
SUMMARY

This summary aims to give you an overview of the information contained in this [REDACTED]. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set forth in the section headed “Risk Factors” in this [REDACTED]. You should read that section carefully before you decide to invest in the [REDACTED].

OUR BUSINESS AND OPERATIONS

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 with a market share of approximately 1.2% 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. We have also been admitted by the Housing Authority as a Quality Maintenance Contractor since 2001 and have enjoyed more tendering opportunities for the Housing Authority’s maintenance and renovation works contracts. As a Quality Maintenance Contractor, we are well positioned to capture DTCs opportunities which enable us to maximise our revenue and profitability. We are one of the major contractors providing large-scale maintenance, improvement and vacant flat refurbishment services for public housing estates, public facilities and other public properties in Hong Kong pursuant to the DTCs awarded by the Housing Authority. According to the Ipsos Report, our Group ranked third among building maintenance and renovation service providers within the DTC market in Hong Kong in terms of the total revenue in the DTC market for the twelve months ended 31 December 2013.

We act as a main contractor for all of our projects. Our role as a main contractor 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. We have established ourselves as a well-recognised main contractor in a variety of building maintenance and renovation projects in both the public and private sectors. Our services cover maintenance, improvement and vacant flat refurbishment for public housing estates, public facilities and other public properties in Hong Kong, maintenance and renovation works for private residential buildings (including luxury and high-end residential buildings and large-scale community residential estates) and non-residential buildings (including hotels, hostels, shopping malls, industrial buildings, universities and schools). 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.

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During the Track Record Period and up to the Latest Practicable Date, we have completed a total of 64 contracts, of which 27 contracts are related to building maintenance and 37 contracts are related to building renovation. The aggregate contract value of contracts on hand (including contracts in progress and contracts of which our work has yet to commence as at the Latest Practicable Date) amounted to approximately HK\$2,279.5 million, of which approximately HK\$1,612.1 million was attributable to building maintenance contracts and approximately HK\$667.4 million was attributable to renovation contracts. During the Track Record Period, the total amount of revenue recognised from these contracts on hand amounted to approximately HK\$1,157.3 million, of which approximately HK\$793.1 million was attributable to building maintenance contracts and HK\$364.2 million was attributable to renovation contracts. As at the Latest Practicable Date, the remaining estimated amount of revenue to be recognised from these contracts on hand amount to approximately HK\$1,341.1 million. Please refer to the section headed “Business – Our business operations – Scope of services” of this [REDACTED] for further details.

Competitive strengths

We believe the following competitive strengths, details of which are set out in the section headed “Business – Competitive strengths” of this [REDACTED], contribute to our success and distinguish us from our competitors:

- Established reputation and proven track record
- Diverse experience and capabilities
- Stable relationships with our key customers and subcontractors
- Experienced management team
- Our commitment to maintaining safety standard, quality control and environmental protection

Corporate strategies

Our corporate objectives are to achieve sustainable growth in our current business and to create long-term shareholder’s value. We intend to achieve these objectives by implementing the following corporate strategies, details of which are set out in the section headed “Business – Corporate strategies” of this [REDACTED]:

- Continue to strengthen our market position in the industry and expand our market share in Hong Kong
- Expand our renovation service capacity to cover industrial building projects
- Continue to increase our operational efficiency and enhance our quality of service
- Adhere to prudent financial management to ensure sustainable growth and capital sufficiency

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Customers

Our major customers include the Government, property management companies, incorporated owners of private residential properties, universities, education institutions, charitable organisations and other customers in the private sector. The Housing Authority was the largest customer of our Group for the three financial years ended 30 June 2014 accounting for approximately 61.7%, 60.1% and 60.8% of our total revenue respectively. During the Track Record Period, revenue derived from our five largest customers amounted to approximately 98.1%, 98.4% and 95.7%, respectively, of our total revenue. We have maintained a stable relationship with our major customers. Our five largest customers (in terms of revenue) during the Track Record Period have maintained business relationship with us for a period ranging from 1 to 25 years. We have maintained a business relationship with the Housing Authority for 25 years while we maintained business relationship with the rest of our five largest customers for 1 to 12 years during the Track Record Period. The majority of our Company’s revenue is derived from contracts awarded through tendering and is not recurring in nature. We are required to submit new tenders to bid for the contracts upon expiry of existing contracts and there is no renewal mechanism for the contracts. The relevant service fees under the contracts are generally fixed with limited price adjustment mechanism.

