
INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Frost and Sullivan Report prepared by Frost and Sullivan, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor, the Joint Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Share Offer. Neither our Group, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the Frost and Sullivan Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Frost and Sullivan should not be considered as the opinion of Frost and Sullivan as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the Frost and Sullivan Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost and Sullivan Report.

RELIABILITY OF INFORMATION IN THE FROST AND SULLIVAN REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost and Sullivan Report which may qualify, contradict or have an impact on the information therein.

SOURCES OF INFORMATION

We have commissioned Frost and Sullivan, an independent market research company, to conduct an analysis of, and to report on, the ELV integrated service industry in Hong Kong for the period from 2010 to 2020. The information and analysis contained in the Frost and Sullivan Report were assessed independently by Frost and Sullivan, including all its subsidiaries, divisions and units (collectively referred to as “Frost and Sullivan Group”), which is not connected to our Group in any way. Frost and Sullivan charged us a total fee of approximately HK\$400,000 for the preparation and the use of the Frost and Sullivan Report, which our Directors consider is consistent with market rates.

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The market research process for this study has been undertaken through a detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specifically related industry drivers.

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 in China 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.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost and Sullivan Report, various official government publications and other publications.

ASSUMPTIONS USED IN THE FROST AND SULLIVAN REPORT

- The economies of Hong Kong are assumed to maintain steady growth across the forecast period
- The social, economic, and political environment of Hong Kong are likely to remain stable over the forecast period
- Market drivers like the growth of Hong Kong's nominal GDP, the stable increase of population, the growth of per capita disposable income, and the further development of real estate market in Hong Kong are expected to drive the growth of the ELV integrated service market in Hong Kong
- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of ELV integrated services market during the forecast period

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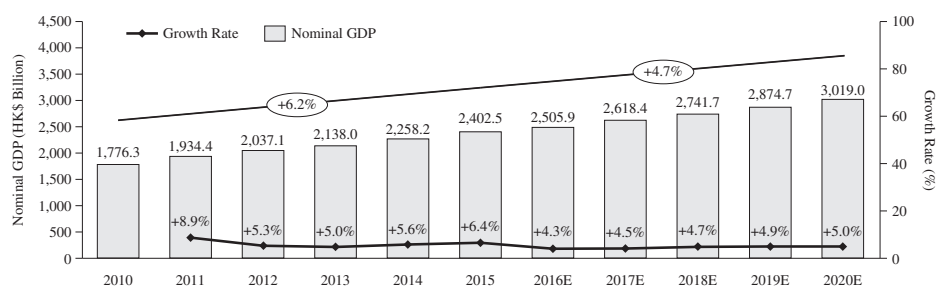
PARAMETERS USED IN THE FROST AND SULLIVAN REPORT

- GDP value and GDP growth rate in Hong Kong from 2010 to 2015
- Per capita GDP value and per capita GDP growth rate of Hong Kong from 2010 to 2015
- Population and its growth in Hong Kong from 2010 to 2015
- Revenue of ELV integrated service market in Hong Kong from 2010 to 2015
- Revenue of ELV integrated service market by customers in Hong Kong from 2010 to 2015
- The average salary of related professionals in ELV integrated service market from 2010 to 2015

MACRO ECONOMIC SITUATION IN HONG KONG

Hong Kong economy developed stably in the recent years. This was mainly due to the rapid growth in many Asian economies and moderate recoveries in Europe and the United States that allowed Hong Kong's external trade to remain competitive. Growth was also supported by the expanding domestic market due to the increase in intra-regional production activities and the growth of the number of tourists from the PRC. According to the Census and Statistics Department of Hong Kong, the Nominal GDP in Hong Kong grew from approximately HK\$1,776.3 billion in 2010 to approximately HK\$2,402.5 billion in 2015. According to the International Monetary Fund ("IMF"), the Nominal GDP in Hong Kong is expected to reach HK\$3,019.0 billion in 2020, representing a CAGR of 4.7% from 2015 to 2020.

