out of the top 10 global leading players of sustainability and environmental consultancy market are listed.

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## FUTURE PLANS AND USE OF PROCEEDS

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### Benefits of the Placing

Our Directors believe that the Placing will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans set out in the paragraph headed “Implementation plan” below.

According to the implementation plan set out below in this section, the total funds required for our expansion plan is approximately HK\$60.46 million, of which approximately HK\$27.26 million (representing approximately 45.1% of the total funds) will be financed by the net proceeds from the Placing. Since funds are required to finance our expansion plan, our Directors consider to partially finance such financial needs of our Group through the net proceeds of the Placing and the Listing instead of through debt financing will bring the following benefits to us:

- being a listed company will allow our Company more flexibility in determining the forms and terms of co-operation with third parties through equity or equity-linked consideration;
- the Listing will provide our Company with the platform to the access to the Hong Kong equity market and further raise fund in the future to support and finance its expansion and development;
- we will maintain a low gearing ratio by raising fund and minimise our exposure to interest and finance cost risks through the Placing to support the growth and expansion of our Group instead of debt financing;
- since the experienced and accredited staff are crucial to the maintenance of the current status and continuing development of our Group, our Company, after Listing, can award to its staff through the grant of share options or the adoption of other incentive schemes. Such share options and schemes will provide incentives to our existing staff to continue to contribute to our Group, they will also provide attractions and competitive advantages in recruiting new staff;
- most of our customers are sizeable and listed property developers, government authorities and public bodies, architectural and design firms. With a listing status, our Company’s profile, awareness and reputation in the industry will be enhanced and raised, which in turn will increase our competitiveness among its competitors and the confidence of potential customers on us. Additionally, a listing status may differentiate us from other competitors during the bidding process and therefore enhance our bidding success rate;
- to the best knowledge of our Directors, our competitors include global environmental consultancy companies which are listed companies, and a listing status will bring us, to a certain extent, in parallel with such international listed companies; and
- our internal control, risk management and corporate governance systems will be enhanced and raise our general corporate image.

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## FUTURE PLANS AND USE OF PROCEEDS

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### USE OF PROCEEDS

The net proceeds from the Placing (after deduction of all Listing expenses, underwriting fees and estimated expenses payable by us in relation to the Placing), assuming a Placing Price of HK\$0.25 per Placing Share (being the mid-point of the Placing Price range stated in this prospectus), are estimated to be approximately HK\$28.7 million, underwriting fees and commissions and estimated expenses payable by us in connection with the Placing will be funded by our Group's internal funding. We intend to use the proceeds of the Placing for the following purposes:

- approximately HK\$11.48 million (or approximately 40.0%) of the net proceeds for establishment of subsidiaries, co-operation with other third parties, and/or acquisition in order to expand to PRC market. We will use approximately HK\$0.9 million (or approximately 3.1%) to conduct preliminary research and due diligence on potential targets and visit potential PRC developers for potential collaborations in the PRC. We expect to use approximately HK\$5.2 million, HK\$5.38 million, nil together with our internal funding of approximately HK\$4.0 million, HK\$5.0 million, HK\$9.2 million to acquire companies by three phases in southern part, northern part and inner part of China respectively. For further information of our business strategy of expansion into the PRC market, please refer to the section headed "Business – Our business strategies and objectives – Expansion into the PRC market through establishment of subsidiaries, co-operation with other third parties and/or acquisitions" of this prospectus. As at the Latest Practicable Date, we did not have specific target for acquisition or investment and had not entered into any legally binding agreement or arrangement nor engaged in any active discussion with any potential targets with respect to such acquisition. In assessing the suitability of the acquisition targets, we would consider factors including the size and location of the operations, service scope, reputation in the industry, customer base, team qualification and historical financial performance;
- approximately HK\$5.74 million (or approximately 20.0%) of the net proceeds for expansion through mergers and acquisitions of other market players in the environmental data collection/monitoring industry and ecology industry in Hong Kong with an aim to vertically integrate with the business of the Group. We expect we will use approximately HK\$3.8 million for such acquisitions in Hong Kong in the six months ended 31 March 2018 and HK\$1.94 million by 31 March 2019. As at the Latest Practicable Date, we have not identified any target for acquisition or investment or entered into any legally binding agreement or arrangement with respect to such acquisition. In assessing the suitability of the acquisition targets, we would consider factors including the scale of operations, business nature, reputation in the industry, customer base, team qualification and historical financial performance;

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately HK\$5.74 million (or approximately 20.0%) of the net proceeds for further expansion of our business on ESG reporting and consultancy. We expect we will use approximately HK\$4.17 million in staff recruitment, development of software and organise training, seminar and exhibitions;
- approximately HK\$4.3 million (or approximately 15.0%) of the net proceeds for expansion of our in-house project team. We expect we will use approximately HK\$3.2 million, in consultants recruitment; and
- the remaining amount of approximately HK\$1.44 million (or approximately 5.0%) will be used to provide funding for our working capital and other general corporate purposes.

If the final Placing Price is set at: (i) the lowest; or (ii) the highest of the indicative Placing Price range, the net proceeds from the Placing are estimated to be (i) approximately HK\$22.8 million; or (ii) approximately HK\$34.6 million respectively. In such event, the estimated net proceeds will decrease by approximately HK\$5.9 million or increase by approximately HK\$5.9 million respectively and are intended to be used in the same proportions as disclosed above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits with Hong Kong licensed banks. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Please also refer to the paragraph headed “Our business strategies and objectives” of the section headed “Business” for details of our expansion and development plan on PRC market, mergers and acquisitions and ESG reporting and consultancy.

## FUTURE PLANS AND USE OF PROCEEDS

### IMPLEMENTATION PLAN

Our Group will utilise the net proceeds from the Placing to implement part of the business strategies of our Group and the implementation plans are set out below for each of the six-month periods until 30 September 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors; in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group’s business objective, our Directors intend to carry out the following implementation plans:

		From the	For the	For the	For the	For the	For the	Approximate	Total	% of net	
		Latest	six	six	six	six	six				
		Practicable	months	months	months	months	months				
		Date to	ending	ending	ending	ending	ending				
		31	30	31	30	31	30				
		March	September	March	September	March	September				
		2017	2017	2018	2018	2019	2019				
		(HK\$' million)									
1) Expand into the PRC market through acquisition or establishment of subsidiaries											
a) We will conduct preliminary research and due diligence on potential targets and visit potential PRC developers for potential collaborations in the PRC, with focuses on cities mentioned in (b), (c) and (d) below.	Net proceeds	-	0.90	-	-	-	-	0.90	3.10%		
	Internal funding	-	-	-	-	-	-	-			
b) Based on the our research and studies in (a), it is expected that we will be able to identify potential targets in each identified potential city. We target to complete the acquisition of a company in southern part of China which preferably has business in Shenzhen (including Qianhai), Guangzhou, Changsha, Hainan, Nanchang and nearby cities.	Net proceeds	-	5.20	-	-	-	-	5.20	18.10%		
	Internal funding	-	4.00	-	-	-	-	4.00			

## FUTURE PLANS AND USE OF PROCEEDS

		From the	For the	For the	For the	For the	For the	Approximate % of net proceeds		
		Latest Practicable Date to	six months ending	six months ending	six months ending	six months ending	six months ending			
1) Expand into the PRC market through acquisition or establishment of subsidiaries		31 March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	30 September 2019	Total		
		<i>(HK\$' million)</i>								
c) Based on our research and studies in (a) and experience in (b), we target to complete the acquisition of a company in northern part of China which preferably has business in Beijing, Shanghai, Dalian, Shenyang, Tianjin, Qingdao, Shijiazhuang and nearby cities.	Net proceeds	-	-	-	5.38	-	-	5.38	18.70%	
	Internal funding	-	-	-	5.00	-	-	5.00		
d) Based on our research and studies in (a) and experience in (b) and (c), we target to complete the acquisition of a company in inner part of China which preferably has business in Chengdu, Xian, Zunyi and nearby cities.	Net proceeds	-	-	-	-	-	-	-	-	
	Internal funding	-	-	-	-	-	9.20	9.20		
Total	Net proceeds	-	6.10	-	5.38	-	-	11.48	40.00%	
	Internal funding	-	4.00	-	5.00	-	9.20	18.20		

*Note: Depends on actual progress percentage of the expansion plans, we will make further announcement.*

In implementing the PRC expansion, we will first conduct preliminary market research and identify potential targets in October 2016. We will conduct visits on the targets, potential clients and target cities in late 2016 and 2017. We will select target companies of small to medium scale with (i) business nature similar to our Group which primarily provide green building certification consultancy in the PRC with good and established track records; (ii) annual revenue deriving from green building certification consultancy services of approximately HK\$8.0 million to HK\$10.0 million; (iii) established and stable local customer bases; and (iv) possess valid green building certification qualifications as we believe the market for green building certification consultancy in the PRC is growing and we believe pursuing these opportunities could enhance our competitiveness and further build up our market position in the PRC. We will also consider

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## FUTURE PLANS AND USE OF PROCEEDS

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companies which provide sustainability and environmental consultancy in the PRC. To increase our market presence in the PRC, we also plan to visit developers in the PRC for potential collaborations.

Our expansion to the PRC will be divided into three phases: (1) in Shenzhen or nearby cities to tap into the market in southern part of China by 30 September 2017; (2) in Beijing or Shanghai or nearby cities to tap into the market in northern part of China by 30 September 2018; and (3) in Chengdu or nearby cities to tap into the market in inner part of China by 30 September 2019. For further information of the competitive landscape and outlook of the cities in which we target to expand into, please refer to the section headed “Industry Overview – Overview of environmental consultancy services markets of cities in China” of this prospectus.