As set out in the table below, our Group’s success rates (in terms of number of tenders submitted and won) in the tender process in respect of the projects with contract value of HK\$5 million or above were approximately 17.9%, 21.4%, 8.0% and 33.3%, representing approximately 98.5%, 98.9%, 97.9% and 77.4% of the contract value of all projects won for the financial years ended 30 June 2012, 2013, 2014 and the period from 1 July 2014 to the Latest Practicable Date, respectively.

	No. of tenders submitted and concluded	Contract value of the tenders submitted (HK\$'000)	No. of tenders won	Contract value of the tenders won (HK\$'000)	Success rates for tenders (in terms of number of tenders submitted and won)
For the financial year ended 30 June 2012	39	3,238,175	7	540,444	17.9%
For the financial year ended 30 June 2013	14	1,783,998	3	530,233	21.4%
For the financial year ended 30 June 2014	25	3,238,468	2	397,989	8.0%
From 1 July 2014 to the Latest Practicable Date (Note)	6	1,674,447	2	14,115	33.3%

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Note: For the period from 1 July 2014 to the Latest Practicable Date, there were altogether 18 tender applications in respect of the projects with contract value of HK\$5 million or above submitted by our Group. Out of the said 18 tender applications, confirmed tender results have been released in respect of 6 tender applications and the tender results of the remaining 12 tender applications are yet to be known. The contract value of the submitted tender applications in the amount of approximately HK\$1,674,447,000 includes the tender applications with an aggregate contract value of approximately HK\$879,137,000 which results are still pending.

Please refer to the section headed “Business – Our business operations – Operation process – Tender analysis and preparation of tenders” of this [REDACTED] for further details.

During the Track Record Period, a significant portion of our revenue derives from customers in the Government and public sector. The following table sets out a breakdown of our total revenue during the Track Record Period according to our customers’ categorisation:

	For the year ended 30 June					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public customers ^(Note 1)	536,686	89.1	478,296	79.5	507,017	84.4
Private customers ^(Note 2)	65,955	10.9	123,130	20.5	93,375	15.6
Total	602,641	100.0	601,426	100.0	600,392	100.0

Notes:

- (1) Public customers mainly consist of departments of the Government, education institutions and charitable organisations.
- (2) Private customers mainly consist of privately-owned companies.

Subcontractors

For all of our contracts, we act as the main contractor and delegate works to our subcontractors under close supervision and management of our project management team. During the Track Record Period, our Group’s subcontracting fees amounted to approximately HK\$545.5 million, HK\$529.2 million and HK\$514.9 million, respectively, representing approximately 96.2%, 95.3% and 94.5% of our Group’s total costs of services respectively. During the same period, our Group’s largest subcontractor accounted for approximately 26.1%, 18.8% and 26.3% of our Group’s total cost of services respectively and our Group’s five largest subcontractors accounted for approximately 75.2%, 61.8% and 61.4% of our Group’s total cost of service respectively. Subcontracting fees represent our direct costs paid to our subcontractors, including wages paid to subcontractors’ employees, costs of materials and equipment required for the building maintenance and renovation projects. Our five largest subcontractors (in terms of cost of services) during the Track Record Period have maintained business relationship with us for a period ranging from 2 years to 12 years. We do not have any material dispute or claim with any of our subcontractors during the Track Record Period.