Nominal GDP Value and GDP Growth Rate in Hong Kong from 2010 to 2020

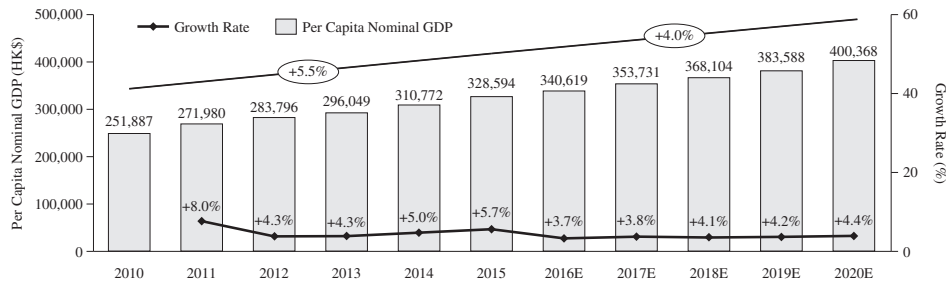


Sources: Census and Statistics Department of Hong Kong; International Monetary Fund (April 2016) and Frost and Sullivan Analysis

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Hong Kong's per capita Nominal GDP, as the following chart shows, increased from approximately HK\$251,887 in 2010 to approximately HK\$328,594 in 2015, representing a CAGR of 5.5% from 2010 to 2015. According to IMF, the per capita GDP in Hong Kong is expected to be HK\$400,368 in 2020, representing a CAGR of 4.0% from 2015 to 2020.

Per Capita Nominal GDP in Hong Kong from 2010 to 2020



Sources: Census and Statistics Department of Hong Kong; International Monetary Fund (April 2016) and Frost and Sullivan Analysis

OVERVIEW OF BUILDING SERVICE MARKET

Building services include design, installation, operation and monitoring of mechanical system, electrical system, and other systems and equipment in and around buildings of all types to provide a safe and comfortable environment for occupants. Building services provide building users the following:

- A safe home and workplace free of theft and fire hazards.
- A comfortable and healthy indoor environment with good lighting, efficient air-conditioning, ventilation, etc.
- A living environment with efficient transportation, telecommunications and automation systems including lifts, escalators, telephone services and building automation system.

Nowadays, 20%-60% of the total building cost is spent on building services. Since people now recognise the importance of safety, comfort and convenience in using building systems and equipment, developers have spent more effort on developing better building services, especially in developing intelligent ELV systems.

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MARKET OVERVIEW OF THE ELV INTEGRATED SERVICE INDUSTRY IN HONG KONG

There are a broad usage and application of ELV in Hong Kong. ELV is a voltage range in electricity supply, used as a means to protect against dangerous electrical shock. ELV integrated service is one of the electrical services that can be used in all types of building infrastructure installations in commercial and industrial premises. It is an industry norm that ELV integrated service providers offer instalment options to their customers in the ELV integrated service market. Instalment option allows the customers to repay by instalment or on a monthly basis over a period of time. The repayment period by instalment option is usually 48 months in the ELV integrated service market.

The application of ELV integrated service includes the following:

General Classification	Category	Function
Telecommunications and Broadcasting Services	Telephone communication System	Realise the function of communication of telephone, including FAX machine, video phone, etc.
	Local area network system	Realise the office automation and build the network foundation for various data transmission.
	Music/broadcasting system	Play music by loudspeakers installed on the spot (shopping malls, restaurants, corridor etc.) and broadcast through microphones.
	Cable TV signal distribution system	Evenly distribute the cable TV signal to users in the building.
	Security monitoring system	Monitor and alarm the entrances of the buildings and some important places by installing video camera and PIR intrusion detector.

