You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountant's Report in Appendix I to this [REDACTED]. Our combined financial information have been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this [REDACTED].

OVERVIEW

We are a building maintenance and renovation service provider in Hong Kong. According to the Ipsos Report, we ranked sixth among building maintenance and renovation service providers in Hong Kong in terms of the total industry revenue for the twelve months ended 31 December 2013. Our Group is a "Group M2 (confirmed status)" building contractors for maintenance works category granted by the Housing Authority since February 1996. We are eligible to submit tenders for Housing Authority contracts for building maintenance and renovation works for unlimited value. Our role as a main contractor to building maintenance and renovation works includes overall project management and supervision of works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

Leveraging on the diverse nature of our services, we have accumulated more than 20 years of experience in building maintenance and renovation works as a main contractor and are flexible in deploying resources to maintain an appropriate mix of our services in order to meet our customers' demand. The following table sets out a breakdown of our revenue by activities for the Track Record Period:

	Year ended 30 June					
	2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Building maintenance services	415,248	68.9	414,026	68.8	401,910	66.9
Renovation services	187,393	31.1	187,400	31.2	198,482	33.1
	602,641	100.0	601,426	100.0	600,392	100.0

We generally secure our building maintenance and renovation works contracts through a competitive tendering process. Once we are awarded the project, a project execution team is responsible for the overall project implementation, which includes delegation of works to subcontractors and supervision of their works, preparation of project plans, supervising our subcontractors for procurement of materials and equipment and monitoring the work progress and performance of our subcontractors to ensure our projects are completed on time and within budgets in accordance with our quality standards. We receive progress payments pursuant to the terms of each respective contract and our application for progress payment is normally made on a monthly basis. Generally, we pay our subcontractors within seven days after we receive payment from our customers pursuant to terms of the main contracts. Nevertheless, in some circumstances we make advance payment to our subcontractors on a case-by-case basis. For details, please refer to the paragraph headed "Analysis of various items from the combined statement of financial position – Trade and other receivables" of this section.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition are subject to the influence of numerous factors, including those as set out below:

Pricing of our projects

The majority of our revenue during the Track Record Period is derived from our projects generally obtained by means of tender. The tender price of our projects is based on our estimated project costs plus a mark-up margin. We have to on one hand maintain the competitiveness of our pricing and on the other hand maximise our profit margin. If we perceive that competition on a particular project which we also submit tender to be keen, we may submit a more competitive tender price with a lower mark-up margin. For certain of the private sector projects which we are awarded, we may need to bear for any possible cost increment and inflation. As such, the lowering of profit margin due to competition or unexpected adverse cost fluctuation may adversely affect our profitability.

Fluctuations in our subcontracting fees

Our cost of services mainly comprises subcontracting fees. During the Track Record Period, our subcontracting fees amounted to approximately HK$545.5 million, HK$529.2 million, HK$514.9 million, respectively, and accounted for approximately 96.2%, 95.3% and 94.5% of our cost of services, respectively. As a result, our profitability heavily depends on our ability to control and manage our subcontracting fees. We normally enter into subcontracting agreements with our subcontractors for agreeing, among others, a fixed sum or a percentage of the contract value of our main contract or works orders issued by our customer, unless there are variation orders or additional works to be performed by the subcontractors with our prior consent. The subcontracting fee is in general paid by our Group to the relevant subcontractors by instalments on a monthly basis in accordance with works done after our Group has been paid by our customers.

Timely settlement by our customers

Normally for our maintenance and renovation services provided, we submit monthly payment applications to our customers which request our customers to make progress payments calculated with reference to the value of our works completed. If our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, our financial condition, liquidity and results of operations could be materially and adversely affected.

Government's level of spending on public works

During the Track Record Period, approximately 89.1%, 79.5% and 84.4% of our Group's revenue was generated from provision of services to the Government and other public customers. Public works projects are non-recurring in nature, and thus the level of Government's spending budget may change from year to year. Accordingly, any change or significant delay in the level of spending on public works by the Government may affect the business and operation results of our Group. In the event that the Government reduces its level of spending on public works and our Group fails to secure business from other sectors, the business and profitability of our Group could be adversely affected.

BASIS OF PRESENTATION

Prior to the Reorganisation, the provision of building maintenance and renovation services were carried out by Sing Fat Construction. To rationalise the corporate structure in preparation for the Listing on the Main Board of the Stock Exchange, our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 17 September 2014. Our Group then underwent the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in the section headed "Statutory and General Information" in Appendix IV to this [REDACTED].

Upon completion of the Reorganisation, our Company became the holding company of Sing Fat Construction on [●]. The companies that took part in the Reorganisation were controlled by the same ultimate equity shareholders, [including Mr. Liu Su Ke, Mr. Chan Lo Kin, Mr. Kan Man Hoo, Mr. Kan Yiu Keung, Mr. Kan Yiu Kwok, Mr. Lai Kwan Hin, Mr. Liu Winson Wing Sun and Mr. Yau Shik Fan, Eddy during the Track Record Period or since their respective date of incorporation or establishment up to 30 June 2014 where this is a shorter period.

As there was no change in our Controlling Shareholders before and after the Reorganisation, the financial information relating to 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 of our Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising our Group as if our current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of financial position of our Group as at 30 June 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation. All material intra-group transactions and balances have been eliminated on combination.

The financial information is presented in Hong Kong dollars, which is the same functional currency of our Company and its subsidiaries.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our combined financial information requires selecting accounting policies and making estimates and assumptions that affect items reported in the combined financial information. The determination of these accounting policies is fundamental to our combined results of operation and financial position and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operation or cash flows. For more information regarding our significant accounting policies and the summary of significant accounting judgments and estimates see Notes 3 to 4 to the Accountant's Report set forth in Appendix I to this [REDACTED].

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Our revenue from building maintenance and renovation services is recognised when services are provided. For construction services, we recognise revenue in accordance with the policy as described in the paragraph headed "Construction contracts" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by reference to the percentage of surveys of work performed for individual contract up to the reporting date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

During the Track Record Period, in accordance with the relevant HKFRSs, we recognised revenue from two of our main contracts, which were renovation projects, under construction contracts. Such projects were classified as construction contracts as they involved the installation of new lift towers and metre rooms.

Critical judgments in applying our accounting policies

Contingent liabilities in respect of litigation claims

Contingent liabilities arising from litigation claims have been assessed by our management with reference to legal advice and historical records. Our Directors considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal advice and historical records. Please refer to the section headed "Business – Litigation and potential claims – No provision for litigation claims" of this [REDACTED] for further details.

Key sources of estimation uncertainty

Revenue recognition

For some contracts, income is recognised based on management's estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders before finalisation of the contracts which normally last for three years. During the assessment process, the actual value of completed works orders assessed by the customers may be higher or lower than the estimates and this will affect our Group's revenue recognised.

Depreciation of property, plant and equipment

Land and building is depreciated on a straight-line basis over its estimated useful life whereas all other plant and equipment are depreciated using diminishing method. The determination of the useful lives involves management's estimation. We assess annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Except for land and buildings which are depreciated on a straight line basis over the shorter of the unexpired lease term and 50 years, the property, plant and equipment are depreciated on diminishing balance method over their estimated depreciation rates as below:

Machinery and equipment	25% in the year of purchase and 15% per annum in subsequent years
Furniture, fixture and office equipment	25% in the year of purchase and 15% per annum in subsequent years
Motor vehicles	25% in the year of purchase and 15% per annum in subsequent years

PRINCIPAL COMPONENTS OF OUR INCOME STATEMENT

The following table shows our combined statements of comprehensive income derived from our combined financial information for the years indicated:

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	602,641	601,426	600,392
Cost of services	(566,989)	(555,507)	(544,629)
Gross profit	35,652	45,919	55,763
Other income	5,351	24	14,194
Administrative expenses	(16,332)	(16,948)	(15,898)
Finance costs	(1,280)	(1,016)	(820)
Profit before taxation	23,391	27,979	53,239
Taxation	(3,216)	(4,643)	(7,060)
Profit and total comprehensive income for the year	20,175	23,336	46,179
Profit and total comprehensive income attributable to:			
Owners of the Company	20,086	23,234	45,976
Non-controlling interests	89	102	203
	20,175	23,336	46,179

Turnover

We principally derive our turnover from the provision of building maintenance and renovation services in Hong Kong.

The following table sets out our turnover by business segments, namely building maintenance and renovation, during the Track Record Period:

	Year ended 30 June					
	2012		**2013**		**2014**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Building maintenance	415,248	68.9	414,026	68.8	401,910	66.9
Renovation	187,393	31.1	187,400	31.2	198,482	33.1
	602,641	100.0	601,426	100.0	600,392	100.0

Our Group had a total of 43, 33 and 28 building maintenance and renovation projects during the years ended 30 June 2012, 2013 and 2014, respectively. While the total number of projects decreased during the Track Record Period, overall turnover had remained at a similar level during the Track Record Period as average revenue per contract increased from approximately HK$14.0 million for the year ended 30 June 2012 to approximately HK$18.2 million and HK$21.4 million for the years ended 30 June 2013 and 2014, respectively.

The contribution of turnover from each segment also remained at a similar level during the two years ended 30 June 2012 and 2013, while the contribution from building maintenance decreased and that from renovation increased during the year ended 30 June 2014.