According to the F&S Report, there were over 2,350 companies providing green building certification consultancy in the PRC as at 31 December 2015 and 85%-90% of these companies have an average revenue of less than HK\$10 million per year. Based on our preliminary research on the information available in the public, we have identified not less than 30 potential acquisition targets located in Shenzhen, Shanghai, Beijing and Guangzhou that we considered to be within our budget and suitable and from which we may further explore the possibility of acquisition. In light of our preliminary study of the current market conditions and with reference to our selection criteria of potential acquisition targets as stated above, we expect the average acquisition costs of each potential target would be less than HK\$10 million. We initially plan to acquire one company in each phase of our expansion in the southern part, northern part and inner part of China, respectively. Our Directors are of the view that the expected available funding to us are in line with the estimated acquisition price of a total of three potential target companies. The actual capital expenditure and timing for implementation of our planned expansion are subject to various factors such as the identification of appropriate acquisition targets, commercial negotiation with the vendors or business partners, the then market conditions, our then cash flow position and capital requirements. When implementing an expansion plan, we will from time to time review our financial and cash flow position and adjust our expansion where appropriate to ensure that we will have sufficient funding and our financial and cash flow position will not be adversely affected. In addition to the proceeds of the Placing and our internal resources, we will also explore other means of fund-raising methods and loan facility to finance the acquisitions. As at the Latest Practicable Date, we have not commenced due diligence on nor approached any of these potential targets. After we have identified the targets, we will negotiate the initial terms and engage professional parties to conduct due diligence. Upon satisfactory results of the due diligence, we will seek the Board’s approval and execute the acquisition plan in accordance to the requirements under GEM Listing Rules.

Our acquisition approach is to acquire majority of the shares in the target company with minority interests maintained by existing management or owner to align our interests in the target company.

We also plan to participate in research projects, trainings, seminars, technical forums, sponsorship and other green building promotional events through recruitment of local experts to increase our market presence in those cities which we target expanding into using our internal funding.



## FUTURE PLANS AND USE OF PROCEEDS

Our synergy is leveraged on the enlarged client base and extended expertise on green building certification consultancy and sustainability and environmental consultancy. Our Directors believe that the benefits for the PRC expansion are (i) new sources of income from the PRC market which is much bigger in size than the Hong Kong market; (ii) enlarged client base; (iii) increase in recognition and market shares in the PRC; (iv) sharing of green building know-hows across different certification regimes; and (v) additional income contributed from the target companies.

2) Expansion through strategic mergers and acquisitions in Hong Kong		From the Latest Practicable Date to 31 March 2017	For the six months ending 30 September 2017	For the six months ending 31 March 2018	For the six months ending 30 September 2018	For the six months ending 31 March 2019	For the six months ending 30 September 2019	Total	Approximate % of net proceeds
		(HK\$' million)							
We will identify and negotiate with targets, complete necessary due diligence, seek the Board's approval and execute the acquisition plan in accordance with the requirements as required under the GEM Listing Rules.	Net proceeds	-	-	3.80	-	1.94	-	5.74	20.00%
	Internal funding	-	-	2.80	-	2.76	-	5.56	
Total	Net proceeds	-	-	3.80	-	1.94	-	5.74	20.00%
	Internal funding	-	-	2.80	-	2.76	-	5.56	

*Note:* Depends on actual progress percentage of the expansion plans, we will make further announcement.

We target to acquire two small scale companies which provide similar services as our sub-contractors such as ecology analysis and environmental monitoring in the year ended 31 March 2017 and 2018, respectively. Our acquisition approach is to acquire majority of the shares in the target company with minority interests maintained by existing management or owner to align our interests in the target company. Our Directors believe the benefits of the acquisition are (i) enhancing the range of green building certification and sustainability and environmental consultancy; (ii) improving the gross profit of respective business by reducing internal costs through vertical integration; (iii) enlarge client base; and (iv) offering more competitive prices for our services after internal costs reduction.

## FUTURE PLANS AND USE OF PROCEEDS

3) Further expand and develop our types of services to ESG		From the	For the	For the	For the	For the	For the	Approximate % of net proceeds	
		Latest Practicable Date to 31 March 2017	six months ending 30 September 2017	six months ending 31 March 2018	six months ending 30 September 2018	six months ending 31 March 2019	six months ending 30 September 2019		
<i>(HK\$' million)</i>									
We target to recruit one experienced associate director to set up a team specialised on ESG reporting and consultancy and two additional principal consultants to perform the ESG works.	Net proceeds	–	0.70	0.70	0.70	–	–	2.10	7.30%
	Internal funding	–	0.38	0.38	0.38	1.08	1.08	3.30	
We target to recruit one senior consultants and five consultants to handle reporting process for business expansion.	Net proceeds	–	0.69	0.69	0.69	–	–	2.07	7.20%
	Internal funding	0.26	0.30	0.30	0.30	0.99	0.99	3.14	
We will organise training to existing staff to equip them with the knowledge on ESG reporting and consultancy and organise seminars to enhance the awareness of ESG to public and stakeholders of listed companies. As further efforts on marketing and promoting ESG, we will participate in the coming ESG events and provide sponsorships.	Net proceeds	–	0.53	0.54	–	–	–	1.07	3.70%
	Internal funding	–	–	–	0.50	0.50	0.50	1.50	
We will finance the capital expenses for the establishment of team and department such as software and equipment, database system for ESG.	Net proceeds	–	0.50	–	–	–	–	0.50	1.70%
	Internal funding	–	–	–	–	–	–	–	
Total	Net proceeds	–	2.42	1.93	1.39	–	–	5.74	20.00%
	Internal funding	0.26	0.68	0.68	1.18	2.57	2.57	7.94	

## FUTURE PLANS AND USE OF PROCEEDS

We are exploring business opportunities in ESG reporting and consultancy business which assist listed companies to follow the regional and global trends of increased ESG disclosures as the trend towards disclosure reflects the increasing importance of environmental and social performance to business success. We have project network with some listed companies, especially property developers and construction companies which we can start our business with them by active marketing services to the listed companies. On the other hand, our Directors have introduced the professional services providers for listed companies to us and we have got our first ESG project through this referral channel.

For development of the ESG team, we will hire through recruitment agent and provide competitive salary package to recruit quality and experienced staff. For the development of the business, we will also actively participate in the coming ESG events and provide sponsorships. In addition, seminars will be organised to enhance the awareness of ESG to public and stakeholders of listed companies.

4) Further strengthen and expand our in-house team of professional staff		From the	For the	For the	For the	For the	For the	Total	Approximate % of net proceeds
		Latest Practicable Date to 31 March 2017	six months ending September 2017	six months ending March 2018	six months ending September 2018	six months ending March 2019	six months ending September 2019		
<i>(HK\$' million)</i>									
We will recruit one principal consultant and three consultants by April 2017 to expand our project team.	Net proceeds	-	0.90	0.90	0.90	0.50	-	3.20	11.10%
	Internal funding	-	-	-	-	0.40	0.90	1.30	
We will implement the enterprise resources planning system (ERP) to provide more information for the management to manage the Group and individual project.	Net proceeds	-	0.80	-	-	-	-	0.80	2.80%
	Internal funding	-	-	-	-	-	-	-	
We will continue to encourage our staff to attend technical and industry seminars, conferences, courses organised by third parties to enhance their professional competence on an on-going basis.	Net proceeds	-	0.10	0.10	0.10	-	-	0.30	1.00%
	Internal funding	-	-	-	-	0.10	0.10	0.20	
Total	Net proceeds	-	1.80	1.00	1.00	0.50	-	4.30	15.00%
	Internal funding	-	-	-	-	0.50	1.00	1.50	

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **BASES AND ASSUMPTIONS**

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our Group's future plans relate;
- there will be no change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in Hong Kong, China and Macau;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Placing will be completed in accordance with and as described in the section headed "Structure and Conditions of the Placing" in this prospectus;
- our Group is able to maintain its customers;
- our Group will be able to retain key management and professional staff and/or recruit replacements/additional staff as needed;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus.

### **PLACING SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

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## UNDERWRITING

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### UNDERWRITERS

#### Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

#### Co-Lead Manager

Koala Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Placing

Pursuant to the Underwriting Agreement, our Company is offering 204,000,000 Placing Shares for subscription by way of Placing at the Placing Price on and subject to the terms and conditions of this prospectus.

Subject to the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Underwriting Agreement (including the Sole Lead Manager, the Co-Lead Manager, for itself and on behalf of the other Underwriters, reach an agreement with the Company on the Placing Price), the Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Placing Shares which are being offered but are not taken up under the Placing on the terms and subject to the conditions of this prospectus.