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RISK FACTORS

The list below sets forth the major risk factors in relation to our operations:

- Most of our revenue is derived from contracts awarded through competitive tendering. There is no guarantee that our existing contracts may continue upon expiry or new contracts may be awarded to us to maintain or expand our business.
- Our historical revenue and profit margin from building maintenance and renovation projects may not be indicative of our future revenue and profit margin.
- Our cash flows may fluctuate due to the payment practice applied to our projects.
- We may take a long time to collect our trade receivables.
- A significant percentage of our revenue and trade receivables is derived from our major customers.
- Our Group is relying on certain principal subcontractors and changes in subcontracting fees may materially affect our financial performance.

A detailed discussion of the aforesaid and other risk factors is set out in the section headed “Risk Factors” of this [REDACTED].

SHAREHOLDERS’ INFORMATION

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, Mr. Chan Lo Kin and Profound are our Controlling Shareholders. Profound will be interested in [REDACTED] of our issued share capital upon completion of the [REDACTED] (without taking into account the allotment and issue of Shares upon the exercise of options which may be granted under the Share Option Scheme). After Listing, continuing connected transactions will continue between our Group and Mega Billion, a company owned by our Controlling Shareholders, in relation to a lease of the Office Premises by Sing Fat Construction under the Lease Agreement, particulars of which are set out in the section headed “Continuing Connected Transactions” of this [REDACTED].

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FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), will be approximately HK\$[REDACTED], after deduction of underwriting fees and commissions and estimated expenses payable in connection with the [REDACTED].

We intend to apply the net proceeds from the [REDACTED] within 12 months from the Listing Date for the following purposes:

- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be used to bridge the timing difference in progress payment of the renovation works of a renovation term contract with an education institution that our Company is aiming to secure;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be used to bridge the timing difference in progress payment of the funding requirement of DTC that our Company will bid for;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be allocated to bridge the timing difference in progress payment of a new renovation project of a private residential estate that our Company is aiming to secure;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be used as down payment or payment for the purchase of paints in relation to the redecoration works of a public housing estate, which will involve repainting of public housing buildings;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be applied towards our renovation project involving renovation and conversion of industrial buildings from industrial use to hotel use at Kwai Chung, New Territories, Hong Kong;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be used to upgrade our information technology applications;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be used for repayment of our bank loans; and
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED], will be used for our Group’s general working capital.

We will not receive any of the proceeds from the sale of the [REDACTED] by the [REDACTED] in the [REDACTED], which is estimated to be approximately HK\$[REDACTED] after deducting the estimated underwriting commissions and expenses payable by it and assuming an [REDACTED] of HK\$[REDACTED].

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SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountant’s Report set forth in Appendix I to this [REDACTED], including the notes thereto.

Result of operation

	Year ended 30 June			Percentage change	
	2012	2013	2014	2013	2014
	HK\$’000	HK\$’000	HK\$’000	(%)	(%)
Revenue	602,641	601,426	600,392	-0.2	-0.2
Gross profit	35,652	45,919	55,763	+28.8	+21.4
Profit for the year	20,175	23,336	46,179	+15.7	+97.9
Adjusted profit for the year ^(Note)	14,857	23,321	32,153	+57.0	+37.9

Note:

Adjusted profit for the year, which is not a standard presentation of financial information under the HKFRSs, represents profit for the year that was adjusted by excluding the other income arising from the gain on disposal of investment property or property, plant and equipment amounted to approximately HK\$5.3 million, HK\$nil and HK\$14.0 million for the years ended 30 June 2012, 2013 and 2014, respectively.

Financial position

	As at 30 June			Percentage change	
	2012	2013	2014	2013	2014
	HK\$’000	HK\$’000	HK\$’000	(%)	(%)
Current assets	349,984	387,793	331,389	+10.8	-14.5
Current liabilities	193,089	209,853	179,662	+8.7	-14.4
Net current assets	156,895	177,940	151,727	+13.4	-14.7
Net assets	170,099	192,085	155,914	+12.9	-18.8
Total assets	364,704	403,197	336,547	+10.6	-16.5

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	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