As a main contractor, our turnover is generated from various existing contracts with our customers. Any fluctuation in our turnover mix during the Track Record Period is attributable to the securing of new contracts and the completion of existing contracts of different business segments by our Group. Going forward, our Group shall continue to keep track of the tenders in both business segments. In deciding whether or not to bid for a specific tender, our Group would take into consideration several principal factors including, but not limited to, the profitability of the contract, our Group's capacity during the contract period, availability of suitable sub-contractors and the schedule of the building maintenance and renovation project. As such, our Directors believe that the fluctuation in our results of operations during the Track Record Period does not in any way indicate our intention to change our business model or shift our focus to any one specific business segment.

The following table sets out the breakdown of our building maintenance revenue by project undertaken (whether completed, in progress or yet to commence) during the Track Record Period:

Project	**Category**	**For the year ended 30 June**		
		2012	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	54,693	50,318	56,087
DTC for the maintenance, improvement and vacant flat refurbishment for a district in the New Territories, Hong Kong	Public	84,699	80,269	2,570
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	118,406	99,800	97,317

Project	Category	For the year ended 30 June		
		2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in various districts in Hong Kong	Public	–	84,548	86,831
Improvement works for a shopping centre in Hong Kong	Public	–	–	15,324
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in the New Territories, Hong Kong	Public	–	16,501	106,835
Building maintenance works of a public housing estate in Hong Kong	Public	–	–	478
Term contract for in-flat maintenance services for various districts in Hong Kong	Public	1,544	–	–
DTC for the maintenance and vacant flat refurbishment for a district in the New Territories, Hong Kong	Public	21,538	–	–
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	1,077	–	–

Project	Category	For the year ended 30 June		
		2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*
External wall repair and associated works at a private residential estate in Hong Kong	Private	19,506	845	–
Repair works at a private residential estate in Hong Kong	Private	29,300	6,213	12,529
Lift lobbies maintenance at a private residential estate in Hong Kong *(Note 1)*	Private	5,911	14,849	(34)
Building maintenance works at a university in Hong Kong	Public	1,000	6,671	–
Term maintenance contract for shopping centres, carparks, markets & cook-food stalls in the New Territories, Hong Kong	Private	4,617	35,862	21,611
DTC for the maintenance, improvement and vacant flat refurbishment for various districts in Hong Kong	Public	70,046	10,721	135
Building maintenance works relating to renewing ceramic tiles to the building border and column of residential buildings at a private estate in Hong Kong	Private	–	6,295	1,214
Term repair contract for the existing properties in a district in Kowloon, Hong Kong	Public	–	453	660
Others *(Note 2)*		2,911	681	353
		415,248	414,026	401,910

Notes:

1. The amount of revenue recognised from the renovation works to typical lift lobbies at Stage VII of Mei Foo Sun Chuen during the year ended 30 June 2014 was negative due to the downwards adjustment of final bill made by the customer during the year ended 30 June 2014.

2. There are 5, 6 and 3 projects which are grouped under the category "Others" for the years ended 30 June 2012, 2013 and 2014.

3. The amount of revenue recognised during the Track Record Period varies from the estimated/notional contract value because of variation order(s) issued by the customer to our Group and different contract sum of actual works orders issued. The variance may also be due to the fact that certain revenue was recognised prior to the Track Record Period.

The following table sets out the breakdown of our renovation revenue by project undertaken (whether completed, in progress or yet to commence) during the Track Record Period:

Project	**Category**	**For the year ended 30 June**		
		2012	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
Renovation works at a hostel of a charitable organisation in Hong Kong	Public	–	–	17,267
Demolition and spalling works in respect of an industrial building in Hong Kong	Private	–	–	600
Building renovation works at an industrial building in Hong Kong	Private	–	–	4,653
Renovation works at a high-end residential estate in Hong Kong	Private	–	56,477	47,267
Renovation term contract for buildings of an education institution in Hong Kong	Public	3,152	49,305	60,110
Renovation term contract for buildings of an education institution in Hong Kong	Public	12,368	59,437	58,173
Fire safety improvement works for a shopping arcade in Hong Kong	Private	923	–	1,681
Renovation term contract for buildings of an education institution in Hong Kong	Public	78,617	–	–
Renovation term contract for buildings of an education institution in Hong Kong	Public	58,803	–	–

Project	Category	For the year ended 30 June		
		2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*
Upgrading of electricity supply at a residential estate in Hong Kong	Public	7,673	908	1,337
Alterations and additions term contract for building works at a university in Hong Kong	Public	1,245	–	–
Addition of lift towers to a residential estate in Hong Kong	Public	18,399	19,098	–
Others *(Note 1)*		6,213	2,175	7,394
		187,393	187,400	198,482

Note:

1. There are 16, 9 and 5 projects which are grouped under the category "Others" for the years ended 30 June 2012, 2013 and 2014.

Cost of services

Cost of services mainly represents subcontracting fees, staff costs, site insurance and others. During the Track Record Period, breakdown of our Group's cost of services was as follows:

	Year ended 30 June					
	2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting fees	545,464	96.2	529,228	95.3	514,919	94.5
Staff costs	15,232	2.7	15,954	2.8	19,993	3.7
Site insurance	2,900	0.5	5,352	1.0	4,872	0.9
Others	3,393	0.6	4,973	0.9	4,845	0.9
	566,989	100.0	555,507	100.0	544,629	100.0

Our cost of services' chief component is subcontracting fees, which accounted to approximately HK$545.5 million, HK$529.2 million and HK$514.9 million, or 96.2%, 95.3% and 94.5% of our cost of services for the financial years ended 30 June 2012, 2013 and 2014, respectively.

Subcontracting fees represent direct costs paid to our Group's subcontractors to carry out building maintenance and renovation works which include wages for subcontractors' employees and procurement cost of materials and equipment, which are sourced through our subcontractors. Subcontracting fees decreased during the Track Record Period as (i) the total number of building maintenance and renovation projects decreased; and (ii) most of the additional mark up on estimated project costs for the new tender contracts awarded were not passed on to our subcontractors.

Staff costs, amounted to approximately HK$15.2 million, HK$16.0 million and HK$20.0 million for the years ended 30 June 2012, 2013 and 2014, respectively, represent compensation and benefits provided to employees of our Group that are directly involved in building maintenance and renovation projects. The increase in staff costs from approximately HK$16.0 million for the year ended 30 June 2013 to approximately HK$20.0 million is mainly attributable to an increase in the number of staff employed by our Group during the year ended 30 June 2014.

Site insurance represents employees' compensation insurance and third party liabilities insurance taken out in accordance with the applicable laws and regulations for building maintenance and renovation projects. These insurance policies are typically taken out by our subcontractors. However, in some circumstances, our Group may take out these insurance policies on a case-by-case basis, subject to the negotiations between our Group and the subcontractors. Under these circumstances, the site insurance fees are still borne by the subcontractors and are deducted from the subcontracting fees payable to the subcontractors. Site insurance expenses increased during the year ended 30 June 2013 as compared to 30 June 2012 as our Group took out more site insurance for an increasing number of contracts during the year ended 30 June 2013.

Other cost of services mainly represents motor expenses, depreciation and other miscellaneous expenses.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by business segments during the Track Record Period:

	Year ended 30 June					
	2012		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Building maintenance	31,113	7.5%	39,267	9.5%	46,094	11.5%
Renovation	4,539	2.4%	6,652	3.5%	9,669	4.9%
	35,652	5.9%	45,919	7.6%	55,763	9.3%

Our Group's gross profit amounted to approximately HK$35.7 million, HK$45.9 million and HK$55.8 million for the years ended 30 June 2012, 2013 and 2014, respectively. Gross profit margin was approximately 5.9%, 7.6% and 9.3% for the years ended 30 June 2012, 2013 and 2014, respectively.

Our gross profit for the building maintenance segment amounted to approximately HK$31.1 million, HK$39.3 million and HK$46.1 million for the years ended 30 June 2012, 2013 and 2014, respectively representing an increase of approximately 26.2% for the year ended 30 June 2013 and 17.4% for the year ended 30 June 2014 as compared to the corresponding prior year. Gross profit margin for the said segment was approximately 7.5%, 9.5% and 11.5% for the years ended 30 June 2012, 2013 and 2014, respectively.

Our gross profit for the renovation segment amounted to approximately HK$4.6 million, HK$6.6 million and HK$9.7 million for the years ended 30 June 2012, 2013 and 2014, respectively representing an increase of approximately 46.6% for the year ended 30 June 2013 and 45.4% for the year ended 30 June 2014 as compared to the corresponding prior year. Gross profit margin for the said segment was approximately 2.4%, 3.5% and 4.9% for the years ended 30 June 2012, 2013 and 2014, respectively.

The improvement in the gross profit margin over the Track Record Period is attributable to the improved quotation and higher margins charged by our Group and accepted by our clients. After the 2008 financial crisis, Hong Kong experienced an immediate slowdown in its economy. However, as the economy began to pick up, the pegging of the Hong Kong dollar to the U.S. dollar, as well as low interest rates of the U.S. dollar led to high inflation in the Hong Kong economy. Our Group entered into maintenance and renovation contracts in 2009 to 2011 that lasted into our financial year ended 30 June 2012 and 2013, which led to the erosion of our gross profit. Based on this experience, a higher gross margin was quoted for our projects subsequently to factor in the higher inflationary rate. As our clients began to understand and note the pricing pressure of the industry due to the inflation in material, labour and operational cost, they are acceptable to the higher margins quoted as evidenced by our winning bids in recent years.