#### *Grounds for termination*

The Sole Bookrunner (for itself and on behalf of the other Underwriters) in its sole and absolute opinion shall be entitled by notice in writing to our Company to terminate the Underwriting Agreement if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Bookrunner:
  - (i) that any statement, reasonably considered by the Sole Bookrunner to be material, contained in any of this prospectus and other documents in relation to the Placing was when the same was issued, or has become, untrue, incorrect or misleading in any material respects; 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 therefrom reasonably considered by the Sole Bookrunner to be material to the Placing; or

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## UNDERWRITING

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- (iii) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement; or
  - (iv) any material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the control of the parties to the Underwriting Agreement (including without limitation, any act of God, acts of government, acts of war, riot, public disorder, civil commotion, fire, flooding, explosion, terrorism, strikes, lockouts, outbreak of diseases or epidemics shall have occurred, happened or come into effect; or
  - (ii) any material change in, or any event or series of events resulting or likely to result in any material adverse change or development of local, national or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters (including without limitation any moratorium on, suspension or restriction of commercial banking activities or trading in securities on the Stock Exchange) shall have occurred, happened or come into effect; or
  - (iii) any new law or regulation or any material change (whether or not forming part of a series of changes) in existing laws or regulations or any change in the interruption or application thereof by any court or other competent authority of Hong Kong, the BVI or any relevant jurisdiction shall have been introduced or effected; or
  - (iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by the United States, the European Union (or any member thereof) or any other country or organisation on Hong Kong or any other jurisdiction relevant to any member of our Group; or
  - (v) any material adverse change in the business or in the financial or trading position of any member of our Group or our Group taken as a whole; or
  - (vi) any material change, or a materialisation of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
  - (vii) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
  - (viii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

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## UNDERWRITING

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- (ix) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement with its creditors or enters into a scheme or arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed 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; or
- (x) a general moratorium on commercial banking activities in Hong Kong; or
- (xi) a material change in taxation or exchange control (or in the implementation of any exchange control) in Hong Kong, the BVI or elsewhere; or
- (xii) any event, act or omission which gives rise or is likely to give rise to any liability of our Company pursuant to the indemnities contained in the Underwriting Agreement; or
- (xiii) any material fluctuation in the exchange rate of the Hong Kong currency against foreign currency; or
- (xiv) any material adverse change in the conditions or sentiments of the Hong Kong equity securities or other financial markets; or
- (xv) any imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange or trading settlement system or material interruption in securities settlement or clearance services or procedures in Hong Kong due to exception financial circumstances or otherwise,

which, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Underwriters),

- (1) is or will be, or is likely to be materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of our Group taken as a whole; or
- (2) has or will have, or is likely to have, a material adverse impact on the success of the Placing or the level of Placing; or
- (3) makes it impracticable, inadvisable or inexpedient to proceed with the Placing,

then the Sole Bookrunner may (for itself and on behalf of the Underwriters) give written notice to our Company (with a copy of such notice to each of the Underwriters) to terminate the Underwriting Agreement with immediate effect.

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## UNDERWRITING

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### Undertakings to the Stock Exchange under the GEM Listing Rules

(A) *Undertaking by us*

Under Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Placing (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

(B) *Undertaking by our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments has undertaken to our Company and the Stock Exchange that he/it will not and will procure that the relevant registered holder(s) will not:

- (a) at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Six-Month 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 Shares in respect of which they are shown by this prospectus to be the beneficial owners; and
- (b) at any time in the period of six months immediately after the expiry of the First Six-Month Period (“**Second Six-Month 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 Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments has also undertaken to our Company and the Stock Exchange that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, each of them will:

- (a) when he/it pledges or charges any of our Shares or securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and



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## UNDERWRITING

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- (b) if he/it receives indications, either verbal or written, from the pledgee or charge that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We undertake to inform the Stock Exchange as soon as we have received information relating to the above pledge or charge and disclose such matters by way of an announcement which will be published in accordance with the requirements under the GEM Listing Rules.

### Other undertakings

(A) *Undertaking by us*

Pursuant to the Underwriting Agreement, our Company has undertaken to the Stock Exchange, the Sole Sponsor and the Underwriters that, it will not, and will procure that its subsidiaries not to, without the prior approval of the Stock Exchange, except pursuant to the Placing, the Capitalisation Issue and the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme, (a) at any time in the period commencing on the date of this prospectus and ending on the date which is twelve months from the Listing Date (the “**First 12-Month Period**”), issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, our Company or any of our subsidiaries; and (b) at any time within the further twenty-four months commencing on the expiry of the First 12-Month Period (the “**Subsequent 24-Month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our subsidiaries so as to result in any of the Controlling Shareholders (together with any of their associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time specified in The Codes on Takeovers and Mergers and Share Buy-backs (the “**Code**”) as being the level for triggering a mandatory general offer in any of the companies controlled by him, her or it or any of their associates which owns any Shares or our Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of such subsidiaries.

Our Company has also undertaken to the Stock Exchange, the Sole Sponsor and the Underwriters that save with the prior approval of the Stock Exchange, our Company will not, and procure its subsidiaries will not during the First 12-Month Period purchase any Shares.

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## UNDERWRITING

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*(B) Undertaking by our Controlling Shareholders*

Each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments, pursuant to the Underwriting Agreement, has jointly and severally undertaken to the Stock Exchange, the Sole Sponsor, our Company and the Underwriters that, except pursuant to the Placing, it/he/she will not:

(a) at any time during the period commencing on the date of this prospectus and ending on the date which is twenty-four months from the Listing Date (the “**First 24-Month Period**”):

(i) 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, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which the Controlling Shareholders have beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively, except otherwise allowed under Rule 13.18 of the GEM Listing Rules);

Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares;  
or

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time within the further twelve months commencing on the expiry of the First 24-Month Period (the “**Subsequent 12-Month Period**”), it/he/she will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the GEM Listing Rules) of our Company;
- (c) until the expiry of the Subsequent 12-Month Period, in the event that it/he/she enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it/he/she will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time during the First 24-Month Period or the Subsequent 12-Month Period (where applicable), (i) the Controlling Shareholders will, if it/he/she pledges or charges any Shares or other securities of our Company in respect of which it/he/she is the beneficial owner, immediately inform our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) the Controlling Shareholders will, if it/he/she receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Lead Manager, the Co-Lead Manager and the Underwriters and, if required, the Stock Exchange of any such indication.

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## UNDERWRITING

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Each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments has jointly and severally undertaken to the Stock Exchange, the Sole Sponsor, our Company and the Underwriters that, except pursuant to the Placing, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, it will not, and will procure that its subsidiaries will not, he/it shall not and shall procure that the relevant registered holder(s) that:

- (a) within the First 24-Month Period, it/he/she will not, and will procure that none of its/his/her associates or the companies controlled by it/him/her will, sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of the securities of our Company or any interests therein owned by it/him/her or any of their associates or in which it/he/she or any of their associates is, directly or indirectly interested immediately after the completion of the Placing (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of Capitalisation Issue or scrip dividend or otherwise), or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by him/it or any of their respective associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of Capitalisation Issue or scrip dividend or otherwise); and
  
- (b) within the Subsequent 12-Month Period, he/it will not, and will procure that none of its/his/her associates or the companies controlled by it/him/her or any of their respective associates will sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any securities of our Company or any interests therein referred to in subparagraph (a) above or sell, transfer, dispose of or enter into any agreement to dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by it/him/her or any of their respective associates which is the beneficial owner (directly or indirectly) of such securities of our Company or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of the Controlling Shareholders (together with its/his/her associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Code as being the level for triggering a mandatory general offer, in any of the companies controlled by it/him/her and/or any of their respective associates which owns such securities of our Company or interests as aforesaid.

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## UNDERWRITING

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Each of Ms. Grace Kwok and Mr. Wu Dennis Pak Kit (collectively as a group of Controlling Shareholders) and Gold Investments has also jointly and severally, irrevocably and unconditionally undertaken to the Stock Exchange, the Sole Sponsor, our Company and the Underwriters that:

- (a) during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is thirty-six months from the Listing Date, it/he/she shall not and shall procure that none of his, her or its associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by its/his/her or any of their associates or in which it/he/she or any of their associates is, directly or indirectly interested immediately following completion of the Placing (or any other Shares or interest in the Shares arising or deriving therefrom) or any share or interest in any company controlled by its/his/her or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other Shares or interest in the Shares arising or deriving therefrom); and
- (b) when it/he/she or any of their associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in sub-paragraph (a) above, it/he/she shall give prior written notice of not less than three (3) business days to the Stock Exchange and our Company giving details of the number of Shares in our Company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if it/he/she or any of their associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in sub-paragraph (a) above, it/he/she will immediately notify the Stock Exchange and our Company, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters in writing of such indications and provide details of such disposal or transfer to them as they may require.

### **Commission and expenses**

The commission payable to the Underwriters in relation to the Placing will be borne by our Company. The Underwriters will receive an underwriting commission at the rate of 4.0% of the aggregate Placing Price payable for the Placing Shares, out of which they pay any sub-underwriting commissions and praecipium.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Placing are estimated to amount to approximately HK\$22.3 million in total paid and payable by our Company, based on the mid-point of the indicative range of the Placing Price of HK\$0.25 per Placing Share.

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## UNDERWRITING

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### **Underwriters' interests in our Company**

Save for their obligations under the Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Placing.

### *Indemnity*

Our Company and our Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters against certain losses which they may suffer, including losses arising from or in connection with their performance of their respective obligations under the Underwriting Agreement and any breach by us of the Underwriting Agreement.

### *Sole Sponsor's Independence*

Save as disclosed in this prospectus, and for advisory and documentation fee paid and to be paid to Guotai Junan Capital as the Sole Sponsor in connection with the Listing and as our Compliance Adviser with effect from the Listing Date, Guotai Junan Capital nor any of its close associates has or may, as a result of the Listing and the Placing, have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

No director or employee of Guotai Junan Capital who is involved in providing advice to our Company has or, as a result of the Listing and/or the Placing, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of Guotai Junan Capital has any directorship in our Company or any other members of our Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE PLACING

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### PLACING PRICE

The Placing Price will not be more than HK\$0.28 per Placing Share and expected to be not less than HK\$0.22 per Placing Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% transaction levy imposed by the SFC. Assuming the Placing Price of HK\$0.28 or HK\$0.22 per Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$2,828.22 or HK\$2,222.17 for every board lot of 10,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Sole Bookrunner on the Price Determination Date which is scheduled on or about Friday, 7 October 2016 (or such later date as agreed between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriter)). If our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriter) are unable to reach an agreement on the Placing Price on the Price Determination Date, or such later time as agreed between our Company and the Sole Bookrunner, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

If, the Sole Bookrunner and with the consent of our Company, considers it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction cause to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.asecg.com](http://www.asecg.com) notice of the reduction of the indicative Placing Price range.

Announcement of the final offer price, the level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.asecg.com](http://www.asecg.com) at or before 9:00 a.m. on Friday, 14 October 2016.

### CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (a) the Stock Exchange granting the approval of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue;
- (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreement (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; and

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## STRUCTURE AND CONDITIONS OF THE PLACING

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- (c) the Placing Price having been duly determined on or about the Price Determination Date.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.asecg.com](http://www.asecg.com) on the next business day following such lapse. All money received will be refunded to applicants of the Placing without interests.

### THE PLACING

Pursuant to the Underwriting Agreement, our Company is offering 204,000,000 Placing Shares for subscription by way of Placing.

Investors subscribing for and purchasing the Placing Shares are also required to pay 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% transaction levy imposed by the SFC.

It is expected that the Underwriters (subject to the terms and conditions of the Underwriting Agreement, and subject to our Company and the Sole Bookrunner agreeing to the Placing Price) or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Placing Price to selected professional, institutional and/or other investors. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities.

### BASIS OF ALLOCATION

All decisions concerning the allocation of the Placing Shares to the selected professional, institutional and/or other investors pursuant to the Placing will be made on the basis of, and with reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell the Shares, after the Listing Date. Such allocation is intended to establish a solid and broad Shareholder base for the benefit of our Company and the Shareholders as a whole. In addition, our Company and our Directors will use their respective best endeavours to comply or procure the compliance with the minimum public float requirement under the GEM Listing Rules when allocating the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

No allocation will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.



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## STRUCTURE AND CONDITIONS OF THE PLACING

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### **LISTING DATE**

Dealings in the Shares on GEM are expected to commence on Monday, 17 October 2016. The Shares will be traded in board lots of 10,000 Shares. The stock code of the Shares is 8320.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, with effect from the Listing Date or any other date that HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

30 September 2016

The Directors  
Allied Sustainability and Environmental Consultants Group Limited

Guotai Junan Capital Limited

Dear Sirs,

## INTRODUCTION

We set out below our report on the combined financial information relating to Allied Sustainability and Environmental Consultants Group Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) comprising the combined statements of financial position of the Group as at 31 March 2015 and 31 March 2016, the statement of financial position of the Company as at 31 March 2016 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 March 2015 and 31 March 2016 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information (the “**Financial Information**”), for inclusion in the prospectus of the Company dated 30 September 2016 (the “**Prospectus**”).

The Company was incorporated in the Cayman Islands on 11 November 2015 as an exempted company with limited liability under the Companies Law (Cap. 22) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 22 September 2016 (the “**Reorganisation**”) as detailed in sub-section headed “Reorganisation” in the section headed “History, development and reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 2.2 of Section II below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for AEC Group Limited, Allied Sustainability Consultants Limited and AEC China Development Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 March as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1 of Section II. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the jurisdictions in which they were incorporated and/or established.

The directors of the Company have prepared the combined financial statements for the Relevant Periods (the “**Underlying Financial Statements**”) 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 for each of the years ended 31 March 2015 and 31 March 2016 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **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 issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2016.

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 2.2 of Section II below, a true and fair view of the financial position of the Group and the Company as at 31 March 2015 and 31 March 2016 and of the Group's financial performance and cash flows for the Relevant Periods then ended.

## I FINANCIAL INFORMATION

## A. Combined statements of profit or loss and other comprehensive income

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	7	28,347	32,539
Cost of services provided		<u>(10,771)</u>	<u>(12,496)</u>
Gross profit		17,576	20,043
Other income and gains		8	560
Administrative expenses		(5,303)	(7,305)
Finance costs	8	(13)	(11)
Other expenses		(211)	(307)
Listing expenses		<u>–</u>	<u>(5,373)</u>
<b>Profit before tax</b>	9	12,057	7,607
Income tax expense	12	<u>(2,060)</u>	<u>(2,159)</u>
<b>Profit and total comprehensive income for the year</b>		<u>9,997</u>	<u>5,448</u>

**B. Combined statements of financial position**

		<b>As at 31 March</b>	
	<i>Note</i>	<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	611	250
<b>Current assets</b>			
Contract assets	16	8,153	17,398
Accounts receivable	17	13,425	9,420
Prepayments, deposits and other receivables	18	1,262	4,485
Current tax recoverable		622	–
Cash and cash equivalents	19	12,959	18,843
<b>Total current assets</b>		36,421	50,146
<b>Current liabilities</b>			
Accounts payable	20	83	309
Other payables and accruals	21	3,636	1,803
Contract liabilities	16	3,413	676
Current tax payable		83	3,800
Interest-bearing bank loan	22	74	–
<b>Total current liabilities</b>		7,289	6,588
<b>Net current assets</b>		29,132	43,558
<b>Total assets less current liabilities</b>		29,743	43,808
<b>Non-current liabilities</b>			
Deferred tax liabilities	23	2,248	15
<b>Net assets</b>		27,495	43,793
<b>Equity</b>			
Issued capital	24	388	424
Reserves	25	27,107	43,369
<b>Total equity</b>		27,495	43,793

## C. Company statement of financial position

	<i>Note</i>	<b>As at 31 March 2016 HK\$'000</b>
<b>Current liabilities</b>		
Amount due to a subsidiary		34
Net liabilities		<u>34</u>
<b>Deficiency in assets</b>		
Issued capital	24	–
Deficits		34
Total deficiency in assets		<u>34</u>

**D. Combined statements of changes in equity**

	<b>Issued capital</b> <i>HK\$'000</i> <i>(Note 24)</i>	<b>Other reserve</b> <i>HK\$'000</i> <i>(Note 25(b))</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
<b>At 1 April 2014</b>	2	–	10,074	10,076
Incorporation of and issue of shares by AEC BVI	8	–	–	8
Effect of the AEC BVI Share Transfer	85	(85)	–	–
Profit and total comprehensive income for the year	–	–	9,997	9,997
Capital contribution from shareholders of AEC BVI	293	10,695	–	10,988
Dividend	–	–	(3,574)	(3,574)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2015 and 1 April 2015</b>	388	10,610	16,497	27,495
Incorporation of and issue of share by the Company	–	–	–	–
Profit and total comprehensive income for the year	–	–	5,448	5,448
Capital contribution from shareholders of AEC BVI	36	10,814	–	10,850
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2016</b>	<b>424</b>	<b>21,424</b>	<b>21,945</b>	<b>43,793</b>

## E. Combined statements of cash flows

	Note	Year ended 31 March	
		2015 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		12,057	7,607
Adjustments for:			
Finance costs	8	13	11
Depreciation	9	302	242
Gain on disposal of items of property, plant and equipment	9	–	(560)
Impairment of accounts receivable	9	211	567
Write-back of impairment of accounts receivable	9	–	(260)
		<u>12,583</u>	<u>7,607</u>
Increase in contract assets		(390)	(9,245)
(Increase)/decrease in accounts receivable		(3,886)	3,698
Increase in prepayments, deposits and other receivables		(692)	(2,341)
(Decrease)/increase in accounts payable		(3,157)	226
Increase/(decrease) in other payables and accruals		1,237	(241)
Increase/(decrease) in contract liabilities		<u>921</u>	<u>(2,737)</u>
<b>Cash generated from/(used in)     operations</b>		<u>6,616</u>	<u>(3,033)</u>
Interest paid		(13)	(11)
Hong Kong Profits Tax paid		(2,114)	–
The People's Republic of China ("PRC") Income Tax paid		<u>(50)</u>	<u>(53)</u>
<b>Net cash generated from/(used in)     operating activities</b>		<u>4,439</u>	<u>(3,097)</u>
<b>Cash flows from investing activities</b>			
Additions of items of property, plant and equipment		(247)	(199)
Direct attributable expenses paid for disposal of property, plant and equipment		–	(22)
<b>Net cash used in investing activities</b>		<u>(247)</u>	<u>(221)</u>



	<i>Note</i>	Year ended 31 March	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Cash flows from financing activities</b>			
Repayment of interest-bearing bank loan		(23)	(74)
Repayment of amount due to a director included in other payables		(92)	(692)
Payment of expenses relating to placing of shares		–	(882)
Issue of shares by AEC BVI		8	–
Capital contributions by shareholders of AEC BVI		10,988	10,850
Dividend paid		(2,674)	–
		<u>          </u>	<u>          </u>
<b>Net cash generated from financing activities</b>		<u>8,207</u>	<u>9,202</u>
<b>Net increase in cash and cash equivalents</b>		12,399	5,884
<b>Cash and cash equivalents at beginning of year</b>		<u>560</u>	<u>12,959</u>
<b>Cash and cash equivalents at end of year</b>		<u>12,959</u>	<u>18,843</u>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	19	<u>12,959</u>	<u>18,843</u>

## II NOTES TO THE COMBINED FINANCIAL INFORMATION

## 1 CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were engaged in the provision of consultancy services relating to green building certification consultancy, sustainability and environmental consultancy, acoustics, noise and vibration control and audio-visual design consultancy and Environmental, Social and Governance reporting consultancy in Hong Kong, Macau and the mainland of the People's Republic of China ("Mainland China" or the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the sub-section headed "Reorganisation" in the section headed "History, development and reorganisation" in the Prospectus.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place of incorporation/ operations and date of incorporation	Issued ordinary share capital	Percentage of equity attributable to the Company	Principal activities
AEC Group Limited ("AEC BVI") (Note (a))	British Virgin Islands ("BVI")/ Hong Kong 30 January 2015	US\$50,000	100	– Investment holding
Allied Environmental Consultants Limited ("AEC Hong Kong") (Note (b))	Hong Kong 15 September 1994	HK\$2,040	–	100 Provision of consultancy services
Allied Sustainability Consultants Limited ("Allied Sustainability") (Note (a))	Hong Kong 30 November 2015	HK\$2	–	100 Provision of environmental, social and governance reporting services
AEC China Development Limited ("AEC China") (Note (a))	Hong Kong 30 November 2015	HK\$2	–	100 Investment holding

## Notes:

- (a) No audited financial statements have been prepared for these entities since incorporation.
- (b) The statutory financial statements of this entity for the year ended 31 March 2015 prepared under HKFRSs were audited by Ernst & Young. The statutory financial statements of this entity for the year ended 31 March 2016 prepared under HKFRSs were audited by Joyce M.C. Li & Co.