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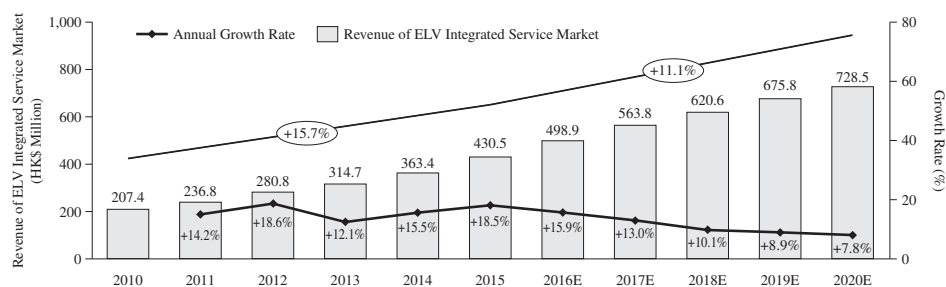
General Classification	Category	Function
Central Control and Monitoring System (CMSS)	Fire alarm system	Monitor physical quantity factors such as smoke, heat and flame as to prevent fire.
	Access control system	Control, record and monitor the entrance by using smart card locks and smart card readers. Realise the unified management of building entrance.
	Parking charge management system	Sense the access of vehicles by induction call. Realise the automatic charge and control of electric barrier.
	Building automation system	Detect, monitor and control the environmental parameter in and around the building, and the equipment (air condition, lighting, and elevator). Realise the proper distribution and management of resource in the building.

Source: Frost and Sullivan Analysis

REVENUE GROWTH

The revenue of ELV Integrated Service Industry experienced a positive growth from around HK\$207.4 million in 2010 to around HK\$430.5 million in 2015 at a CAGR of around 15.7%. Key reasons for such growth are the development of Hong Kong's property market, the continuous increase in construction investments, and the increasing usage of automation in buildings. ELV integrated service market of Hong Kong is projected to sustain the rapidly growing stage in the next few years and the revenue of this market is expected to reach HK\$728.5 million in 2020, representing a CAGR of 11.1%.

Revenue of ELV Integrated Service Market in Hong Kong from 2010 to 2020



Source: Frost and Sullivan research and analysis

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The private sector of ELV integrated service market in Hong Kong accounted for 69.8% of total market revenue in 2015. Thanks to the increase in number of the newly completed buildings and the upgrade of ELV integrated service, the revenue of Hong Kong ELV integrated service market in the private site is projected to reach HK\$521.6 million in 2020, representing a CAGR of 11.7%. Meanwhile, the value of Hong Kong ELV integrated service market in the public sector reached HK\$130.0 million in 2015, representing 30.2% of the total market value. In 2020, this segment is likely to take up about 28.4% of total value of Hong Kong ELV integrated service market in Hong Kong.

	Public Sector		Private Sector		Total	
	Revenue (HK\$ million)	Percentage to total (%)	Revenue (HK\$ million)	Percentage to total (%)	Revenue (HK\$ million)	Percentage to total (%)
2010	65.3	31.5	142.1	68.5	207.4	100.0
2011	73.6	31.1	163.2	68.9	236.8	100.0
2012	86.5	30.8	194.2	69.2	280.7	100.0
2013	96.0	30.5	218.8	69.5	314.8	100.0
2014	113.6	31.3	249.8	68.7	363.4	100.0
2015	130.0	30.2	300.5	69.8	430.5	100.0
CAGR 2010-2015 (%)	14.8%		16.2%		15.7%	
2016E	150.0	30.1	348.9	69.9	498.9	100.0
2017E	164.6	29.2	399.1	70.8	563.7	100.0
2018E	178.4	28.7	442.2	71.3	620.6	100.0
2019E	193.7	28.7	482.0	71.3	675.7	100.0
2020E	206.9	28.4	521.6	71.6	728.5	100.0
CAGR 2015-2020E (%)	9.7%		11.7%		11.1%	
CAGR 2010-2020E (%)	12.2%		13.9%		13.4%	