Our gross profit margin for building maintenance projects is higher than that for renovation projects as our building maintenance segment mainly comprises contracts entered into with the Government, which require a larger project management team to oversee these projects as they adhere to more stringent quality, safety and environmental requirements. Our Group would negotiate a lower fee with its subcontractors to take into account the additional project management costs of our Group.

Other income

Other income of our Group during the Track Record Period was mainly contributed from the gain on disposal of properties.

Administrative expenses

Administrative expenses consisted primarily of staff costs, management fee, transportation expenses and depreciation expenses. The following table sets out the breakdown of administrative expenses by nature during the Track Record Period:

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Auditor's remuneration	55	100	100
Management fee	2,078	3,635	–
Staff costs, including directors' emoluments	9,582	9,225	9,569
Transportation expenses	1,720	1,092	1,170
Material and tool consumable cost	274	304	186
Depreciation	423	441	386
Listing expenses	–	–	2,573
Meal and entertainment	419	537	367
Other expenses	1,781	1,614	1,547
	16,332	16,948	15,898

Staff costs represented compensation and benefits provided to the directors of our subsidiary and administrative staff of our Group. Management fee represented fees for certain management and administrative services provided by the related parties to our Group for the years ended 30 June 2012 and 2013. Such management services were not provided during the year ended 30 June 2014. Transportation expenses mainly include fuel charges, toll fees and parking fees which were incurred for transportation of the directors of our subsidiary and office staff who were not directly involved in the project works. Depreciation expenses for office equipment, motor vehicles and furniture and fixtures which were not directly involved in the project works were recognised as administrative expenses. Listing expenses are the expenses incurred for the Listing, which are mainly professional fees. Other expenses mainly included costs incurred in printing for such as submission of tenders and quotations, communication cost and sundry expenses.

Finance costs

Finance costs represented interest expenses on bank borrowings, bank overdrafts and finance lease liabilities. Interest on finance lease liabilities was incurred for some of our Group's motor vehicles that were acquired under hire purchase arrangements entered into between us and banks or financial institutions with lease terms ranging from six months to two years. Such hire purchase arrangements were classified as finance leases during the Track Record Period. Interest on finance leases was fixed and was determined by reference to the prevailing market interest rate at the time of entering finance lease agreement between our Group and the financial institution.

Taxation

Our Group's turnover during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the years ended 30 June 2012, 2013 and 2014 were approximately 13.7%, 16.6% and 13.3%. The lower effective tax rate of our Group than the statutory profit tax rate for the year ended 30 June 2012 and 30 June 2014 were due to the non-taxable income arising from the gain on disposal of the investment property and Office Premises, respectively.

Our Company and its subsidiaries are incorporated in different jurisdictions such as the Cayman Islands and the BVI. Pursuant to the relevant applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any profits tax in the Cayman Islands and the BVI.

Period to period comparison of results of operations

Year ended 30 June 2014 compared to year ended 30 June 2013

Turnover

Our Group's turnover decreased by approximately 0.2% or HK$1.0 million from approximately HK$601.4 million for the year ended 30 June 2013 to approximately HK$600.4 million for the year ended 30 June 2014. All turnover was derived from building maintenance and renovation services.

Turnover from building maintenance services decreased by approximately 2.9% or HK$12.1 million from approximately HK$414.0 million for the year ended 30 June 2013 to approximately HK$401.9 million for the year ended 30 June 2014. Our Group completed 7 and 8 building maintenance contracts and was awarded 9 and 3 new building maintenance contracts during the years ended 30 June 2013 and 2014, respectively. The number of building maintenance contracts on hand decreased from 12 as at 30 June 2013 to 7 as at 30 June 2014.

Turnover from renovation services increased by approximately 5.9% or HK$11.1 million from approximately HK$187.4 million for the year ended 30 June 2013 to approximately HK$198.5 million for the year ended 30 June 2014. Our Group completed 8 renovation contracts and was awarded 6 new renovation contracts during the year ended 30 June 2014. Despite a decrease in the number of renovation contracts on hand from 7 as at 30 June 2013 to 5 as at 30 June 2014, the average revenue per renovation contract (renovation contracts at the beginning of the year and new contracts awarded during the year) increased by approximately 14.1% from approximately HK$13.4 million to HK$15.3 million.

Cost of services

Our Group's cost of services decreased by approximately 2.0% or HK$10.9 million from approximately HK$555.5 million for the year ended 30 June 2013 to approximately HK$544.6 million for the year ended 30 June 2014. Other than that our Group was able to secure project with higher profit margin as disclosed above, The decrease in subcontracting fees was partly attributable to a lower subcontracting fee negotiated with our subcontractors for several newly awarded contracts as our Group decided to manage these contracts ourselves instead of offering the contracts as a whole to a main subcontractor. As a result of us taking a larger role in the subcontracting process, we were able to achieve cost savings by eliminating the main subcontractor from the process of awarding these contract. The increase in involvement by us in the subcontracting process resulted in additional staff and higher staff costs but lower subcontracting fees. Accordingly, for the year ended 30 June 2014, subcontracting fees decreased represented a decreasing proportion to 94.5% of our total cost of services, and amounted to approximately HK$514.9 million, against 95.3% and approximately HK$529.2 million for the year ended 30 June 2013.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin:

	Year ended 30 June	
	2013	**2014**
Gross profit (HK$'000)	45,919	55,763
Gross profit margin	7.6%	9.3%

Our Group's total gross profit increased by approximately 21.4% or HK$9.9 million from approximately HK$45.9 million for the year ended 30 June 2013 to approximately HK$55.8 million for the year ended 30 June 2014. The increase was mainly attributable to the increase in the mark up percentage of the new DTC projects according to the inflation anticipated by our Directors.

Other income

Our Group recorded other income of approximately HK$14.2 million for the year ended 30 June 2014 and approximately HK$24,000 for the year ended 30 June 2013. Such increase was mainly attributable to a gain on disposal of property, plant and equipment of approximately HK$14.0 million for the year ended 30 June 2014 principally due to the disposal of our Group's head office in Hong Kong located at 23/F, China United Plaza, 1008 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong with a gross floor area of approximately 4,400 square feet to a connected person at a cash consideration of HK$23.2 million. For further details, please refer to the section headed "Business – Property interests" of this [REDACTED]. Other income for the year ended 30 June 2014 also consists of a reversal of long service payment obligations of approximately HK$116,000 as a result of an overprovision of long service leave in prior years.

Administrative expenses

Our Group's administrative expenses decreased by approximately 5.9% or HK$1.0 million from approximately HK$16.9 million for the year ended 30 June 2013 to approximately HK$15.9 million for the year ended 30 June 2014. Such decrease was mainly due to management fees of approximately HK$3.6 million incurred during the year ended 30 June 2013 which were no longer charged during the year ended 30 June 2014. Listing expense approximately HK$2.6 million was incurred for the year ended 30 June 2014. No listing expense was incurred for the year ended 30 June 2013 as the preparation of the Listing had not yet begun.

Finance costs

Our Group's interest on bank overdrafts and borrowings and obligations under finance lease decreased by approximately HK$0.2 million from approximately HK$1.0 million for the year ended 30 June 2013 to approximately HK$0.8 million for the year ended 30 June 2014. Our bank borrowings and obligations under finance leases decreased from approximately HK$18.9 million and HK$2.1 million for the year ended 30 June 2013, respectively, to approximately HK$12.6 million and HK$1.3 million for the year ended 30 June 2014, respectively. Further, the weighted average interest rate on bank overdrafts and borrowings decreased from approximately 4.31% per annum as at 30 June 2013 to approximately 3.22% per annum as at 30 June 2014. Such decrease is mainly attributable to the tax loan drawn by our Group during the year ended 30 June 2013, which bears a lower interest rate as compared to other bank borrowings of our Group, representing a larger proportion of bank borrowings during the year ended 30 June 2014 as compared to the year ended 30 June 2013. Accordingly, finance costs was lowered for the year ended 30 June 2014.

Income tax

The effective tax rates were approximately 16.6% and 13.3% for the two years ended 30 June 2013 and 2014, respectively. The effective tax rate for the year ended 30 June 2014 was lower than the statutory profits tax rate of 16.5% as the gain from the disposal of property plant and equipment of approximately HK$14.0 million is non-taxable income.

Profit for the year

Our Group's profit for the year increased by approximately 97.9% or HK$22.9 million from approximately HK$23.3 million for the year ended 30 June 2013 to approximately HK$46.2 million for the year ended 30 June 2014. Such increase is mainly attributable to (i) an increase in our gross profit margin from approximately 7.6% to 9.3%, which is the most significant factor as our revenue base was large; (ii) a gain on disposal of property, plant and equipment of approximately HK$14.0 million for the year ended 30 June 2014; and (iii) a decrease in our administrative expenses.

Year ended 30 June 2013 compared to year ended 30 June 2012

Revenue

Our Group's revenue decreased by approximately 0.2% or HK$1.2 million from approximately HK$602.6 million for the year ended 30 June 2012 to approximately HK$601.4 million for the year ended 30 June 2013. All turnover was derived from building maintenance and renovation services.

