Application Proof of

YAT SING HOLDINGS LIMITED

日成控股有限公司

(the "Company")

(a company incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Exchange**")/the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or member of the underwriting syndicate that:

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(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Listing Rules;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

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(g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

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(k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/ or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents of this [REDACTED], you should obtain independent professional advice.

YAT SING HOLDINGS LIMITED
日成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Maximum [REDACTED]	**:**	**not more than HK$[REDACTED] per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollar and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Sponsor

TC Capital
天財資本

TC Capital Asia Limited

Bookrunner and Lead Manager
[REDACTED]

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this [REDACTED], make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this [REDACTED].

A copy of this [REDACTED], having attached thereto the documents specified in the section headed "Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong" in this [REDACTED] has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this [REDACTED] or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between our Company and the Lead Manager (for itself and on behalf of the Bookrunner and the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Lead Manager (for itself and on behalf of the Bookrunner and the Underwriters) but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is expected to be not less than HK$[REDACTED] per [REDACTED], unless otherwise announced.

The Lead Manager (for itself and on behalf of the Bookrunner and the Underwriters) may, with our Company's consent, reduce the indicative [REDACTED] range stated in this [REDACTED] and/or the number of [REDACTED] being offered at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, a notice of the reduction of the indicative [REDACTED] range and/or the number of [REDACTED] will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the [REDACTED]. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at http://www.yat-sing.com.hk. Further details are set out in the sections headed "Structure of the [REDACTED]" and "How to Apply for the [REDACTED]" in this [REDACTED].

If, for any reason, the [REDACTED] is not agreed between the Lead Manager (for itself and on behalf of the Bookrunner and the Underwriters) and our Company on or before [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this [REDACTED], including the risk factors set out in the section headed "Risk Factors" of this [REDACTED].

The obligations of the [REDACTED] Underwriters under the [REDACTED] Underwriting Agreement are subject to termination by the Lead Manager (for itself and on behalf of the Bookrunner and the [REDACTED] Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The [REDACTED] – Grounds for termination" in this [REDACTED].

EXPECTED TIMETABLE

[REDACTED]

[REDACTED]

[REDACTED]

IMPORTANT NOTICE TO INVESTORS

This [REDACTED] is issued by Yat Sing Holdings Limited solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED]. This [REDACTED] may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this [REDACTED]. The offering and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this [REDACTED] and the [REDACTED] to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this [REDACTED]. Any information or representation not included in this [REDACTED] must not be relied on by you as having been authorised by us, the Sponsor and any of their respective directors, officers or representatives or any other person or party involved in the [REDACTED]. Information contained in our website, located at www.yat-sing.com.hk, does not form part of this [REDACTED].

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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 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 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 contactor 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.

We also implement procedures for maintaining a high standard of occupational health, safety, environment and quality control. We have received a certificate of achievement from HKQAA for our integrated management system's current compliance with ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Our commitment to maintaining an effective occupational health, safety and environmental management system enables our Group to constantly meet the requirements of our customers who take compliance of workplace safety and environmental compliance very seriously as assessment criteria for their service providers.

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 this 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

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.

During the Track Record Period, a significant portion of our revenue derives from customer 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.

We enter into subcontracting agreement with our subcontractors on project basis, details of which are set out in the section headed "Business – Subcontracting arrangements – Terms of the subcontracting agreement" of this [REDACTED]. No long term contract is entered into between us and our subcontractors. Under our project management team's close supervision and management, we are able to undertake projects which require different and specific work skills such as electrical work, installation, repair of fire service equipment, plumbing works, gas installation works, lifts or escalators works, etc. required for building maintenance and renovation works. Accordingly, we are able to deploy our resources in a more cost effective manner. 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.