Note: Private sector includes the buildings mainly developed and managed by the landowners or property developers while public sector includes the buildings mainly developed and managed by the government or semi-government

Sources: Frost and Sullivan Analysis

Demand for ELV integrated services industry in Hong Kong

Demand for better and intelligent living environment

In 2015, the per capita nominal GDP in Hong Kong was HK\$328,594 and is likely to reach HK\$400,368 in 2020 with a CAGR of 4.0% from 2015. With the improvement of living standard, people pay more attentions to their living environment especially in a city like Hong Kong with a high population density and a large number of skyscrapers. Therefore, the urban residents demand a high level of automation in buildings, which drives the needs of intelligent ELV integrated systems.

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Further development of Hong Kong construction market

From 2010 to 2015, the gross value of construction works by main contractors increased from HK\$111.3 billion to HK\$218.5 billion, representing a CAGR of 14.4%. This market is likely to grow to HK\$333.5 billion in 2020, representing a CAGR of 8.8% from 2015 to 2020. Meanwhile, according to the 2016-2017 Budget, Hong Kong government is likely to make available for sale 29 residential sites capable of providing 19,000 units and 8 commercial or business sites capable of providing a floor area of 540,000 m². Accordingly, with the further development of construction market in Hong Kong, a larger number of buildings are in need of ELV integrated systems, especially for intelligent buildings.

Maintenance and upgrade for old buildings

Currently, there are a number of old buildings in Hong Kong. The ELV integrated system in those buildings needs to be managed and maintained. Some outdated systems require updates so as to ensure people's comfort, convenience and safety. Thus, there exists a great demand for professional ELV integrated services.

Increase of Hong Kong population

Hong Kong population has reached approximately 7.3 million by the end of 2015 as compared with approximately 7.1 million in 2010. In 2020, the number of population in Hong Kong is likely to reach 7.5 million. Accordingly, with the continuous growth in population, it is expected that the demand for residential properties would increase.

Growth of money supply from overseas market and mainland China

The monetary policy of the United States, such as quantitative easing has caused some massive capital flow around and into Asia such as Hong Kong, helping drive up the price in the property market. Furthermore, mainland Chinese buyers rushed into Hong Kong property market as a way to get their cash out of China in recent years, inflating property prices astronomically.

Measures implemented by government

The Hong Kong government has introduced numerous measures to curb price growth since 2012, including doubling the stamp duty and property transaction tax. Virtually, from the long-term perspective, these measures are able to stabilise the price of the property and drive the healthy development of Hong Kong property market.

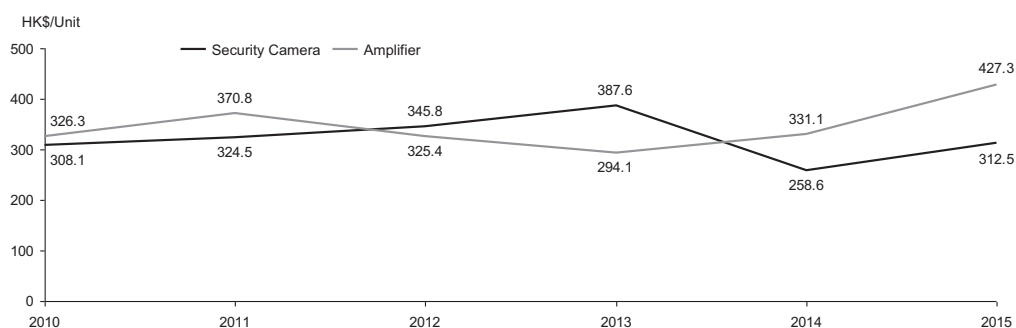
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HISTORICAL KEY COSTS COMPONENTS IN ELV INTEGRATED SERVICE INDUSTRY

Security Cameras and Amplifiers

The following sets forth the historical average price of security cameras and amplifiers in ELV integrated service market in Hong Kong:

The average price of security cameras and amplifiers from 2010 to 2015



Source: Census and Statistics Department of Hong Kong and Frost and Sullivan Analysis

Being one of the essential parts in security and monitoring system, cameras' price largely influences ELV integrated service providers' costs. Security cameras' price fluctuated and realised a CAGR of 0.3% from 2010 to 2015. From 2010 to 2013, the price of security camera presented a rising trend, reaching HK\$387.6 per unit in 2013. However affected by production cost and exchange rate of some exporters, security cameras' sunk to HK\$258.6 per unit in 2014 and then rebounded to HK\$312.5 per unit in 2015.