Key financial ratios

	As at or for the year ended 30 June		
	2012	2013	2014
Current ratio (times)	1.8	1.8	1.8
Gearing ratio (%)	18.1	19.5	15.1
Debt to equity ratio (%)	3.9	13.0	N/A
Interest coverage (times)	19.3	28.5	65.9
Return on assets (%)	5.8	6.1	12.5
Return on equity (%)	12.5	12.9	26.5
Gross profit margin (%)	5.9	7.6	9.3
Net profit margin (%)	3.3	3.9	7.7
Adjusted net profit margin (%) <i>(Note)</i>	2.5	3.9	5.4
Trade receivables turnover days (days)	133.5	147.5	148.4

Note:

Adjusted net profit margin, which is not a standard presentation of financial information under the HKFRSs, represents net profit margin that was adjusted by excluding the other income arising from the gain on disposal of investment property or property, plant and equipment amounted to approximately HK\$5.3 million, HK\$nil and HK\$14.0 million for the years ended 30 June 2012, 2013 and 2014, respectively.

Revenue, gross profit and gross profit margin by segments

	Revenue for 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

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	2012		Year ended 30 June 2013		2014	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Building maintenance services	31,112	7.5%	39,267	9.5%	46,094	11.5%
Renovation services	4,540	2.4%	6,652	3.5%	9,669	4.9%
	<u>35,652</u>	5.9%	<u>45,919</u>	7.6%	<u>55,763</u>	9.3%

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 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. This is because our Group's projects completed during the early Track Record Period were of lower gross profit margins as they were secured not long after the 2008 financial crisis when Hong Kong experienced economic slowdown and market sentiment was negative. At that time, our Group submitted tenders and secured contracts with conservative pricing that led to lower gross profit margins between around 2009 and 2011, which lasted until the year ended 30 June 2013. When Hong Kong's economy recovered, our Group submitted higher tender prices in anticipation of higher inflation rate, as well as increasing construction and operating costs. The Government's Schedule of Rates also showed inflated unit costs (for example, general workers' hourly rate in 2012 increased by 32% over the rate in 2008), which our Directors considered as an indication of client's improving acceptability of higher prices. As such, our Group submitted high margin tenders with a view to (i) optimise profits and (ii) counter the future inflationary pressure of the construction industry in view of the shortage of workers and increasing material prices. Specifically, our DTCs that contributed revenue were awarded at mark-up margins over the Government's Schedules of Rates ranging from 1.8% to 19.8%, 3.03% to 30.88%, and 3.03% to 30.88% for the years ended 30 June 2012, 2013 and 2014, respectively, and these DTCs with higher mark-up margins contributed larger proportion of revenue of our Group in recent years.

The effects of successful high margin tenders resulted in improved profit margins and lower subcontracting fees in terms of a percentage of our revenue, as the increase in subcontracting fees was not as high as our mark ups. As our works completed are certified by qualified inspectors or customers' authorised representatives, a relatively stable revenue during the Track Record Period with increased per unit cost implies that quantity of works completed by our Group has decreased during the Track Record Period. In line with the trend of increasing construction costs, shortage of construction workers and increasing number of construction projects available in Hong Kong, our Group has been able to capitalise on the market environment to quote significantly higher margins over the existing Government's Schedule of Rates and still successfully bid for the respective projects.

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Furthermore, in an attempt to improve our margins, we did not engage a main subcontractor in one of our recent DTCs and undertook the role ourselves, and engaged the second tier subcontractors directly. This elimination of a layer of subcontractor led to the reduction of subcontracting fees, which would otherwise reduce our profitability. The said DTC generated a high gross profit margin of approximately 17.3%, contributing approximately 26.9% of the gross profit of our Group for the year ended 30 June 2014. The gross profit margin of our Group for the year ended 30 June 2014 excluding the said DTC is approximately 7.9% and including the said DTC is approximately 9.3%.