## 2.1 STATEMENT OF COMPLIANCE

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Further details of the significant accounting policies adopted are set out in the remainder of this Section II.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs effective for the Relevant Periods. Except for the early adoption of HKFRS 15, *Revenue from contracts with customers*, the Group has not adopted any new standards or interpretations that are not yet effective for the accounting period ended 31 March 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 April 2016 are set out in note 3.

The Group early adopted HKFRS 15 with a date of initial application of 1 April 2014. The Group’s accounting policies with respect to revenue recognition are set out in note 4.

HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

## 2.2 BASIS OF PREPARATION AND PRESENTATION

The Financial Information comprises the Company and its subsidiaries (the “**Group**”).

The Company was incorporated in the Cayman Islands on 11 November 2015. On 22 September 2016, as part of the Reorganisation, the entire issued share capital of AEC BVI was transferred to the Company in consideration for an issue of the Company’s shares to the equity shareholders of AEC BVI (the “**Share Transfer**”). Upon the completion of the Share Transfer, the Company became the parent company of AEC BVI and its subsidiaries, and the holding company of the Group.

AEC BVI was incorporated in the British Virgin Islands on 30 January 2015. On 24 March 2015, the then shareholders of AEC Hong Kong transferred their shares in AEC Hong Kong to AEC BVI in return for an issue of AEC BVI’s shares (the “**AEC BVI Share Transfer**”). Upon the completion of the AEC BVI Share Transfer, AEC BVI became the immediate holding company of AEC Hong Kong.

The companies that took part in the Share Transfer were controlled by the same group of ultimate equity shareholders before and after the Share Transfer and there were no changes in the business and operations of AEC BVI and its subsidiaries. The Share Transfer only involved incorporating the Company with no prior substantive operations as the holding company of AEC BVI and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that for a reverse acquisition with AEC BVI treated as the acquirer for accounting purposes. The same basis applies to the AEC BVI Share Transfer, with the AEC BVI Share Transfer accounted for using a principle similar to that for a reverse acquisition with AEC Hong Kong treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the consolidated financial statements of AEC BVI and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence since 1 April 2014 and throughout the entire Relevant Periods.

All significant intragroup transactions and balances have been eliminated on combination.

### 2.3 BASIS OF MEASUREMENT

The Financial Information is presented in Hong Kong Dollars (“HK\$”), rounded to the nearest thousand. It is prepared on the historical cost basis.

### 2.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 5.

### 3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to date of issue of the Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2016 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, <i>Sale and contribution of assets between an investor and its associate or joint venture</i>	1 January 2016
Amendments to HKFRS 11, <i>Accounting for acquisition of interest in joint operations</i>	1 January 2016
Amendments to HKAS 1, <i>Disclosure initiative</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the Group's results of operations and financial position, except for the following.

#### **HKFRS 9, *Financial instruments***

HKFRS 9 replaces the existing guidance in HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

#### **HKFRS 16, *Leases***

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17, *Leases* and the related interpretations including HK(IFRIC)-Int 4, *Determining whether an arrangement contains a lease*.

The Group does not plan to early adopt the above new standards or amendments. With respect to HKFRSs 9 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Subsidiaries**

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

#### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, the recoverable amount of property, plant and equipment is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### **Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly-controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

– Land and building	Over the remaining lease terms
– Furniture, fixtures and office equipment	25 to 33 $\frac{1}{3}$ %
– Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

**Investments and other financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include accounts and other receivables, deposits, and cash and cash equivalents.

*Subsequent measurement*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.



**Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

**Financial liabilities***Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables, accruals and interest-bearing bank loan.

*Subsequent measurement*

Loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Cash and cash equivalents**

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Revenue**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. "Control" refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from an asset.

Revenue is recognised progressively based on the contract costs incurred to date as a percentage of total forecast costs to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its combined statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group.

Any unconditional rights to consideration are presented separately as "Accounts receivable".

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

### **Employee benefits**

#### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Foreign currencies**

The Financial Information is presented in HK\$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

**Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**5. SIGNIFICANT ACCOUNTING ESTIMATES**

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Revenue*

As further explained in note 4 to the Financial Information, revenue and profit recognition on provision of consultancy services is dependent on the estimation of the progress of the satisfaction of performance obligation of a service contract over time. Based on the Group's past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Actual outcome in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years.

Significant judgement is required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

**Estimated recoverability of accounts receivable**

The Group's management determines the impairment provision for accounts receivable based on an assessment of the recoverability of the accounts receivable. This assessment is based on the credit history of its customers and other debtors as well as the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period. Further details are contained in note 17 to the Financial Information.

**6. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

- (a) Green building certification consultancy segment involves consultancy on the application of green building certification for new buildings, existing buildings and interiors of buildings;
- (b) Sustainability and environmental consultancy segment involves consultancy on sustainability and environmental impact assessment for compliance with statutory requirements in relation to environmental impact and pollution control;
- (c) Acoustics, noise and vibration control and audio-visual design consultancy segment involves designs for architectural acoustic, mechanical vibration, noise control and audio-visual systems; and
- (d) Environmental, Social and Governance ("ESG") reporting and consultancy segment involves ESG reporting and consultancy.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profits, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loan, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**Year ended 31 March 2015**

	Green building certification consultancy <i>HK\$'000</i>	Sustainability and environmental consultancy <i>HK\$'000</i>	Acoustics, noise and vibration control and audio-visual design consultancy <i>HK\$'000</i>	ESG reporting and consultancy <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
<i>Revenue</i>					
Hong Kong	16,554	7,271	1,819	–	25,644
Mainland China	410	–	1,408	–	1,818
Macau	86	361	438	–	885
	<u>17,050</u>	<u>7,632</u>	<u>3,665</u>	<u>–</u>	<u>28,347</u>
<b>Segment results</b>	10,656	5,072	1,637	–	17,365
<i>Reconciliation</i>					
Unallocated income					8
Unallocated expenses:					
– Listing expenses					–
– Others					(5,303)
Finance costs					<u>(13)</u>
Profit before tax					<u>12,057</u>
Segment assets	12,206	6,758	2,614	–	21,578
<i>Reconciliation</i>					
Unallocated assets					<u>15,454</u>
Total assets					<u>37,032</u>
Segment liabilities	2,222	769	505	–	3,496
<i>Reconciliation</i>					
Unallocated liabilities					<u>6,041</u>
Total liabilities					<u>9,537</u>
<i>Other segment information</i>					
Impairment of accounts receivable	40	131	40	–	211
Unallocated:					
– Depreciation					302
– Capital expenditure*					247

\* Capital expenditure consists of additions to property, plant and equipment.

## Year ended 31 March 2016

	Green building certification consultancy <i>HK\$'000</i>	Sustainability and environmental consultancy <i>HK\$'000</i>	Acoustics, noise and vibration control and audio-visual design consultancy <i>HK\$'000</i>	ESG reporting and consultancy <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>					
<i>Revenue</i>					
Hong Kong	18,400	8,448	2,314	513	29,675
Mainland China	770	–	1,566	–	2,336
Macau	137	13	378	–	528
	<u>19,307</u>	<u>8,461</u>	<u>4,258</u>	<u>513</u>	<u>32,539</u>
<b>Segment results</b>	12,189	5,248	1,982	317	19,736
<i>Reconciliation</i>					
Unallocated income					560
Unallocated expenses:					
– Listing expenses					(5,373)
– Others					(7,305)
Finance costs					(11)
Profit before tax					<u>7,607</u>
Segment assets	16,701	5,932	3,854	331	26,818
<i>Reconciliation</i>					
Unallocated assets					<u>23,578</u>
Total assets					<u>50,396</u>
Segment liabilities	596	315	44	30	985
<i>Reconciliation</i>					
Unallocated liabilities					<u>5,618</u>
Total liabilities					<u>6,603</u>
<i>Other segment information</i>					
Impairment of accounts receivable	313	189	65	–	567
Write-back of impairment of accounts receivable	(130)	(130)	–	–	(260)
Unallocated:					
– Depreciation					242
– Capital expenditure*					199

\* Capital expenditure consists of additions to property, plant and equipment.

**Geographical information**

- (a) The geographical information above is based on the locations of the customers.
- (b) The Group's non-current assets were located in Hong Kong as at 31 March 2015 and 2016.

**Information about major customers**

No revenue from a single external customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2015.

Revenue of approximately HK\$3,787,000 and HK\$78,000 was derived from services provided for green building certification consultancy and sustainability and environmental consultancy segments, respectively, for the year ended 31 March 2016 to a single customer including services provided to a group of entities which are known to be under common control with that customer.

**7. REVENUE****Revenue**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under the contracts with customers, each consultancy service contract relates to facts and circumstances that are specific to each customer. Contract terms provide the Group with an enforceable right to payment, for its performance completed to date, of its costs incurred plus a reasonable margin. Revenue is recognised progressively based on contract costs incurred to date as a percentage of total forecast costs.

Revenue is recognised over time and is disaggregated by nature of consultancy services and primary geographical market in note 6 to the Financial Information.

**Remaining performance obligations**

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2016.

	<i>HK\$'000</i>
<b>Remaining performance obligations expected to be satisfied during the year ending:</b>	
31 March 2017	24,413
31 March 2018	9,410
After 31 March 2018	5,653
	39,476

The Group applies the practical expedient in paragraph C5(c) of HKFRS 15 and does not disclose information about remaining performance obligations as at 31 March 2015 expected to be satisfied in the future.