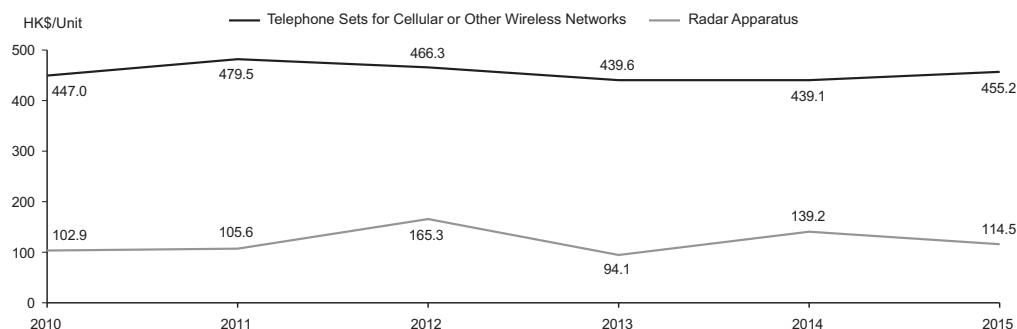
Amplifiers are generally applied to alarming system and access control system. After experiencing a downturn in 2013, amplifiers' price went up, reaching HK\$427.3 per unit in 2015. From 2010 to 2015, the amplifier's price grew at a modest CAGR of 5.5%.

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Telephone Sets for Cellular or Other Wireless Networks and Radar Apparatus

The following sets forth the historical average price of telephone sets for cellular or other wireless networks and radar apparatus in ELV integrated service market in Hong Kong:

The average price of telephone sets for cellular or other wireless networks and radar apparatus from 2010 to 2015



Source: Census and Statistics Department of Hong Kong and Frost and Sullivan Analysis

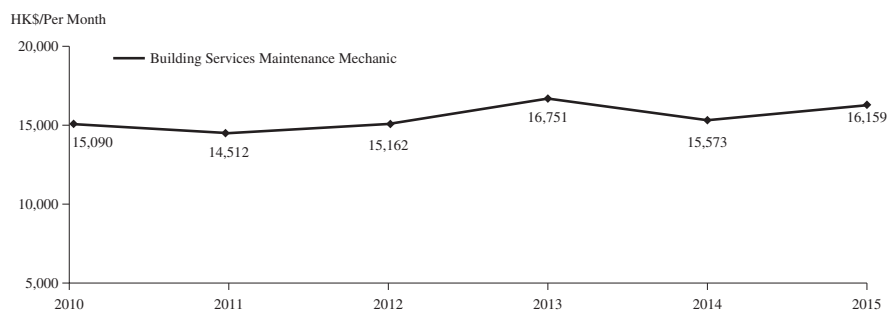
As the major raw material of telecommunication and broadcasting service system, the price of telephone sets for cellular or other wireless networks and radar apparatus showed the upward trend in the period of 2010 to 2015. The price of telephone sets for cellular or other wireless networks grew at a CAGR of 0.4% from 2010 to 2015, and reached HK\$455.2 per unit in 2015. During the same period, the price of radar apparatus experienced a CAGR of 2.2%, and amounted to HK\$114.5 per unit in 2015. In the near future, the prices of telephone sets for cellular or other wireless networks and radar apparatus are expected to steadily grow.