Market and Competition

According to the Ipsos Report, the building maintenance and renovation contracting service industry in Hong Kong is quite fragmented. There were about 295 qualified building maintenance and renovation service contractors in Hong Kong in 2013, compared to 255 in 2009. The increasing number of service providers was due to the expected bright outlook in the industry in Hong Kong in view of the growing demand for building maintenance and renovation services driven by the factors set out in the paragraph headed "Industry Overview – Growth drivers for building maintenance and renovation contracting service in Hong Kong" of this [REDACTED]. Please refer to the section headed "Industry Overview – Growth drivers" of this [REDACTED] for details. Top ten contractors in the building maintenance and renovation, details of which are set out in the section headed "Industry Overview – Top ten contractors in building maintenance and renovation contracting service market" of this [REDACTED], represented an aggregate of approximately 10.9% market share in terms of industry revenue in 2013. According to the Ipsos Report, our Group ranked sixth in the industry in terms of industry revenue in 2013. Besides, building maintenance and renovation contracting service providers are especially interested in capturing large-scale projects such as DTCs to maximise their revenue and profitability. As of September 2014, there were 31 contractors registered under Building (Maintenance) Group M2 category approved by the Housing Authority which are eligible to tender for the DTCs. The competition in the DTC market is highly concentrated, with the top 5 contractors contributing to approximately 65.9% of total contract revenue in 2013. Of the 24 ongoing DTCs in 2013, the top 5 contractors were responsible for 16 of them. According to the Ipsos Report, we ranked third in the DTC market in terms of revenue in DTC market in 2013.

RISK FACTORS

The list below set 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 be renewed 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.
- A significant percentage of our revenue and trade receivables is derived from our major customers.
- Our Group is relying on certain principal subcontractors to implement our main contracts.
- We may take responsibilities for the sub-standard performance or non-performance of such subcontractors.

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].

[REDACTED]

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] million, 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 [REDACTED], will be used to fund 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 [REDACTED], will be used to meet the funding requirement of DTC that our Company will bid for;
- approximately [REDACTED]% of the net proceeds, or approximately [REDACTED], will be allocated to fund a new renovation project of a private residential estate that our Company will bid for;
- approximately [REDACTED]% of the net proceeds, or approximately [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 [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 [REDACTED], will be used to upgrade our information technology applications;
- approximately [REDACTED]% of the net proceeds, or approximately [REDACTED], will be used for repayment of our bank loans; and
- approximately [REDACTED]% of the net proceeds, or approximately [REDACTED], will be used for our Group's general working capital.

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

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

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 (%)	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
Gross profit margin (%)	5.9	7.6	9.3
Net profit margin (%)	3.3	3.9	7.7

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

	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 services	31,113	7.5%	39,267	9.5%	46,094	11.5%
Renovation services	4,539	2.4%	6,652	3.5%	9,669	4.9%
	35,652	5.9%	45,919	7.6%	55,763	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. 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 evident by our winning bids in recent years.

During the Track Record Period, we disposed of two properties during the financial year ended 30 June 2012 and 2014. The aforesaid disposal resulted in a gain on disposal of approximately HK$5.3 million and approximately HK$14.1 million, respectively.

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 operations – 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.

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$80,097,000 was offset against dividend payable by Sing Fat Construction to its then shareholders, pursuant to a set-off deed dated 30 June 2014 between General Top, Sing Fat Construction and its then shareholders. On [●] November 2014, we declared a dividend of HK$[60] million to our then shareholders which was paid out by our internal resources and was settled on [●] November 2014.

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 [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. It is 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.

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 POTENTIAL CLAIMS

During the Track Record Period, our Group had been or is involved in a number of claims, litigations and potential claims principally relating to employees' compensation claims and common law personal injury claims against our subsidiary, Sing Fat Construction, as the main contractor arising from work-related incidents and injuries in connection with our Group's projects. For details, please refer to the section headed "Business – Litigation and potential claims" of this [REDACTED].

LEGAL AND REGULATORY COMPLIANCE

Our subsidiary, Sing Fat Construction, has on occasions not complied with certain statutory safety regulations under the Factories and Industrial Undertakings Ordinance, the Predecessor Companies Ordinance and the Companies Ordinance. Our Group has carried out rectification measures to tackle the risk of future non-compliance with the legal and regulatory requirements in Hong Kong. Our Directors are of the view, and the Sponsor concurs, that (i) our suitability of listing is not affected by such non-compliance incidents; and (ii) these non-compliance incidents do not reflect a material defect in the character, integrity or experience of our Directors and that our Directors are suitable to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules. Details of the non-compliance incidents and other relevant disclosure are set out in the section headed "Business – Legal and regulatory compliance" of this [REDACTED].

DEFINITIONS

In this [REDACTED], unless the context otherwise requires, the following terms and expressions have the following meanings.