Turnover from building maintenance services decreased by approximately 0.3% or HK$1.2 million from approximately HK$415.2 million for the year ended 30 June 2012 to approximately HK$414.0 million for the year ended 30 June 2013. Our Group completed 8 and 7 building maintenance contracts and was awarded 4 and 9 new building maintenance contracts during the years ended 30 June 2012 and 2013, respectively. Despite an increase in the number of building maintenance contracts on hand from 10 as at 30 June 2012 to 12 as at 30 June 2013, the average revenue per building maintenance contract (building maintenance contracts at the beginning of the year and new building maintenance contracts awarded during the year) decreased by approximately 5.5% from approximately HK$23.1 million to HK$21.8 million.

Turnover from renovation services remained at similar levels at approximately HK$187.4 million for both years ended 30 June 2012 and 2013. Our Group completed 16 and 6 renovation contracts and was awarded 15 and 5 new renovation contracts during the years ended 30 June 2012 and 2013, respectively. The number of renovation contracts on hand decreased from 9 as at 30 June 2012 to 8 as at 30 June 2013. Average revenue per renovation contract (renovation contracts at the beginning of the year and new renovation contracts during the year) increased by approximately 78.6% from approximately HK$8.5 million to HK$13.4 million.

Cost of services

Our Group's cost of services decreased by approximately 2.0% or HK$11.5 million from approximately HK$567.0 million the year ended 30 June 2012 to approximately HK$555.5 million for the year ended 30 June 2013. Subcontracting fee as a percentage of revenue was approximately 90.5% and 88.0% for the years ended 30 June 2012 and 2013, respectively. The decrease in subcontracting fees was mainly attributable to our successful attempt to raise the mark up when we were bidding for contracts. As a result, the amount of work subcontracted or performed was lower during the year ended 30 June 2013 as compared to the year ended 30 June 2012. To a certain extent, we began playing a larger role in the subcontracting process to reduce subcontracting fee. As a result, our staff costs increased slightly during the same period from approximately HK$15.1 million for the year ended 30 June 2012 to approximately HK$15.6 million for the year ended 30 June 2013.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin:

	Year ended 30 June	
	2012	**2013**
Gross profit (HK$'000)	35,652	45,919
Gross profit margin	5.9%	7.6%

Our Group's total gross profit increased by approximately 28.8% or HK$10.2 million from approximately HK$35.7 million for the year ended 30 June 2012 to approximately HK$45.9 million for the year ended 30 June 2013. The increase was mainly attributable to the increase in the mark up percentage of the new DTC projects according to the inflation anticipated by our Directors.

Other income

Our Group recorded other income of approximately HK$24,000 for the year ended 30 June 2013 and approximately HK$5.4 million for the year ended 30 June 2012. Such decrease was mainly attributable to a gain on disposal of investment property of approximately HK$5.3 million for the year ended 30 June 2012 for the disposal of an investment property located at Workshop No. 1, 2/F., Vogue Centre, No. 696 Castle Peak Road, Kowloon, Hong Kong to an independent third party at a cash consideration of HK$9.2 million.

Administrative expenses

Our Group's administrative expenses increased by approximately 3.7% or HK$0.6 million from approximately HK$16.3 million for the year ended 30 June 2012 to approximately HK$16.9 million for the year ended 30 June 2013. Such increase is mainly attributable to an increase in management fee by approximately HK$1.5 million. The management fee paid to related parties was determined with reference to amount of services provided. This was slightly offset by a decrease in transportation expenses and staff costs, including director's emoluments.

Finance costs

Our Group's interest on bank overdrafts and borrowings and obligations under finance lease decreased by approximately 23.1% or HK$0.3 million from approximately HK$1.3 million for the year ended 30 June 2012 to approximately HK$1.0 million for the year ended 30 June 2013. Our bank borrowings decreased from approximately HK$19.5 million for the year ended 30 June 2012 to approximately HK$18.9 million for the year ended 30 June 2013. Our obligations under finance leases increased from approximately HK$1.7 million for the year ended 30 June 2012 to approximately HK$2.1 million for the year ended 30 June 2013. Further, the weighted average interest rate on bank overdrafts and borrowings decreased from approximately 4.74% per annum as at 30 June 2012 to approximately 4.31% per annum as at 30 June 2013. Such decrease is mainly attributable to the tax loan drawn by our Group during the year ended 30 June 2013, which bears a lower interest rate as compared to other bank borrowings of our Group. Accordingly, finance costs was lower for the year ended 30 June 2013.

Income tax

The effective tax rates were approximately 13.7% and 16.6% for the two years ended 30 June 2012 and 2013, respectively. The effective tax rate for the year ended 30 June 2012 was lower than the Hong Kong Profits Tax rate of 16.5% as the gain from the disposal of our investment property at Workshop No. 1, 2nd Floor, Vogue Centre, No. 696 Castle Peak Road, Kowloon, Hong Kong of approximately HK$5.3 million is non-taxable income.

Profit for the year

As a result of the foregoing, our Group's profit for the year increased by approximately 15.3% or HK$3.1 million from approximately HK$20.2 million for the year ended 30 June 2012 to approximately HK$23.3 million for the year ended 30 June 2013. Such increase is mainly attributable to an increase in our gross profit margin from approximately 5.9% to 7.6%.

LIQUIDITY AND CAPITAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, we have financed our operations mainly through cash from operations and bank borrowings. Our account department is mainly responsible for the continuous monitoring of our liquidity position. We manage our cash flow primarily by closely observing the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to discharge obligations as they become due. Our Group's borrowings made and cash and cash balances were denominated in HK$.

As at 30 June 2014, we had bank borrowings in the amount of approximately HK$12.6 million, amount due to a director of approximately HK$0.1 million that was settled in October 2014, and bank and cash balances amounted to approximately HK$66.8 million.

As at 31 August 2014, we had unutilised bank facilities of approximately HK$30,273,000.

Cash flows

The following table sets forth our combined statements of cash flows for the Track Record Period:

	For the year ended 30 June		
	2012	**2013**	**2014**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net cash (used in)/generated from operating activities	(3,962)	(549)	58,356
Net cash (used in)/generated from investing activities	(6,506)	(10,978)	19,888
Net cash used in financing activities	(11,048)	(1,403)	(17,813)
Net (decrease)/increase in cash and cash equivalents	(21,516)	(12,930)	60,431
Cash and cash equivalents at the beginning of the year	40,823	19,307	6,377
Cash and cash equivalents at the end of the year	19,307	6,377	66,808

Net cash (used in)/generated from operating activities

Our cash inflow from operating activities is primarily generated from the provision of building maintenance and renovation services. Our cash outflow for operating activities is primarily related to subcontracting fees, staff costs and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of our works, the payment of trade receivables by our customers and our settlement of subcontracting fees and payroll.

Our net cash generated from operating activities amounted to approximately HK$58.4 million for the year ended 30 June 2014, while our operating cash flows before movements in working capital were approximately HK$40.8 million. The difference was mainly attributable to the net effect of (i) the decrease in trade and other receivables of approximately HK$40.1 million; and (ii) the decrease in trade and other payables of approximately HK$17.4 million.

During the year ended 30 June 2013, our net cash used in operating activities amounted to approximately HK$549,000, while our operating cash flows before movements in working capital were approximately HK$30.3 million. The difference was mainly attributable to the net effect of (i) the decrease in amount due from contract customers amounted to approximately HK$5.2 million; (ii) the increase in trade and other receivables amounted to approximately HK$43.4 million; and (iii) increase in trade and other payables of approximately HK$9.9 million.

For the year ended 30 June 2012, our net cash used in operating activities amounted to approximately HK$4.0 million, while our operating cash flows before movements in working capital amounted to approximately HK$20.5 million. The difference was mainly attributable to the net effect of (i) the increase in amount due from contract customers amounted to approximately HK$5.2 million; (ii) the increase in trade and other receivables amounted to approximately HK$32.8 million; and (iii) increase in trade and other payables amounted to approximately HK$15.6 million.

Net cash (used in)/from investing activities

Our cash outflow for investing activities was primarily utilised to make advances to related companies and placement of pledged bank deposits during the Track Record Period. Our cash inflow from investing activities was primarily derived from the disposal of an investment property and disposal of property, plant and equipment. During the year ended 30 June 2014, our net cash generated from investing activities amounted to approximately HK$19.9 million, which was mainly attributable from the disposal of a property located at 23/F, China United Plaza, 1008 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong and some vehicles resulted in incoming proceeds amounted to approximately HK$24.3 million. Advance to related companies of approximately HK$5.2 million partially decreased our net cash generating from investing activities during the year.

During the year ended 30 June 2013, our net cash used in investing activities was approximately HK$11.0 million, which was mainly attributable from the advance to related companies of approximately HK$11.4 million.

During the year ended 30 June 2012, our net cash used in investing activities was approximately HK$6.5 million, which was mainly attributable (i) the advance to related companies amounted to approximately HK$11.2 million; and (ii) placement of pledged bank deposits amounted to HK$5 million. The cash used in investing activities was partially offset by the disposal of an investment property located at Workshop No. 1, 2nd Floor, Vogue Centre, No. 696 Castle Peak Road, Kowloon, Hong Kong and disposal of some property, plant and equipment resulted in incoming proceeds of approximately HK$9.1 million and HK$0.6 million respectively.