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Wages

The following chart sets forth the historical average salary trend of related professionals in ELV integrated service market in Hong Kong:

The average salary of related professionals in ELV integrated service market from 2010 to 2015



Source: Census and Statistics Department of Hong Kong

As the skilled jobs in the Hong Kong ELV integrated service market, the average salary level of building service maintenance mechanic showed an upward trend in the recent five years. The average salary of building service maintenance mechanic experienced a CAGR of 1.4% from 2010 to 2015. In 2015, the average month salary of building service maintenance mechanic reached HK\$16,159. Virtually, the related workers, especially the experienced ones, are insufficient in the ELV integrated service market mainly due to the issue of aging and shrinking of the workforce. It is expected that the demand for related workers in the Hong Kong ELV integrated service market would grow in the future. Meanwhile, the aging, job mismatch, limitations in training, etc., are the major possible factors causing the critical manpower situation in the coming years. Therefore, the average salary level of building service maintenance mechanic in Hong Kong is likely to maintain a growth trend in the following years.

COMPETITIVE LANDSCAPE

In 2015, the total sales revenue in the ELV integrated service market recorded approximately HK\$430.5 million. The competition in Hong Kong ELV market was relatively concentrated with the top five competitors together occupied approximately 72.3% market share of the overall sales revenue. Our company shared about 14.5% of the industry revenue in 2015. The following table sets forth a breakdown of the revenue earned by the top five ELV integrated service providers in 2015.

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Top 5 main contractors engaged in the ELV integrated service industry in Hong Kong in 2015

Rank	Name of Company (Headquarter)	Share of Total Industry Revenue (%)	Main Business
1	Company A (Hong Kong)	15.3%	<ul style="list-style-type: none"> • Delivering reliable security systems and solutions • Designing integrate and install security and fire safety system
2	Company B (Hong Kong)	15.0%	<ul style="list-style-type: none"> • Offering the services in security systems, communication systems and intelligent automation systems to meet the needs of building developers, occupants and property managers
3	Company C (Hong Kong)	14.7%	<ul style="list-style-type: none"> • Offering a diverse range of services including build consultancy, operating, and maintenance services for infrastructure and ELV solutions
4	Our Company	14.5%	<ul style="list-style-type: none"> • Providing a wide range of ELV solutions, including building management systems such as security system, car park system and clubhouse management system; and telecommunications and broadcasting services systems such as CABD System and SMATV System
5	Company D (Hong Kong)	12.8%	<ul style="list-style-type: none"> • Offering a diverse range of services in the security monitoring system
	Others	27.7%	
Total		100.0%	

Source: Frost and Sullivan interviews and analysis

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Octopus system can be used to control and monitor entry inside clubhouses, residential and commercial buildings, offices, construction sites, closed areas, and can also be applied on car parks, which is one part of ELV integrated service market. The system should be operated with Octopus card which is the most common smart card system in Hong Kong. Nowadays, there are 22 authorised contractors in the Octopus system for clubhouses, car parks and access control system. At present, new Octopus authorised contractors are no longer approved.

Market Share of Top 5 Competitors by Sales Revenue in Octopus System Market in Hong Kong in 2015

Rank	Name of Company	Market Share (%)	Main Business
1	Company E	21.3%	<ul style="list-style-type: none"> • Running Hong Kong's Mass Transit Railway • Focusing on property development in Hong Kong • Investing in railways in different parts in the world
2	Company F	13.1%	<ul style="list-style-type: none"> • Offering car park management, car park consultation services, car park interior design and procurement of car park equipment
3	Company A	12.5%	<ul style="list-style-type: none"> • Delivering reliable security systems and solutions • Designing integrate and install security and fire safety system
4	Company C	11.7%	<ul style="list-style-type: none"> • Offering a diverse range of services including build consultancy, operating, and maintenance services got infrastructure and ELV solutions
5	Company G	11.2%	<ul style="list-style-type: none"> • Providing alarm monitoring services, smart card system service, ELV solution and maintenance
N/A	Our Company	10%	<ul style="list-style-type: none"> • Providing a wide range of ELV solutions, including building management systems; and telecommunication and broadcasting services systems such as CABD System and SMATV System
Top 5 Subtotal		69.8%	

Source: Frost and Sullivan analysis

In 2015, Octopus card system market reached HK\$85.4 million and the competition in this market was relatively concentrated. Top 5 competitors together occupied approximately 69.8% market share of overall sales revenue.