**8. FINANCE COSTS**

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on a bank loan	13	11



**9. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	15	302	242
Auditors' remuneration		100	100
Employee benefit expense: (including director's remuneration (note 10))			
– Wages and salaries		8,642	11,021
– Pension scheme contributions (defined contribution scheme)		347	482
		<u>8,989</u>	<u>11,503</u>
Impairment of accounts receivable*	17	211	567
Write-back of impairment of accounts receivable*	17	–	(260)
Minimum lease payments under operating leases for land and buildings		1,155	2,265
Gain on disposal of items of property, plant and equipment		–	(560)
		<u>–</u>	<u>(560)</u>

\* Included in "Other expenses" in profit or loss.

**10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Ms. Grace Kwok was appointed as an executive director of the Company on 11 November 2015. Mr. Wu Dennis Pak Kit was appointed as a non-executive director of the Company on 13 November 2015. Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine were appointed as independent non-executive directors of the Company on 23 September 2016.

A director received remuneration from the subsidiaries now comprising the Group for her appointment as director of these subsidiaries or in a capacity as an employee. The remuneration of the director as recorded in the financial statements of the subsidiaries is set out below:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Ms. Grace Kwok:</b>		
Salaries, allowances and benefits in kind	856	1,407
Pension scheme contributions	–	18
	<u>856</u>	<u>1,425</u>

During the year ended 31 March 2015, Ms. Grace Kwok received remuneration from the Group in her capacity as the director of Allied Environmental Consultants Limited.

**11. FIVE HIGHEST PAID EMPLOYEES**

One of the five highest paid individuals was a director of the Company for each of the two years ended 31 March 2016. Details of her remuneration are set out in note 10 to the Financial Information. Details of the remuneration of the remaining non-director highest paid employees for the Relevant Periods are as follows:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,530	1,720
Discretionary performance-related bonuses	123	–
Pension scheme contributions	67	70
	<u>1,720</u>	<u>1,790</u>

The remuneration of the non-director highest paid employees for the years ended 31 March 2015 and 2016 fell within the band of HK\$Nil to HK\$1,000,000.

During the Relevant Periods, no remuneration was paid by the Group to any of the non-director highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

**12. INCOME TAX**

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Relevant Periods. PRC Corporate Income Tax ("CIT") has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for each of the Relevant Periods.

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current – Hong Kong</b>		
Charge for the year	440	4,309
<b>Current – PRC</b>		
Charge for the year	72	83
<b>Deferred tax (note 23)</b>	<u>1,548</u>	<u>(2,233)</u>
Total tax charge for the year	<u>2,060</u>	<u>2,159</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 March	
	2015 HK\$'000	2016 HK\$'000
Profit before tax	12,057	7,607
Tax at the statutory tax rate of 16.5%	1,989	1,255
Income not subject to tax	–	(92)
Expenses not deductible for tax	17	889
Effect of CIT on PRC service income	72	83
Hong Kong statutory tax concession	(20)	–
Others	2	24
Tax charge at the effective rate	2,060	2,159

### 13. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

During the year ended 31 March 2015, AEC Hong Kong declared a special dividend of HK\$3,574,000 to its then shareholders.

On 13 June 2016, AEC BVI declared a dividend of HK\$2,800,000 to its shareholders. The dividend proposed after 31 March 2016 has not been recognised as a liability at 31 March 2016.

### 14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 2.2 above.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and building <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 March 2015</b>				
At 1 April 2014:				
Cost	500	1,985	1,129	3,614
Accumulated depreciation	(170)	(1,814)	(964)	(2,948)
Net carrying amount	<u>330</u>	<u>171</u>	<u>165</u>	<u>666</u>
At 1 April 2014, net of accumulated depreciation				
	330	171	165	666
Additions	–	247	–	247
Depreciation provided during the year	(10)	(210)	(82)	(302)
At 31 March 2015, net of accumulated depreciation	<u>320</u>	<u>208</u>	<u>83</u>	<u>611</u>
<b>At 31 March 2015:</b>				
Cost	500	2,232	1,129	3,861
Accumulated depreciation	(180)	(2,024)	(1,046)	(3,250)
Net carrying amount	<u>320</u>	<u>208</u>	<u>83</u>	<u>611</u>
<b>31 March 2016</b>				
At 1 April 2015:				
Cost	500	2,232	1,129	3,861
Accumulated depreciation	(180)	(2,024)	(1,046)	(3,250)
Net carrying amount	<u>320</u>	<u>208</u>	<u>83</u>	<u>611</u>
At 1 April 2015, net of accumulated depreciation				
	320	208	83	611
Additions	–	199	–	199
Disposal	(318)	–	–	(318)
Depreciation provided during the year	(2)	(157)	(83)	(242)
At 31 March 2016, net of accumulated depreciation	<u>–</u>	<u>250</u>	<u>–</u>	<u>250</u>
<b>At 31 March 2016:</b>				
Cost	–	2,431	1,129	3,560
Accumulated depreciation	–	(2,181)	(1,129)	(3,310)
Net carrying amount	<u>–</u>	<u>250</u>	<u>–</u>	<u>250</u>

At 31 March 2015, the Group's land and building (car parking space) with a net carrying amount of approximately HK\$320,000, was pledged to secure a bank loan granted to the Group (note 22).

#### 16. CONTRACT BALANCES

	As at 31 March	
	2015 HK\$'000	2016 HK\$'000
Contract assets	8,153	17,398
Contract liabilities	(3,413)	(676)
	<u>4,740</u>	<u>16,722</u>
Contract costs incurred plus recognised profits less recognised losses to date	35,561	50,882
Less: Progress billings	(30,821)	(34,160)
	<u>4,740</u>	<u>16,722</u>

The amount of revenue recognised during the year ended 31 March 2016 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of the stage of completion, is HK\$1,271,000 (2015: HK\$144,000).

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Movement in the contract assets and the contract liabilities balances during the year are as follows:

	For the year ended 31 March			
	2015		2016	
	Contract assets HK\$'000	Contract liabilities HK\$'000	Contract assets HK\$'000	Contract liabilities HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	1,938	–	3,171
Transfers from contract assets recognised at the beginning of the year to receivables	<u>(5,027)</u>	<u>–</u>	<u>(5,266)</u>	<u>–</u>

## 17. ACCOUNTS RECEIVABLE

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Accounts receivable	14,552	10,854
Impairment	(1,127)	(1,434)
	<u>13,425</u>	<u>9,420</u>

Accounts receivable represent receivables for contract works. Accounts receivable are due within 0 to 60 days from the date of billing. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of each of the Relevant Periods, based on the invoice date and net of impairment provisions, is as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Within 1 month	3,447	2,119
Over 1 month but less than 3 months	5,796	2,330
Over 3 months but less than 6 months	2,040	1,717
Over 6 months but less than 12 months	703	2,042
Over 12 months but less than 24 months	1,439	1,068
Over 24 months	–	144
	<u>13,425</u>	<u>9,420</u>

The movements in provision for impairment of accounts receivable are as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
At the beginning of the year	916	1,127
Impairment losses recognised (note 9)	211	567
Write-back of impairment (note 9)	–	(260)
	<u>1,127</u>	<u>1,434</u>

The individually impaired accounts receivable relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Neither past due nor impaired	1,691	1,076
Less than 1 month past due	2,860	1,908
1 to 3 months past due	5,368	1,724
4 to 6 months past due	1,441	1,545
Over 6 months past due	2,065	3,167
	<u>13,425</u>	<u>9,420</u>

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

#### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Prepayments	138	2,801
Deposits and other receivables	1,124	1,684
	<u>1,262</u>	<u>4,485</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

#### 19. CASH AND CASH EQUIVALENTS

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Cash and bank balances	<u>12,959</u>	<u>18,843</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

**20. ACCOUNTS PAYABLE**

An ageing analysis of the accounts payable as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March	
	2015 HK\$'000	2016 HK\$'000
Within 1 month	22	163
Over 1 month but less than 3 months	28	35
Over 3 months but less than 6 months	13	–
Over 6 months	20	111
	<u>83</u>	<u>309</u>

Accounts payable are non-interest-bearing and are normally settled within 30 days.

**21. OTHER PAYABLES AND ACCRUALS**

	As at 31 March	
	2015 HK\$'000	2016 HK\$'000
Accruals	2,018	955
Other payables	1,618	848
	<u>3,636</u>	<u>1,803</u>

Included in the other payables was an amount due to Ms. Grace Kwok, in the capacity as the director of AEC Hong Kong of HK\$692,000 as at 31 March 2015 which was unsecured, interest-free and had no fixed terms of repayment. In addition, included in the other payables was an amount due to Dr. James Wong, a former director of AEC Hong Kong of HK\$900,000 as at 31 March 2015, which was unsecured, interest-free and had no fixed terms of repayment. The amounts had been settled in full during the year ended 31 March 2016.

**22. INTEREST-BEARING BANK LOAN**

	As at 31 March 2015			As at 31 March 2016		
	Effective interest rate %	Maturity	HK\$'000	Effective interest rate %	Maturity	HK\$'000
<b>Current</b>						
Bank loan – secured	6.5	On demand	<u>74</u>	N/A	N/A	<u>–</u>

	As at 31 March	
	2015 HK\$'000	2016 HK\$'000
<b>Analysed into:</b>		
Within one year or on demand	<u>74</u>	<u>–</u>



*Notes:*

- (a) The Group's bank loan was secured by a legal charge over the Group's land and building (car parking space) with an aggregate carrying amount of HK\$320,000 as at 31 March 2015.
- (b) The interest-bearing bank loan was denominated in Hong Kong dollars. The amount had been settled in full during the year ended 31 March 2016.