Net cash used in financing activities

Our cash inflow from financing activities was primarily from drawdown of bank loans and advances from directors and related party. Our cash outflow for financing activities primarily consisted of repayment of bank borrowings, obligations under finance lease, to directors and related party and payment of dividend.

During the year ended 30 June 2014, our net cash used in financing activities amounted to approximately HK$17.8 million. Cash inflows from financing activities was principally due to the new bank borrowing raised in the amount of approximately HK$17.8 million, while cash outflow for financing activities included repayment of bank borrowings in the amount of approximately HK$24.0 million, repayment to directors and a related party of approximately HK$5.7 million and HK$2.0 million, respectively, repayment of finance lease obligation of approximately HK$1.7 million and payment of dividend of approximately HK$1.3 million.

During the year ended 30 June 2013, our net cash used in financing activities was approximately HK$1.4 million. Cash inflows from financing activities consisted of new bank borrowings raised for approximately HK$10 million and advances from directors amounted to approximately HK$3.5 million. Cash outflow for financing activities included repayment of bank borrowings amounted to approximately HK$10.6 million, repayment of obligations under finance lease in the amount of approximately HK$2.0 million, payment of dividend of approximately HK$1.3 million and interest paid amounted to approximately HK$1.0 million.

During the year ended 30 June 2012, our net cash used in financing activities amounted to approximately HK$11.0 million. Cash inflows mainly included (i) new borrowings raised amounted to approximately HK$4.0 million; (ii) advances from directors amounted to approximately HK$2.3 million; and (iii) advance from a related party amounted to approximately HK$2.0 million. Cash outflows for financing activities mainly consisted of (i) repayment of bank borrowings amounted to approximately HK$15.4 million; (ii) payment of dividend of approximately HK$1.3 million; (iii) interest paid of approximately HK$1.3 million; and (iv) repayment of obligations under finance lease of approximately HK$1.3 million.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Our Group's property, plant and equipment mostly consist of office buildings and motor vehicles. Our Group had steady level of property, plant and equipment at approximately HK$12.7 million, HK$13.4 million as at 30 June 2012 and 2013. However, our Group's property, plant and equipment decreased to HK$3.2 million as at 30 June 2014 as a result of the disposal of the Office Premises to our related parties for approximately HK$11.4 million in June 2014. Please refer to the section headed "Business – Property interests" of this [REDACTED] for further details of the disposal.

Available-for-sale investments

Our Group's available-for-sale investments consist of our 4.02% equity interest in an unlisted company in Hong Kong, namely, United Builders Insurance Company, Limited ("United Builders"), which principally engaged in insurance underwriting. The investment is measured at cost at approximately HK$2.0 million as at 30 Jun 2012, 2013 and 2014 and there was no impairment recognised for the investment during the same period. Our Group is a long term passive investor of United Builders and does not participate in the day-to-day management and operation of United Builders. We do not intend to sell the investment in United Builders in the short term.

Amounts due from customers for contract work

Generally for projects recognised under construction contracts, we apply for interim payments every month and our customers issue a payment certificate certifying the portion of works completed after inspection. As it takes time for the payment certificates to be issued and thus, the amounts due from customers for contract work mainly represent the value of work performed by our Group before the end of each reporting period of which the payment certificate had yet been obtained at the end of each reporting period. Amounts due from customers for contract work was HK$5.2 million, nil and nil as at 30 June 2012, 2013 and 2014, respectively.

Trade and other receivables

Our Group's trade and other receivables mainly consist of (i) trade receivables for the amounts billed for work performed but not yet paid by the customer, (ii) retention money receivables and (iii) advances to subcontractors.

We normally make application to our customers for progress payment on a monthly basis with reference to the value of works done by us. A payment certificate certifying the works completed by us is issued by the architects, surveyors or other representatives appointed by our customers. Upon issuance of such certificates, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as trade receivables.

The following table sets out the breakdown of trade and other receivables as at each reporting date as indicated:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	225,981	260,065	228,306
Retention money receivables	12,076	16,825	13,988
Advances to subcontractors	17,441	22,480	14,535
Prepaid listing expenses	–	–	2,198
Deposits and other receivables	724	290	548
Trade and other receivables	256,222	299,660	259,575

The trade receivables increased from approximately HK$226.0 million as at 30 June 2012 to approximately HK$260.1 million as at 30 June 2013 and decreased to approximately HK$228.3 million as at 30 June 2014. Majority of trade receivables were due from one of our public sector customers. The following table sets out the breakdown of trade receivables by customer type as at each reporting date as indicated:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Public sector	215,982	231,658	209,515
Private sector	9,999	28,407	18,791
Trade receivables	225,981	260,065	228,306

The increase in trade receivables from 30 June 2012 to 30 June 2013 was mainly due to the upgrading of management information system of one of our customers in public sector during October 2012 to October 2013 and it slowed down the whole payment progress to us. Therefore the trade receivables from that public sector customer had increased from HK$154.5 million as at 30 June 2012 to HK$173.9 million 30 June 2013. Such management information system had resumed normal operation since October 2014. Therefore, the trade receivables from that public sector customer decreased significantly from HK$173.9 million to HK$129.7 million for the same period.

Our trade receivables turnover days increased from approximately 133.5 days for the year ended 30 June 2012 to approximately 147.5 days for the year ended 30 June 2013 and decreased to approximately 148.4 days for the year ended 30 June 2014 due to reasons discussed above. The following table sets forth the turnover days of the average trade receivables (calculated as the average of beginning and ending total trade receivable balances for the period divided by revenue for the period, multiplied by the number of the days in the period) for the periods indicated:

	Year ended 30 June		
	2012	**2013**	**2014**
Trade receivables turnover days	133.5	147.5	148.4

Our trade receivables turnover days during the Track Record Period was relatively high in general as the calculation of trade receivables turnover days includes the remaining balance receivables amounted to 30% and 20% of the value of works order for the maintenance contracts entered into with the Government and the term contracts entered into with an education institution, respectively, of which both accounted for majority of our total revenue during the Track Record Period. Such remaining balance receivables are settled only after the final completion of each works order as certified by our customers or their representatives. After final completion of each works order, we submit our application for final payment, which these customers normally take around three to six months on the preparation of the final accounts, including joint inspection and the ascertaining of the value of the works done before the final accounts are approved. Once the final accounts are approved, the remaining payment will then be made by our customers within 42 days from the date of submission of final accounts in respect of each works order. Please refer to the section headed "Business – Operation process – Inspection, completion and application for payment and certification" of the [REDACTED] for further details of the settlement by our customers.

41.1% of the trade receivables as at 30 June 2014 were subsequently settled up to 31 August 2014.

The following table illustrates the aging analysis of the trade receivables based on the certified report which approximates revenue recognition date as of the end of each of the reporting dates as indicated:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	124,350	126,426	110,336
91 to 180 days	33,379	40,638	34,610
181 to 365 days	35,120	53,809	37,986
1-2 years	28,178	29,662	44,656
Over 2 years	4,954	9,530	718
	225,981	260,065	228,306

Trade receivables of approximately HK$222.8 million, HK$258.7 million and HK$220.8 million as at 30 June 2012, 2013 and 2014 were not yet past due. Trade receivables of approximately HK$3.2 million, HK$1.4 million and HK$7.5 million were past due but not impaired and was related to trade receivables from private customers of whom there is no recent history of default and no provision has therefore been made.

Our Directors confirm that it is usual in public sector projects our customers take a longer time for, among others, finalising the value of and settling variation orders, which we completed and recogised as revenue early. This could lead to long outstanding time of balance of trade receivables from these public sector customers.

Our Directors determine specific provision for doubtful debts on a case-by-case basis. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our trade receivables which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances which indicate the balances may not be collectible such as the customer has any financial or liquidity problem which may result in difficulty in settling the outstanding payment, relevant provision of impairment of trade receivables would be made.

Retention money receivables represent the amount approximates to 3-5% of the value of the lump-sum contract entered into with our private and public sector customers and will be released after the defects liability and maintenance period which ranges normal from 12 to 24 months. At 30 June 2012, 2013 and 2014, retention money of approximately HK$10.5 million, HK$12.4 million and HK$8.4 million, respectively were expected to be recovered or settled in more than twelve months from the end of the corresponding reporting period.

Generally, we pay our subcontrators within seven days after we receive payment from our customers pursuant to the terms of the main contracts. In certain circumstances, for the purpose of relieving subcontractors' cashflow and ensuring smooth operation of the project, upon application by the subcontractors, we make advance payment to the subcontractors who are in need of funds to pay for workers' wages and purchase the materials to carry out their works. The advances will be offset with the subsequent subcontracting fee payable to the subcontractors when services are provided by the subcontractors. The advances made to sub-contractors were non-interest-bearing.

Amounts due from related companies

The amount due from our related parties was unsecured, interest-free and repayable on demand. The amount due from our related parties were approximately HK$64.3 million, HK$75.7 million and nil as at 30 June 2012, 2013 and 2014.