Our subcontractors cost generally represents a stated percentage of the contract value of the DTC. Hence, we retain a percentage of the contract value as our profit, which we refer to as the administrative or management fee in our subcontracting agreements. Accordingly, our ability to control our subcontracting fees is crucial for maintaining or improving our gross profit margin. Key to controlling our subcontracting fees is our Group's stable business relationships with our subcontractors and these subcontractors' experience in completing these job efficiently. The long term relationships with our subcontractors help maintain team spirit, mitigate labour shortage problems which are apparent in the industry and bolster the understanding of our customers' need to mitigate the issue of poor quality works, which in turn leads to additional costs associated with double handling and making good of defects. Our Directors believe that our Group's payment terms whereby we pay our subcontractors within seven days after we receive payment from our customers, together with the practice of making advance payments to our subcontractors, relieve the financial pressure of our subcontractors and help cement our relationship with them. Our Group therefore does not need to turn to relatively new and inexperienced subcontractors, which may cause additional project management costs and/or poor quality works. Accordingly, our Group is able to estimate our subcontracting fees precisely in our project budgets and we are able to keep our cost of services relatively under control.

During the Track Record Period, we disposed of two properties during the financial year ended 30 June 2012 and 2014. The aforesaid disposals resulted in a gain on disposal of approximately HK\$5.3 million and approximately HK\$14.1 million, respectively. By excluding the other income of approximately HK\$5.3 million, HK\$nil and HK\$14.0 million principally arising from the aforesaid disposals for the years ended 30 June 2012, 2013 and 2014, respectively, the adjusted net profit for the year was approximately HK\$14.9 million, HK\$23.3 million and HK\$32.2 million, respectively, and the adjusted net profit margin for the year was respectively 2.5%, 3.9% and 5.4%. The aforesaid adjusted net profit and adjusted net profit margin are for illustration purposes only and is not a standard presentation of financial information under HKFRSs.

We recorded operating cash outflow for the years ended 30 June 2012 and 2013, but excluding movement in working capital, we would have recorded operating cash inflows for both years. The difference was mainly attributable to the increase in trade receivables during the respective periods. For the year ended 30 June 2013, the increase in trade receivables was due to the slowdown of payment progress by one of our public sector customers whose management information system was under going upgrading during October 2012 to October 2013, the trade and other receivables accumulated to a higher level as at 30 June 2013 which led to an operating cash outflow. As a main contractor, we normally incur net cash outflows as we are required to pay the set-up expenditures, costs for procurement of

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materials and equipment and in some circumstances, advance payment to our sub-contractors for payment of wages and/or necessary materials and equipment in advance of payments from our customers at the early stage of carrying out our works. Our customers pay progress payments after our works are progressing and such works progress and progress payments are certified by our customers on a monthly basis. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. For the year ended 30 June 2012, the operating cash outflow resulted from the commencement of two new DTCs in June 2011.

Our trade receivables turnover days during the Track Record Period were relatively high as in general a portion of the value of works orders for the maintenance contracts entered into with the Government and the term contracts entered into with an education institution, respectively, are settled only after final completion of each works order. Depending on the certification progress and the extent of variation between the actual work done by us and the original works order, it normally takes 3 to 6 months for the Government and such education institution to certify final completion of each works order and prepare final accounts of the works order. The payment of remaining balance is then settled by the Government and such education institution after several weeks from the date of submission of final accounts in respect of each works order. For details, please refer to the sections headed “Business – Service fees pricing policy, adjustments, payment terms and credit period” and “Financial Information – Analysis of various items from the combined statement of financial position – Trade and other receivables” of this [REDACTED].

PROJECTS IN BACKLOG

As at 30 June 2012, 2013 and 2014 and 31 October 2014, we had a total of 19, 20, 13 and 17 projects in our backlog (representing projects that had been secured), respectively. The expected completion dates of the projects in our backlog are as follows:

	As at 30 June		As at 31 October	
	2012	2013	2014	2014
Number of projects in our backlog which were completed or expected to be completed:				
– up to the Latest Practicable Date				
– Latest Practicable Date to 30 June 2015				
– on or after 1 July 2015				
Number of projects in our backlog				

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Details of income generated from these backlog projects are set forth below:

	For the year ended 30 June			For the four months ended 31 October 2014
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue recognised during the year/period indicated	432,588	558,517	553,512	177,443

For the estimated amounts of revenue to be recognised for the backlog and other contracts in each of the years ending 30 June 2015 and 2016 and the subsequent period, please refer to the section headed “Financial Information – Turnover” of this [REDACTED].

RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had 9 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 operations – Building maintenance services – Contracts on hand” of this [REDACTED] and the section headed “Business – Our business operations – Renovation services – Contracts on hand” of this [REDACTED] for details of these unexpired contracts. 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 of the growth potential in the building maintenance and renovation contracting service industry in Hong Kong.

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 have also been awarded 3 other maintenance and 1 other renovation contracts with an aggregate notional contract value of approximately HK\$18.2 million. Furthermore, we have submitted tender applications for a new renovation term contract with an education institution and a new renovation project of a private residential estate. We are also planning to tender for a new DTC in the next six to nine months.

Our Group’s contracts on hand as at 30 June 2014 continued to contribute revenue subsequent to the Track Record Period and our Directors do not note any interruption of progress works, material delay or any other exceptional situation for such existing contracts. For the four months ended 31 October 2014, our Group’s gross margin is slightly higher than that for the year ended 30 June 2014. As at the Latest Practicable Date, aggregate estimated or notional contract value of the contracts on hand amounted to approximately HK\$2,279.5 million.

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Based on (i) the contract value of, the amount of revenue recognised for and subcontracting fee percentage of the projects in our backlog (representing projects that had been secured) as at the Latest Practicable Date; and (ii) the contract value and subcontracting fee percentage of the projects which we have submitted bids for as at the Latest Practicable Date and our historical tender success rate, our Directors believe the revenue and gross margin of our Group for the year ending 30 June 2015 will be at similar levels as for the year ended 30 June 2014.

DIVIDENDS AND 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, representing approximately 6.9%, 6.0% and 178.4% of the respective period's net profit attributable to shareholders. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments. During the year ended 30 June 2014, the amount due from General Top, a related company, of HK\$80,097,000 was offset against dividend payable by Sing Fat Construction to its sole shareholder, pursuant to a set-off deed dated 30 June 2014 between General Top, Sing Fat Construction and its sole shareholder. On [1] December 2014, our Company declared a dividend of approximately HK\$[87] million to our sole shareholder which was and shall be paid out from our internal resources of which approximately HK\$[80] million was settled in December 2014 and the remaining amount of approximately HK\$[7] million shall be settled prior to the Listing. Our Group does not have a predetermined payout ratio. However, our Directors have no present intention to declare any dividend prior to 31 December 2015. We will re-evaluate our dividend policy from time to time.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED] range stated in this [REDACTED], the listing expenses to be borne by us are estimated to be approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$[REDACTED] is to be charged to the combined statements of profit or loss and other comprehensive income, of which approximately HK\$[REDACTED] was charged to the combined statements of profit or loss and other comprehensive income for the year ended 30 June 2014, and approximately HK\$[REDACTED] is expected to be charged upon Listing. Given that (i) we recorded an other income on disposal of property, plant and equipment amounted to approximately HK\$14.0 million for the year ended 30 June 2014 which is non-recurring in nature and we may not have the same other income for the year ending 30 June 2015; and (ii) listing expense of approximately HK\$[REDACTED] would be charged to the profit or loss upon Listing in the year ending 30 June 2015, it is expected that our net profit margin for the year ending 30 June 2015 would be lower than that of the year ended 30 June 2014. It is also expected that our net profit for the six months ending 31 December 2014 would be lower than that of the same period in 2013 because of the effect of listing expenses.

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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].

LITIGATION AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were on-going litigation cases against our Group including employees’ compensations claims, personal injury claims, property damage claims and certain non-compliance of statutory safety regulations. For details of such litigation claims and instances of non-compliance of the statutory safety regulations, please refer to the paragraphs headed “Business – Litigation and potential claim” and “Business – Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date – Operational non-compliance matters” of this [REDACTED].