**23. DEFERRED TAX**

The movements of deferred tax liabilities during the Relevant Periods are as follows:

	<b>Temporary difference arising from revenue recognition HK\$'000</b>	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2014	(664)	(36)	(700)
Deferred tax (charged)/credited to profit or loss during the year (note 12)	(1,550)	2	(1,548)
At 31 March 2015 and 1 April 2015	(2,214)	(34)	(2,248)
Deferred tax credited to profit or loss during the year (note 12)	2,214	19	2,233
At 31 March 2016	–	(15)	(15)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

**24. ISSUED CAPITAL**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 November 2015 with authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On the date of incorporation, one ordinary share was allotted and issued by the Company to the initial subscriber as nil paid.

The issued capital in the combined statements of financial position at 1 April 2014 represented issued and fully paid shares of AEC Hong Kong.

On 30 January 2015, AEC BVI was incorporated in the BVI with authorised share capital of United States Dollar ("US\$") 50,000 divided into 50,000 shares of US\$1 each and issued 1,000 shares at par value. On 24 March 2015, AEC BVI issued 11,240 shares in return for the transfer of all shares of AEC Hong Kong held by its then shareholders. Since then, the share capital in the combined statements of financial position represented the paid-in capital of AEC BVI.

On 31 March 2015, AEC BVI issued 37,760 shares at a consideration of HK\$10,988,000.

On 25 August 2015, AEC BVI issued 4,756 shares at a consideration of US\$1,400,000, equivalent to HK\$10,850,000.

**25. RESERVES****(a) Group**

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity.

**(b) Other reserve**

The other reserve represents the excess of the consideration for issuance of shares of AEC BVI over their nominal value, net of the excess of the nominal value of shares of AEC BVI over the nominal value of shares of AEC Hong Kong exchanged as part of the Reorganisation.

**26. MAJOR NON-CASH TRANSACTION**

During the year ended 31 March 2016, AEC Hong Kong sold its land and building (car parking space) to Dr. James Wong, a former director of AEC Hong Kong at a consideration of HK\$900,000 which was offset against the amount due to him. A gain of HK\$560,000 was resulted from the disposal.

**27. OPERATING LEASE ARRANGEMENTS**

The Group leases its office properties under operating lease arrangements. The leases typically run for an initial period of one to four years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	891	1,103
In the second to fifth year, inclusive	999	385
	1,890	1,488
	1,890	1,488

**28. RELATED PARTY TRANSACTIONS**

During the Relevant Periods, the Directors are of the view that related parties of the Group included the following companies:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Man Acoustics Limited ("Man Acoustics")	An entity controlled by Dr. James Wong, who was a director of a subsidiary of the Company until 30 September 2015
Kindle Maple Company Limited ("Kindle Maple")	An entity controlled by a director of the Company

- (a) In addition to the balances detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Project management fees to:		
Man Acoustics	744	369
Kindle Maple (note)	585	–
Disposal of land and building (car parking space) to Dr. James Wong, a former director of AEC Hong Kong	–	900

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The disposal resulted in a gain on disposal before tax of HK\$560,000.

*Note:* The amount is included in directors' and chief executive's remuneration set out in note 10.

**(b) Outstanding balances with related parties**

Other than balances with related parties disclosed in note 21 to the Financial Information, the Group had no outstanding balances with related parties as at the end of each of the Relevant Periods.

- (c) The compensation of key management personnel of the Group for each of the Relevant Periods represented the directors' emoluments as disclosed in note 10 to the Financial Information.

**29. FINANCIAL INSTRUMENTS BY CATEGORY**

As at 31 March 2015 and 2016, all the financial assets and liabilities of the Group were loans and receivables and financial liabilities at amortised cost, respectively.

**30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of accounts receivable, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, accounts payable, financial liabilities included in other payables and accruals and the interest-bearing bank loan approximate to their carrying amounts largely due to the short term maturities of these instruments.

During the years ended 31 March 2015 and 2016, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below. Management monitors closely the Group's exposures to financial risks to ensure that appropriate measures are implemented in a timely and effective manner.

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not hold any collateral over these receivable balances.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There are no significant concentrations of credit risk within the Group as the customer base of the Group is widely diversified.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 17 and 18, respectively, to the Financial Information.

#### Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	<b>Within one year or on demand</b>
	<i>HK\$'000</i>
<b>As at 31 March 2015</b>	
Interest-bearing bank loan	74
Accounts payable	83
Financial liabilities included in other payables and accruals	3,636
	<u>3,793</u>
<b>As at 31 March 2016</b>	
Accounts payable	309
Financial liabilities included in other payables and accruals	1,803
	<u>2,112</u>

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital using a gearing ratio, which is interest-bearing bank loan divided by the total equity. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank loan	74	–
Total equity	27,495	43,793
Gearing ratio	0.3%	0%

**32. EVENT AFTER THE RELEVANT PERIODS**

On 22 September 2016, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. The Company issued 9,999 shares to the shareholders of AEC BVI in consideration of all their respective equity interests in AEC BVI. Further details of the Reorganisation are set out in the sub-section headed "Reorganisation" in the section headed "History, development and reorganisation" in the Prospectus.

Pursuant to resolutions in writing of the shareholders of the Company passed on 23 September 2016, the Company's authorised share capital was increased from HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each by the creation of an additional 4,990,000,000 shares.

After 31 March 2016, AEC BVI proposed a dividend. Further details are disclosed in note 13.

**III. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 March 2016. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this prospectus for information purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

### A.    UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Placing on our net tangible assets as at 31 March 2016 as if it had taken place on 31 March 2016. The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as at 31 March 2016 or any future date following the Placing. It is prepared based on our net assets as at 31 March 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

	<b>Audited combined net tangible assets of our Group as at 31 March 2016 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Placing HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted combined net tangible assets HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)</b>
Based on a Placing Price of HK\$0.22 per Share	43,793	22,834	66,627	0.06
Based on a Placing Price of HK\$0.28 per Share	43,793	34,584	78,377	0.07

*Notes:*

1.    The audited combined net tangible assets attributable to our Group as at 31 March 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets attributable to the Group of HK\$43,793,000 as at 31 March 2016.
2.    The estimated net proceeds from the Placing are based on 204,000,000 shares to be issued at the minimum and maximum indicative Placing Price of HK\$0.22 and HK\$0.28 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Group subsequent to 31 March 2016.
3.    The unaudited pro forma adjusted net tangible assets per Share is arrived on the basis of 1,200,000,000 shares in issue, assuming that 204,000,000 shares to be issued pursuant to the Placing had been completed on 31 March 2016.
4.    No adjustment has been made to the audited combined net tangible assets of the Group as at 31 March 2016 to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2016, including dividend of HK\$2,800,000 declared after 31 March 2016.

**B.    INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILED OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

30 September 2016

**TO THE DIRECTORS OF ALLIED SUSTAINABILITY AND ENVIRONMENTAL  
CONSULTANTS GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Allied Sustainability and Environmental Consultants Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 March 2016 and related notes as set out in Part A of Appendix II to the prospectus dated 30 September 2016 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing of the ordinary shares of the Company on the Group's financial position as at 31 March 2016. As part of this process, information about the Group's financial position as at 31 March 2016 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM 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**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the 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 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 (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.



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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future plans and use of proceeds" in the Prospectus.

### **Opinion**

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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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.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 November, 2015 under the Companies Law. The Company's constitutional documents consist of its memorandum of association (the "**Memorandum**") and its articles of association (the "**Articles**").

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that 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.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

**2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 23 September 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than

one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. 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 of that share.

The board may, in its absolute discretion, at any time 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board 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 be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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 board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors***(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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 any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be 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 the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.



Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) 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 the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise 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.

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 shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the 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. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) *Special and ordinary resolutions*

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 duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to 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 authorised 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.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must 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 must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (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 (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of 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 and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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 if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board 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 receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.



Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid 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 authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3.     **CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of 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)     Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### **(b)     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 of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to 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 is not to be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

A company is not prohibited from purchasing and may purchase its own 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 and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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.

**(f) Protection of minorities and shareholders' suits**

The 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 the 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 wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a 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 should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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 company's memorandum and articles of association.

**(g) Disposal of assets**

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, 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.

**(h) Accounting and auditing requirements**

A company must cause proper books of account 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.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must 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 of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 December 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

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.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. 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 of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar of Companies within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.



As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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 must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4.     GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel 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 available for inspection" in Appendix V to this prospectus. 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.

**A FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 November 2015. Our Company has established a principal place of business in Hong Kong at 19/F., Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 July 2016. Ms. Grace Kwok of Flat 1, 21/F, Block C, Imperial Court, 62G Conduit Road, Mid-levels, Hong Kong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum of Association and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set forth in Appendix III to this prospectus.

**2. Change in share capital of our Company**

As at the date of incorporation, the authorised share capital of our Company was HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each.

One Share was allotted and issued nil paid to the initial subscriber on 11 November 2015 which was transferred to Gold Investments on the same date.

On 22 September 2016, in consideration of the shareholders of AEC BVI transferring all their respective equity interests in AEC BVI to our Company, our Company allotted and issued 7,245 Shares to Gold Investments, 1,096 Shares to Dr. James Wong, 869 Shares to City Beat, 394 Shares to Allied Investments Limited, 219 Shares to Lee Ho Leung William, 88 Shares to Ms. Siu Siu Yuk and 88 Shares to Mr. Choi Kwok Keung.

Pursuant to resolutions in writing of all our Shareholders passed on 23 September 2016, our authorised share capital was increased from HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 4,990,000,000 Shares.

Immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$12,000,000 divided into 1,200,000,000 Shares, all fully paid or credited as fully paid and 3,800,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed "Resolutions in writing of all our Shareholders passed on 23 September 2016" below, there has been no alteration in the share capital of our Company since its incorporation.