Trade and other payables

Our Group's trade and other payables mainly consist of (i) trade payables to subcontractors; and (ii) retention money payables. The following table sets out a breakdown of our trade and other payables as at each reporting date during the Track Record Period:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	149,764	149,263	140,241
Retention money payables	11,253	14,958	12,935
Receipt in advance	69	6,571	571
Accrued expenses and other payables	2,309	2,534	2,199
Dividend payable to shareholders	–	–	543
Dividend payables to non-controlling interests	30	32	392
Trade and other payables	163,425	173,358	156,881

Majority of our trade payables was attributable to the payable to our subcontractors. Generally, we pay our subcontrators within seven days after we receive payment from our customers pursuant to terms of the main contracts. We consider subcontractors' application for advance payment on a case-by-case basis with reference to the works done by the subcontractors, work progress of the project and the performance of the subcontractors.

The balance of trade payables remained steady at approximately HK$149.8 million and HK$149.3 million as at 30 June 2012 and 2013. During the same period, as discussed in the paragraph headed "Trade and other receivables" above, the trade receivables increased attributed to the upgrading management information system of one of our public sector customers which slowed down the whole payment progress to us. Nevertheless, we paid advances to the subcontractors in the same period to relieve subscontractors' cashflow and ensure smooth operation of the project. Therefore, the level of trade payables largely remained stable in the period. The decrease of trade payables from approximately HK$149.3 million as at 30 June 2013 to approximately HK$140.2 million as at 30 June 2014 was due to the decrease in subcontracting fee for the period.

The following table sets out the turnover days of average trade payables (calculated as the average of beginning and ending trade payables balances for the period, divided by subcontracting fees out of the cost of services for the period, multiplied by the number of days in the period) for the period indicated:

	Year ended 30 June		
	2012	**2013**	**2014**
Trade payables turnover days	96.6	103.1	102.6

Our trade payable turnover days increased from 96.6 days for the year ending 30 June 2012 to 103.1 days for the year ending 30 June 2013 due to the decrease in subcontracting fee from HK$545.5 million to HK$529.2 million while the trade payable balances remained relatively flat for the same period. Please refer to the paragraph headed "Period-to-period comparison of results of operations" above for the reasons of decrease in subcontracting fee for the period. Our trade payable turnover days remained stable at 103.1 days and 102.6 days for the year ended 30 June 2013 and 2014 respectively.

The following table illustrates the aging analysis of the trade payables based on invoice date as at the end of each of the reporting dates:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	87,520	86,913	81,819
91 to 180 days	17,706	13,988	13,002
181 to 365 days	15,304	24,669	21,270
1-2 years	24,790	14,908	23,683
Over 2 years	4,444	8,785	467
	149,764	149,263	140,241

Retention money payables represent the portion of amount payable to our subcontractors that will be released by us until we receive the corresponding retention money from our customers.

Bank borrowings and overdrafts

During the Track Record Period, our Group's bank facilities include overdrafts, letter of credit issuance facilities, letter of guarantee issuance facilities and tax loan which are secured by the assets of our Group and related parties and by the personal guarantee given by our Directors. At the end of reporting period, our Group secured and unsecured but guaranteed bank borrowings are as follows:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Secured bank borrowings	16,647	12,149	–
Unsecured and guaranteed bank borrowings	2,830	6,774	12,646
Secured bank overdrafts	–	1,053	–
	19,477	19,976	12,646

As at 30 June 2012, 2013 and 2014, bank borrowings were denominated in HK$ and bore floating interest rates from 3.50% to 5.00% per annum, 3.50% to 5.00% per annum and 2.75% to 4.00% per annum respectively. The weighted average interest rate as at 30 June 2012, 2013 and 2014 were 4.74%, 4.31% and 3.22% per annum respectively. The decrease in weighted average interest rate during the Track Record Period was due to the increasing use of tax loan for the years ended 30 June 2013 and 2014, of which interest cost was relatively lower than other bank loan facilities.

At the end of reporting period, our Group had pledged the following assets to banks as securities against banking facilities granted to our Group:

		At 30 June	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	9,664	9,387	–
Pledged bank deposits	5,000	5,005	5,006
	14,664	14,392	5,006

		At 30 June	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount repayable within one year *(Note)*	9,728	14,095	8,260
Carrying amount of bank loans that are not repayable within one year from the end of each reporting period but contain a repayment on demand clause (shown under current liabilities)	9,749	4,828	4,386
	19,477	18,923	12,646

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements.

As at 30 June 2012 and 2013, the bank borrowings and overdraft were secured by (i) the properties of our Group and related party, (ii) bank deposits and (iii) personal guarantee given by the our directors and related party. As at 30 June 2014, the properties of our Group and related party were released from the security of bank borrowings and overdraft. The personal guarantee given by our Directors and related party will be replaced by our Group's corporate guarantee upon Listing.

During the Track Record Period, the financing agreements with the financial institutions are entered into under normal standard terms and conditions. During the Track Record Period and as at the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the financing agreements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had entered into transaction with the related parties set out in Note 34 to the Accountant's Report in Appendix I to this [REDACTED]. The following summary sets forth the background of the related parties and the nature of transactions between the related parties and our Group:

Name and scope of business of the related company	Background of the related company	Nature of transactions	Transaction amount for the year ended 30 June		
			2012	**2013**	**2014**
			HK$'000	*HK$'000*	*HK$'000*
Chung Tat (general building construction business which has ceased its principal business in June 2014)	A joint venture 60% owned by Faithful Construction Company Limited, which is owned as to approximately 33.33% by Mr. Chan Lo Kin, approximately 33.33% by Mr. Liu Su Ke, approximately 18.33% by Mr. Kan Yiu Keung and approximately 15.00% by Mr. Kan Man Hoo	Subcontracting fee paid to related party	45,070	40,816	46,102
Handmade Company Limited (investment holding)	A company 75%-owned by Mr. Liu Winson Wing Sun and 25% owned by his spouse	Management fee paid to related party	171	536	–
Base Win Engineering Limited (investment holding)	A company 50% and 50% owned by Mr. Chan Lo Kin and his spouse, Ms. Hui Siu Ling	Management fee paid to related party	371	–	–
Gain Line Engineering Limited (investment holding)	A company owned as to 1/3, 1/3 and 1/3 by Mr. Kan Yiu Keung, Mr. Kan Yiu Kwok and Mr. Kan Man Hoo, who is the father of Mr. Kan Yiu Keung and Mr. Kan Yiu Kwok	Management fee paid to related party	656	1,486	–
Long Goal Limited (investment holding)	A company owned as to 70% by Sky Gallant Inc. (a company wholly owned by Mr. Liu Su Ke) and 10% by each of Mr. Liu Wing Kin, Ken, Ms. Liu Wai Ying Amy and Mr. Liu Winson Wing Sun, respectively, all being children of Mr. Liu Su Ke	Management fee paid to related party	637	1,036	–

Name and scope of business of the related company	Background of the related company	Nature of transactions	Transaction amount for the year ended 30 June		
			2012	**2013**	**2014**
			HK$'000	*HK$'000*	*HK$'000*
Group Bridge Investment Limited (investment holding)	A company owned as to 50% and 50% by Mr. Kan Yiu Keung, an executive Director, and his spouse, Ms. Ho Tak Chun, respectively	Management fee paid to related party	243	577	–
General Top (investment holdings)	A company owned as to approximately 40.31%, 14.52%, 11.16%, 11.16%, 6.42%, 5.80%, 5.58%, 5.04% by Mr. Liu Su Ke, Mr. Lai Kwan Hin, Mr. Kan Yiu Kwok, Mr. Kan Yiu Keung, Mr. Kan Man Hoo, Mr. Yau Shik Fan Eddy, Mr. Liu Winson Wing Sun and Mr. Chan Lo Kin, respectively	Rental of motor vehicles from related party	111	111	111

In addition to the above, on 28 May 2014, Sing Fat Construction entered into a sale and purchase agreement with Mega Billion, an investment company beneficially owned as to approximately 5.04% by Mr. Chan Lo Kin, approximately 6.42% by Mr. Kan Man Hoo, approximately 11.16% by Mr. Kan Yiu Keung, approximately 11.16% by Mr. Kan Yiu Kwok, approximately 14.52% by Mr. Lai Kwan Hin, approximately 40.31% by Mr. Liu Su Ke, approximately 5.58% by Mr. Liu Winson Wing Sun and approximately 5.80% by Mr. Yau Shik Fan, Eddy, our Controlling Shareholders, and hence a connected person of our Company, pursuant to which Sing Fat Construction agreed to sell and Mega Billion agreed to purchase the Office Premises at a cash consideration of HK$23,200,000 which was determined with reference to market value of the Office Premises of which was based on the valuation report conducted by an independent valuer on 30 May 2014. On the date of the Disposal, i.e. 30 June 2014, the carrying value of the Office Premises amounted to approximately HK$9,110,000 and we recorded a gain of approximately HK$14.1 million for the year ended 30 June 2014. On 27 June 2014, Sing Fat Construction and Mega Billion entered into the Lease Agreement whereby our Group has leased back from Mega Billion, for a period from 1 July 2014 to 30 June 2016, at a rent of HK$75,000 per month. Our Company considers that the Disposal presented a good opportunity to realise the value of the Office Premises so as to further strengthen the financial conditions of our Group by providing additional financial resources for our Group's business operation.