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FACTORS OF COMPETITION

Professional Talents

In the ELV integrated service market, on-site workers and the designing team have direct impacts on the quality of the project they work on. However, it is not easy to find qualified talents who have comprehensive knowledge in various aspects, such as electrotechnics and hardware assembling, as well as accumulated experiences in the field of installation. Meanwhile, due to the shortage of related workers, the company should have a good track record of payment to hire sufficient workers to guarantee the operation of projects, especially those large ones.

Strong Design Capability

Design is one of the core parts in ELV integrated service market. Customised products and solutions need to be well designed so as to meet consumers' different requirements and apply to different situations. Design capability not only lays in the professionals' ability of applying high technology but also in the familiarity of local environments and the insights of customers' needs. Thus, the strong design capability can contribute to the diversity of products and a good reputation.

Timely Services

Once some ELV integrated products, such as security alarm system, access control system are not functioning well, it will seriously influence peoples daily lives. Hence, timely maintenance becomes particularly important in this regard. Sufficient staff need to be distributed widely and provided timely in case of some rush-repairs.

Experiences in Project Management

From preliminary product purchase, design, installation stage to maintenance, each stage requires a detailed plan, effective execution and strict supervision to successfully deliver the final outcome. Therefore, if the enterprises lack experiences in the project management, they are likely to meet a number of difficulties, such as design errors, delays in installation, cost overruns and other, in the process of projects.

Opportunities

- (1) Rapid development of ELV integrated service market in Hong Kong in the following years
- (2) Increasing demand in private sector of Hong Kong ELV integrated service market
- (3) The segment of antenna system has a huge potential space to develop
- (4) Increasing number of maintenance projects

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Threats

- (1) Potential market entrants in each aspect of the value chain
- (2) Growing labor cost and other operation cost in Hong Kong
- (3) Increasing cost of raw materials, especially the hardware

Entry Barriers

1) *Qualifications*

In order to enter the ELV integrated service market, newcomers have to obtain qualifications. For instance, the company who runs a business in security system has to obtain the security license and those in electronic system is subjected to acquire the electricity license. In Hong Kong, Octopus cards are widely used by 99% of the total population of Hong Kong. However, the applications of Octopus system should obtain the relevant license in terms of types, such as park license. Among those qualifications, some are tougher to be obtained.

2) *Long-term Relationship with Customers*

It is vital for participants in Hong Kong entering ELV integrated service market to establish good long-term relationships with customers. In order to gain trusts from customers, these participants need to offer corresponding long period of service records to prove their reliability and follow-up service capabilities. On the other hand, once the capabilities of participants are recognised by the customers, they would not replace them easily so as to maintain the stability and quality of projects. Therefore it is difficult for new entrants to establish a long-term and interdependent relationship with customers in the short term.

3) *Reliable Suppliers*

Finding reliable suppliers that can provide high-quality components such as chips, sensors, card readers with fixed low cost and short supply period is essential for the participants in the Hong Kong ELV integrated service market. The new entrants have some difficulties in building mutual trust partnership with suppliers in the short term.

4) *Sufficient Experienced Workers*

A number of large projects with high-profit margin usually require those sufficiently experienced workers. Besides, sufficient workers have to be on call when some products need to be maintained. Thus, sufficiently experienced workers are often considered to be crucial for the participants in the Hong Kong ELV integrated service market. New entrants are not able to hire sufficiently experienced workers in a short period of time because they are lacking time to prove their payment credit.