**3. Resolutions in writing of all our Shareholders passed on 23 September 2016**

On 23 September 2016, resolutions in writing were passed by all our Shareholders, pursuant to which, among other things:

- (a) the authorised share capital of our Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 4,990,000,000 Shares;
- (b) our Company approved and adopted its new Articles of Association with effect from the Listing Date;
- (c) conditional on (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 as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Placing Price between the Sole Bookrunner and our Company on or before the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
  - (i) the Placing was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Placing;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “Other information – Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and
  - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Placing Shares by our Company pursuant to the Placing, our Directors were authorised to capitalise an amount of HK\$9,959,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 995,990,000 Shares, such Shares to be allotted and issued to our Shareholders whose names appearing on the register of members of our Company at the close of business on 23 September 2016 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.

- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements 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 pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate number of Shares of our Company in issue immediately following completion of the Placing and Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

**4. Corporate reorganisation**

Details of the Reorganisation are set forth in the section headed “History, Development and Reorganisation – Reorganisation” of this prospectus.

**5. Changes in share capital of subsidiaries of our Group**

Subsidiaries of our Company are referred to in the Accountants’ Report, the text of which is set forth in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Development and Reorganisation” of this prospectus, there are no changes in the registered capital of our Company’s subsidiaries during the two years preceding the date of this prospectus.

**6. Repurchase of Shares by our Company***(a) Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are authorising below:-

*(i) Shareholders’ approval*

All proposed repurchases of securities on GEM by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 23 September 2016, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company on GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares up to 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held or when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders of our Company in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase, and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the GEM Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

## **B FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:-





- (a) an investors' rights agreement dated 25 August 2015 and entered into by Gold Investments, Ms. Grace Kwok, Mr. Wu Dennis Pak Kit, AEC BVI and City Beat Limited in respect of their respective rights and obligations in relation to the management of AEC BVI, the transfer of shares in AEC BVI and other matters of AEC BVI;
- (b) a deed of indemnity dated 23 September 2016 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, to which our Group may be subject on or before the Listing Date; and
- (c) the Underwriting Agreement.



## 2. Intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:-

Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Expiry Date
A 	303434409	16, 25, 35, 37, 42, 45	AEC Hong Kong	Hong Kong	7 June 2025
B 					
A 	303434418	16, 25, 35, 37, 42, 45	AEC Hong Kong	Hong Kong	7 June 2025
B 					

### (b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:-

Domain name	Name of registered proprietor	Date of registration	Expiry date
asecg.com	AEC Hong Kong	13 October 2015	13 October 2016

## C FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

### 1. Directors

#### (a) Disclosure of interests – interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Placing and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise

of the options which may be granted under the Share Option Scheme, the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and Stock Exchange, once the Shares are listed are as follows:-

*Interests in our Company*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of issued Shares</b>
Ms. Grace Kwok (Note)	Interest of a controlled corporation	721,701,600 Shares (long position)	60.14%
Mr. Wu Dennis Pak Kit (Note)	Interest of spouse	721,701,600 Shares (long position)	60.14%

*Note:* These Shares are held by Gold Investments, a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Grace Kwok and 30% by Mr. Wu Dennis Pak Kit. Accordingly, Ms. Grace Kwok is deemed to be interested in the Shares held by Gold Investments under the SFO, and Mr. Wu Dennis Pak Kit is deemed to be interested in the Shares held by Ms. Grace Kwok under the SFO.

*Interests in our associated corporation*

<b>Name of associated corporation</b>	<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>
Gold Investments	Ms. Grace Kwok (Note)	Beneficial owner	70 shares of HK\$1.00 each	70%
		Interest of spouse	30 shares of HK\$1.00 each	30%

Name of associated corporation	Name of Director	Capacity	Number of shares	Approximate percentage of shareholding
	Mr. Wu Dennis Pak Kit ( <i>Note</i> )	Beneficial owner	30 shares of HK\$1.00 each	30%
		Interest of spouse	70 shares of HK\$1.00 each	70%

*Note:* Gold Investments is a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Grace Kwok and 30% by Mr. Wu Dennis Pak Kit. Accordingly, Ms. Grace Kwok is deemed to be interested in the shares held by Mr. Wu Dennis Pak Kit in Gold Investments under the SFO, and Mr. Wu Dennis Pak Kit is deemed to be interested in the shares held by Ms. Grace Kwok in Gold Investments under the SFO.

(b) *Particulars of our Directors' service contracts*

Our executive Director has entered into a service contract with our Company for a term of three years commencing from 23 September 2016, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set forth in the Articles of Association.

Our executive Director is entitled to a director's fee. She shall be paid a remuneration on the basis of twelve months in a year. In addition, our executive Director is also entitled to bonus as determined by our Board based on the recommendations made by our remuneration committee and a staff quarter. The current annual director's fees and remuneration of our executive Director is HK\$1.4 million.

Our non-executive Director has been appointed for a terms of three years. Our Company intends to pay a director's fee of HK\$240,000 per annum to our non-executive Director. Each of the independent non-executive Directors has been appointed for a term of three years. Our Company intends to pay a director's fee of HK\$120,000 per annum to each of the independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors (including our non-executive Director and our independent non-executive Directors) for the year ending 31 March 2017 is estimated to be approximately HK\$1.0 million.

## 2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option

Scheme, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of shareholder	Capacity	Number of Shares	Approximate percentage of issued Shares
Gold Investments (Note 1)	Beneficial owner	721,701,600 Shares (long position)	60.14%
Dr. James Wong	Beneficial owner	109,161,600 Shares (long position)	9.10%
City Beat (Note 2)	Beneficial owner	86,552,400 Shares (long position)	7.21%

*Notes:*

1. Gold Investments is a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Grace Kwok and 30% by Mr. Wu Dennis Pak Kit.
2. City Beat is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund II L.P. which is an exempted limited partnership registered in the Cayman Islands, the general partner of Ocean Equity Fund II L.P. is Ocean Equity Partners Fund II GP Limited.

### 3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

### 4. Disclaimers

Save as disclosed herein:-

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed;

- (b) none of our Directors or experts referred to under the paragraph headed “Other information – Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, none of our Directors are aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to under the paragraph headed “Other information – Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and
- (h) none of our Directors has any direct or indirect interest in the promotion of, or 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 any member of our Group.

**D OTHER INFORMATION****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders of our Company passed on 23 September 2016.

*(a) Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:-

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

*(b) Who may join*

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the “**Eligible Participants**”):-

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing, being 120,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Board may:-

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:-

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.



(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options 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% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:-

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

(g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:-

- (i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of actual publication of the results announcement.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the

aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

*(o) Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

*(p) Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

*(q) Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule

23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

*(r) Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of our Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of our Board*

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 120,000,000 Shares in total.

## **2. Estate duty, tax and other indemnities**

Each of the Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (b) of the paragraph headed “Further information about the business of our Group – Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the Listing Date.

The deed of indemnity also contain, amongst other things, indemnities given by the Controlling Shareholders in respect of (a) taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Group may be subject on or before the Listing Date; and (b) claims and liabilities arising from the non-compliances of our Group, including but not limited to the non-compliance incidents set out in the sections headed “Business – Failure to register with the Macau Finance Bureau” and “Business – Potential PRC tax exposures” of this prospectus.

### 3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

### 4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$85,800 and are payable by our Company.

### 5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

### 6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:-

<b>Name</b>	<b>Qualifications</b>
Guotai Junan Capital Limited	A corporation licensed to engage in type 6 (advising on corporate finance) regulated activity under the SFO
KPMG	Certified Public Accountants
Grandall Law Firm (Shanghai)	PRC legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Rato, Ling, Lei & Cortés – Advogados	Macau legal adviser
Joyce M.C. Li & Co.	Certified Public Accountants



**7. Consents of experts**

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUAM) Ordinance so far as applicable.

**9. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:-
- i. no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - ii. no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - iii. our Group has no outstanding convertible debt securities or debentures;
  - iv. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
  - v. no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
  - vi. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) none of the persons named in the paragraph headed "Other information – Consents of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) 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 preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in Cayman Islands.
- (f) no member of our Group is presently listed on any stock exchange or traded on any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

#### **10. Bilingual prospectus**

The English and Chinese language version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **11. Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

Our Company has agreed to pay the Sole Sponsor (a) a fee of HK\$3.0 million; and (b) a discretionary bonus of not more than 1.0% of the gross proceeds from the Placing in respect of its services rendered as the sponsor to our Company for the Placing.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in the section headed “Statutory and General Information – Other information – Consents of experts” in Appendix IV to this prospectus; and
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – Further information about the business of our Group – Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Watson Farley & Williams at Units 1703-07, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles of Association;
- (b) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of the Group for the two years ended 31 March 2016;
- (e) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising the constitution of our Company and certain aspects of Cayman Islands company law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus;
- (f) the PRC legal opinion issued by Grandall Law Firm (Shanghai);
- (g) the Macau legal opinion issued by Rato, Ling, Lei & Cortés – Advogados;
- (h) the Companies Law;
- (i) the material contracts referred to in the section headed “Statutory and General Information – Further information about the business of our Group – Summary of material contracts” in Appendix IV to this prospectus;
- (j) the service contracts and appointment letters entered into between our Company and each of the Directors referred to in the section headed “Statutory and General Information – Further information about our Directors and Substantial Shareholders of our Company – Directors – Particulars of our Directors’ service contracts” in Appendix IV to this prospectus;

- (k) the tax opinion prepared by Joyce M.C. Li & Co. in respect of taxation matters in relation to Kindle Maple Company Limited;
- (l) the tax opinion prepared by Joyce M.C. Li & Co. in respect of taxation matters in relation to Man Acoustics Limited;
- (m) the written consents referred to in the section headed “Statutory and General Information – Other information – Consents of experts” in Appendix IV to this prospectus; and
- (n) the rules of the Share Option Scheme.



**ALLIED SUSTAINABILITY AND  
ENVIRONMENTAL CONSULTANTS GROUP LIMITED**  
沛然環保顧問有限公司\*