Our Directors confirm that these transactions were conducted on normal commercial terms and/or terms that are no less favourable than terms available from independent third parties which are considered fair and reasonable. Our Directors consider that it would be in our Group's interest to develop and provide internally the management services which were originally provided by the related parties and our Directors confirm that cessation of management services by its related parties did not have material adverse impact to our operation. Further, our Directors also confirm that the cessation of provision of subcontracting services by Chung Tat will not have material impact on our performance and operation as the building maintenance project subcontracted to Chung Tat was substantially completed in June 2014. Save for the Lease Agreement and the transactions contemplated thereunder, all related party transactions set out above were either discontinued during the Track Record Period or has been discontinued as at the Latest Practicable Date.

Amounts due to our Directors/related party

As at 30 June 2012, 2013 and 2014, the amounts due to our Directors are set out in the following table:

	As at 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Kan Yiu Keung	2,200	2,200	–
Mr. Liu Su Ke	60	3,590	140
	2,260	5,790	140

As at 30 June 2012, 2013 and 2014, the amounts due to our related party are set out in the following table:

	As at 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Kan Man Hoo	2,000	2,000	–

During the Track Record Period, Mr. Kan Man Hoo was a director of Sing Fat Construction.

The above amounts were unsecured, interest-free and repayable on demand. During the year ended 30 June 2014, the amounts due to Mr. Kan Yiu Keung and Mr. Kan Man Hoo were fully settled. In October 2014, we repaid all the amounts due to Mr. Liu Su Ke and we no longer have any outstanding amount due to our Directors or related parties.

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 30 June 2012, 2013 and 2014 and 31 August 2014:

	At 30 June			As at 31 August
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Trade and other receivables	256,222	299,660	259,575	245,041
Amount due from customers for contract work	5,205	–	–	–
Amounts due from related companies	64,250	75,698	–	–
Pledged bank deposits	5,000	5,005	5,006	5,006
Bank balances and cash	19,307	7,430	66,808	75,584
	349,984	387,793	331,389	325,631
Current liabilities				
Trade and other payables	163,425	173,358	156,881	150,210
Amounts due to directors	2,260	5,790	140	140
Amount to a related party	2,000	2,000	–	–
Bank borrowings	19,477	18,923	12,646	11,179
Obligations under finance leases – due within one year	1,090	1,722	831	803
Tax payable	4,837	7,007	9,164	9,561
Secured bank overdrafts	–	1,053	–	–
	193,089	209,853	179,662	171,893
Net current assets	156,895	177,940	151,727	153,738

Our net current assets represent the difference between our total current assets and total current liabilities. Our net current assets increased by approximately 13.4% from HK$156.9 million as at 30 June 2012 to HK$177.9 million as at 30 June 2013 was primarily due to the increase in trade and other receivables of approximately HK$43.4 million. Our net current assets decreased by approximately 14.7% from HK$177.9 million as at 30 June 2013 to HK$151.7 million as at 30 June 2014 was primarily due to the decrease in trade and other receivables of HK$40.1 million was larger than the decrease in trade and other payables of HK$16.5 million for the period. Our net current assets increased by 1.3% from HK$151.7 million as as 30 June 2014 to HK$153.7 million as at 31 August 2014.

STATEMENT OF INDEBTEDNESS

As at 31 August 2014, being the latest practicable date for the purpose of the indebtedness statement in this [REDACTED], our Group had the following outstanding borrowings and finance leases:

	Bank borrowings – unsecured *HK$'million* *(note (i))*	**Obligation under finance leases** *HK$'million* *(note (ii))*	**Amount due to a director – unsecured** *HK$'million*
Carrying amount repayable on demand or within one year	11.2	0.8	0.1
Carrying amount repayable over 1 year and within 2 years	–	0.5	–
	11.2	1.3	0.1

Notes:

(i) The unsecured bank borrowings are guaranteed by (i) our Company's directors, Mr. Liu Winson Wing Sun, Mr. Kan Yiu Keung, Mr. Chan Lo Kin, Mr. Liu Su Ke and Mr. Kan Yiu Kwok and a related party, Mr. Kan Man Hoo; and (ii) Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme. The weighted average effective interest rate of the unsecured bank borrowings as at 31 August 2014 was 3.2% per annum.

(ii) The net book value of motor vehicles of our Group held under finance leases amounted to approximately HK$1.8 million. The weighted average effective interest rate of the obligation under finance lease as at 31 August 2014 was 1.3% per annum.

As at 31 August 2014, our Group had utilised a total of HK$18.0 million of the banking facility and had a total un-utilised banking facility of HK$30.3 million secured by (i) bank deposit of approximately HK$5.0 million; and (ii) personal guarantee provided by our Company's directors, Mr. Liu Winson Wing Sun, Mr. Kan Yiu Keung, Mr. Chan Lo Kin, Mr. Liu Su Ke and Mr. Kan Yiu Kwok and a related party, Mr. Kan Man Hoo. Such personal guarantee will be released and replaced by a corporate guarantee provided by the Company upon the Listing.

As at 31 August 2014, being the latest date for the purpose of the indebtedness statement in this [REDACTED], there are no material covenants relating to our Group's outstanding debts.

Contingent liabilities

As at 31 August 2014, being the latest practicable date for the preparation of the indebtedness statement in this [REDACTED], our Group had the following contingent liabilities:

(a) Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. Our Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

(b) Guarantee issued

As at 31 August 2014, our Group had provided guarantees in respect of performance bonds in favor of its clients in total amount of approximately HK$6.9 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 August 2014, our Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptable credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities. Our Directors confirm that our Company does not have any external financing plans as at the Latest Practicable Date.

WORKING CAPITAL

Our Directors confirm that taking into account the financial resources available to our Group, including the internally generated funds, the available bank facilities and the estimated net proceeds of the [REDACTED], we are of the opinion that our Group has sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this [REDACTED].

COMMITMENT

We had no capital commitments as at 30 June 2012, 2013 and 2014, respectively.

As at 30 June 2012, 2013 and 2014, our Group had outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	167	375	1,238
In the second to fifth year inclusive	146	292	1,002
	313	667	2,240

Operating lease payments represent rentals by our Group for our office premises. Lease are negotiated and rentals are fixed for a term ranging from 2 to 3 years.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for the purchase of motor vehicles. Our capital expenditures were approximately HK$1.1 million, HK$2.6 million and HK$0.9 million for the three years ended 30 June 2014, respectively.

We anticipate that funds needed to finance our capital expenditures will be financed by cash generated from our operations as well as net proceeds from the [REDACTED]. If necessary, we may also raise additional funds, including but not limited to bank borrowings, on terms that are acceptable to us.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, and economic, political and other conditions in Hong Kong.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

CAPITAL RISK AND FINANCIAL RISK MANAGEMENT

Capital risk management

Our Group manages its capital to ensure that we will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our Group's overall strategy remains unchanged for the Track Record Period.

Our Directors review the capital structure periodically. As part of this review, our Directors consider the cost of capital and risks associated thereto. Our Group will balance its overall capital structure through the payment of dividends, new share issues and the issue or redemption of borrowings.

Further details of our Group's capital risk management are set out in Note 7 to the Accountant's Report in Appendix I to this [REDACTED].

Financial risk management

Our Group's major financial assets and liabilities include trade and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to Directors, amount due to a related party, bank borrowings, obligations under finance leases and secured bank overdrafts. Details of these financial instruments are set out in the respective notes to the Accountant's Report in Appendix I to this [REDACTED]. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2012, 2013 and 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

Management of our Group considers the credit risk attributable to the amounts due from related parties to be insignificant as full settlement has been received from the related parties subsequently.

As at 30 June 2012, 2013 and 2014, our Group has concentration of credit risk as 68.4%, 66.9% and 56.8% of the total trade receivables was due from our Group's largest customer while 96.8%, 98.1% and 95.0% of the total trade receivables was due from our Group's five largest customers, respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances, bank borrowings and secured bank overdrafts and is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and obligations under finance leases. Our Group currently does not have an interest rate hedging policy. However, the management of our Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and Prime Rate arising from our Group's HK$ denominated borrowings and overdrafts. However, our Directors consider that our Group's exposure to interest rate risk is minimal as there is insignificant fluctuation on Hong Kong Interbank Offered Rate and Prime Rate.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of our Group to finance our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on bank borrowings as a significant source of liquidity and the management of our Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay.

Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity table	*Weighted average interest rate*	**On demand or within 1 year**	**1-5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2012					
Trade and other payables	–	163,356	–	163,356	163,356
Amounts due to Directors	–	2,260	–	2,260	2,260
Amount due to a related party	–	2,000	–	2,000	2,000
Bank borrowings *(Note a)*	*4.74*	20,443	–	20,443	19,477
Obligations under finance leases	*2.10*	1,135	636	1,771	1,717
		189,194	636	189,830	188,810
At 30 June 2013					
Trade and other payables	–	166,787	–	166,787	166,787
Amounts due to Directors	–	5,790	–	5,790	5,790
Amount due to a related party	–	2,000	–	2,000	2,000
Bank borrowings *(Note b)*	*4.31*	19,663	–	19,663	18,923
Secured bank overdrafts	*6.00*	1,111	–	1,111	1,053
Obligations under finance leases	*1.71*	1,759	412	2,171	2,131
		197,110	412	197,522	196,684
At 30 June 2014					
Trade and other payables	–	156,310	–	156,310	156,310
Amounts due to Directors	–	140	–	140	140
Bank borrowings *(Note c)*	*3.22*	13,087	–	13,087	12,646
Obligation under finance lease	*1.26*	853	499	1,352	1,326
		170,390	499	170,889	170,422

Notes:

(a) Borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 30 June 2012, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$9,749,000. Taking into account our Group's financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that such borrowings in amounts of approximately HK$8,956,000 and approximately HK$793,000 will be repaid one year and within 2-5 years, respectively after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$10,015,000.

(b) Borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 30 June 2013, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$4,828,000. Taking into account our Group's financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that such borrowings in amounts of approximately HK$1,980,000 and approximately HK$2,848,000 will be repaid one year and within 2-5 years, respectively after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$5,105,000.

(c) Borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 30 June 2014, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$4,386,000. Taking into account our Group's financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that such borrowings in amounts of approximately HK$2,772,000 and approximately HK$1,614,000 will be repaid one year and within 2-5 years, respectively after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$4,530,000.

(d) The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

DIVIDEND POLICY

For each of the three preceding financial years ended 30 June 2014, a member of our Group declared dividends of HK$1.4 million, HK$1.4 million and HK$82.4 million, and we have declared a dividend of HK$60 million to our then shareholders on [●] November 2014. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

As at 30 June 2014, our Company had no reserve available for distribution to the Shareholders.

LISTING EXPENSES

Our Group's financial performance for the year ending 30 June 2015 will be affected by the non-recurring expenses incurred in relation to the Listing. The Listing expenses to be borne by our Group are estimated to be approximately HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]), of which (i) approximately HK$[REDACTED] million is directly attributable to the issue of [REDACTED] which is to be accounted for as a deduction from equity; (ii) approximately HK$[REDACTED] million is charged to profit or loss of our Group for the year ended 30 June 2014; and approximately HK$[REDACTED] million is to be charged to profit or loss of our Group for the year ended 30 June 2015. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the [REDACTED] as if it had been taken place on 30 June 2014 and based on the audited combined net tangible assets attributable to owners of our Company as of 30 June 2014 as shown in the Accountant's Report, the text of which is set out in Appendix I to this [REDACTED], and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group after the completion of the [REDACTED].

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2014	**Add: Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company immediately after completion of the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited combined net tangible assets attributable to the owners of our Company as at 30 June 2014 is extracted from the Accountant's Report as set out in Appendix I to this [REDACTED].

2. The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, after deduction of the underwriting fees and other expenses (excluding listing expenses of approximately HK$[2,573,000] which have been accounted for prior to 30 June 2014) payable by our Company in relation to the [REDACTED].

3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED], taking no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme.

4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2014.

5. The unaudited pro forma adjusted combined net tangible assets and unaudited pro forma adjusted combined net tangible assets per Share have not taken into account the dividend declared for payment amounting to HK$[60] million, which was settled on [●] November 2014. The unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK$[REDACTED] and HK$[REDACTED] per Share based on the minimum and maximum [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, respectively, after taking into account the payment of the dividend in the sum of HK$[60] million.

CERTAIN KEY FINANCIAL RATIOS

	As at/For the year ended 30 June		
	2012	**2013**	**2014**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Current ratio (times)	1.8	1.8	1.8
Gearing ratio (%)	12.5%	11.5%	9.0%
Debt to equity ratio (%)	0.1%	7.1%	N/A%
Interest coverage (times)	19.3	28.5	65.9
Return on assets (%)	5.8%	6.1%	12.5%
Return on equity (%)	12.6%	12.9%	26.5%
Net profit margin (%)	3.3%	3.9%	7.7%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.

2. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end.

3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.

4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.

5. Return on assets is calculated by the total comprehensive income for the year divided by the average of beginning and ending total assets for the period and multiplied by 100.0%.

6. Return on equity is calculated by the total comprehensive income for the year divided by the average of beginning and ending total equity for the period multiplied by 100.0%.

7. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year and multiplied by 100.0%. The figures in the brackets represent the relevant net profit margin assuming the financial impact of the Second Project has been excluded.

Current ratio

Our current ratio was approximately 1.8 times, 1.8 times and 1.8 times as at 30 June 2012, 2013 and 2014, respectively. Our current ratio remained stable over the Track Record Period.

Gearing ratio

Our gearing ratio was approximately 12.5%, 11.5% and 9.0% as at 30 June 2012, 2013 and 2014, respectively. Our gearing ratio decreased over the Track Record Period mainly because of the decrease in our bank borrowings.

Debt to equity ratio

Our debt to equity ratio was 0.1% and 7.1% as at 30 June 2012 and 2013 but it was not applicable as at 30 June 2014 because the bank balances and cash were greater than our total borrowings. The increase in our debt to equity ratio from 30 June 2012 to 30 June 2013 was due the increase in secured bank overdraft from nil to HK$1.1 million and the decrease in our bank balances and cash of HK$11.9 million for the period. The increase in bank balances and cash from 1 July 2013 to 30 June 2014 was a result of the proceeds received from the disposal of the Office Premises.

Interest coverage

Our interest coverage was approximately 19.3 times, 28.5 times and 65.9 times as at 30 June 2012, 2013 and 2014 respectively. Our interest coverage increased over the Track Record Period mainly because our profit before interest and taxation increased significantly from HK$24.7 million to HK$29.0 million and to HK$54.1 million for the three years ended 30 June 2014. On the other hand, interest expenses decreased for the year ended 30 June 2014 as bank borrowings reduced during the year and increasing use of tax loans also led to lower interest expenses.

Return on assets

Our return on assets was approximately 5.8%, 6.1% and 12.5% as at 30 June 2012, 2013 and 2014 respectively. Our return on assets increased over the Track Record Period mainly because (i) our profit increased significantly as a result of the increase in our gross profit margin as well as our net profit margin which discussed in the paragraph headed "Period-to-period comparison of results of operations"; and (ii) our total assets decreased during the same period.

Return on equity

Our return on equity was approximately 12.6%, 12.9% and 26.5% as at 30 June 2012, 2013 and 2014 respectively. Similarly, our return on equity increased over the Track Record Period mainly because (i) our profit increased significantly as a result of the increase in our gross profit margin as well as our net profit margin which is discussed in the paragraph headed "Period-to-period comparison of results of operations" above; and (ii) our total equity decreased due to dividend recognised during the same period.

Net profit margin

Our net profit margin was approximately 3.3%, 3.9% and 7.7% for the three years ended 30 June 2014. Our net profit margin increased over the Track Record Period mainly attributable to the increase in our profit margin and the decrease in our administrative expense which discussed in the paragraph headed "Period-to-period comparison of results of operations".

DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGES

Save as disclosed under the paragraph headed "Listing Expenses" of this section, our Directors have confirmed that, up to the date of this [REDACTED], there has been no material adverse change in our financial or trading position since 30 June 2014, the end of period reported in the Accountant's Report set out in Appendix I to this [REDACTED], and there has been no event since 30 June 2014 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this [REDACTED].

RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had 8 unexpired building maintenance contracts and 8 unexpired renovation contracts on hand (including contracts in progress and contracts which are yet to commence). Please refer to the section headed "Business – Our business operation – Building maintenance services – Contracts on hand" of this [REDACTED] and the section headed "Business – Our business operation – Renovation services – Contracts on hand" of this [REDACTED] for details of these unexpired contracts.

Subsequent to 30 June 2014, we have commenced a new DTC with a notional contract value of HK$372.6 million for a term of 36 months. In addition, we have also entered into a renovation contract for redecoration of a public housing estate with a notional contract value of approximately HK$25.4 million for a term of 20 months and a renovation contract for conversion of an industrial building in Hong Kong from industrial use to hotel use with a notional contract value of HK$360 million for a term of 30 months. We are also planning to tender for a new DTC, a new renovation term contract with an education institution and a new renovation project of a private residential estate in the next six to nine months.

According to the Ipsos Report, there is much growth potential in the building maintenance and renovation contracting service industry in Hong Kong. There are various subsidies and assistance schemes provided by the Government to support property owners who wish to undertake building rehabilitation. Such schemes include Mandatory Building Inspection Scheme, Mandatory Window Inspection Scheme, Mandatory Building Inspection Subsidy Scheme, the Integrated Building Maintenance Assistance Scheme and the Operation Building Bright project. These schemes will facilitate the demand for building maintenance and renovation contracting services as property owners would be more driven to undertake building rehabilitation with the subsidies and support from the Government. In addition, our Directors believe that demand for building maintenance and renovation contracting services will further be driven by urban renewal projects, stricter government enforcement on building safety and increase in the number of ageing buildings in Hong Kong which necessitate buildings rehabilitation and slow down the pace of urban decay. Furthermore, the Government's implementation of measures for revitalisation of industrial buildings and restoration of high-end residential buildings will further facilitate demand for building maintenance and renovation contracting services. Please refer to the section headed "Industry Overview – Growth drivers for building maintenance and renovation contracting service in Hong Kong" of this [REDACTED] for details. Riding on our operational resources and experience, our Directors believe that we have competitive edge in the industry, particularly in carrying out larger building maintenance and renovation projects and in satisfying stringent demands from customers. Our Directors believe that we are well-positioned to capture the growing demand for building maintenance and renovation contracting services in Hong Kong. Accordingly, our Directors consider that such government policy and future trend will boost the demand for building maintenance and renovation services.