"ABO"	ABO Group Limited, a company incorporated in the BVI with limited liability on 7 September 2006 and a direct wholly-owned subsidiary of our Company
"affiliate"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
"[REDACTED]"	
"Architectural Services Department"	the Architectural Services Department of the Government
"Articles of Association" or "Articles"	the articles of association of our Company, as amended from time to time, a summary of which is contained in Appendix III to this [REDACTED]
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board of Directors" or "Board"	the board of Directors
"Building Authority"	the Director of Buildings as defined in the Buildings Ordinance
"Buildings Department" or "BD"	the Buildings Department of the Government
"Buildings Management Ordinance"	the Buildings Management Ordinance (Chapter 344 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Census and Statistics Department"	the Census and Statistics Department of the Government
"Chung Tat"	Chung Tat Construction Company Limited (中達建築有限公司), a company incorporated in Hong Kong with limited liability on 16 May 2011 which is beneficially owned as to 40% by an independent third party and as to 60% by Faithful Construction Limited, which is in turn beneficially owned by our Controlling Shareholders, i.e. as to approximately 33.33% by Mr. Chan Lo Kin (an executive Director), approximately 33.33% by Mr. Liu Su Ke (a non-executive Director), approximately 18.33% by Mr. Kan Yiu Keung (an executive Director) and approximately 15.00% by Mr. Kan Man Hoo, and hence a connected person of our Group.
"Companies Law"	the Companies Law (as revised) of the Cayman Islands as amended and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice"	the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
"Company", or "our", "our Company", "we" or "us"	Yat Sing Holdings Limited (日成控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 17 September 2014, and whose shareholding structure is set out in the section headed "History and Development – our Group structure" of this [REDACTED]
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Construction Industry Council"	a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this [REDACTED] refers to 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
"Development Bureau"	the Development Bureau of the Government
"Director(s)" or "our Directors"	the director(s) of our Company
"Employees' Compensation Ordinance"	the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Employment Ordinance"	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Protection Department"	the Environmental Protection Department of the Government
"Factories and Industrial Undertakings Ordinance"	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Gazette"	the official publication of the Government for, among other things, statutory notices for public tenders

"General Top"	General Top Holdings Limited, a company incorporated in Hong Kong with limited liability on 15 December 2004 which is beneficially owned by our Controlling Shareholders, i.e. as to approximately 40.31% by Mr. Liu Su Ke (a non-executive Director), as to approximately 14.52% by Mr. Lai Kwan Hin, as to approximately 11.16% by Mr. Kan Yiu Kwok (a non-executive Director), as to approximately 11.16% by Mr. Kan Yiu Keung (an executive Director), as to approximately 6.42% by Mr. Kan Man Hoo, as to approximately 5.80% by Mr. Yau Shik Fan, Eddy, as to approximately 5.58% by Mr. Liu Winson Wing Sun (an executive Director) and as to approximately 5.04% by Mr. Chan Lo Kin (an executive Director), and hence a connected person of our Company
"Government"	the government of Hong Kong
"Group", "our Group", "we", "us", "Group Company" or "Sing Fat Construction Group"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or some or any of them
"HKFRS"	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$", "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Construction Association"	the Hong Kong Construction Association Limited, a voluntary association of construction companies in Hong Kong and was incorporated in 1930 with the goal of improving the operation of the construction industry in Hong Kong
"Hong Kong Share Registrar"	[REDACTED]

"Housing Authority"	the Hong Kong Housing Authority
"independent third party(ies)"	parties which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of and not connected with our Company and its connected persons
"Ipsos"	Ipsos Hong Kong Limited, an independent third party, being a professional market research company
"Ipsos Report"	the industry report dated [●] 2014 prepared by Ipsos on the building maintenance and renovation contracting service industry in Hong Kong, the content of which is disclosed in this [REDACTED]
"Labour Department"	Labour Department of the Government
"Latest Practicable Date"	3 October 2014, being the latest practicable date for the inclusion of certain information in this [REDACTED] prior to its publication
"Lead Manager"	[REDACTED]
"Lease Agreement"	the lease agreement dated 27 June 2014 between Sing Fat Construction and Mega Billion in relation to the lease of the Office Premises by Sing Fat Construction, details of which are set out in the section headed "Continuing Connected Transactions" of this [REDACTED]
"Listing"	listing of the Shares on the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about [REDACTED], on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

"Mega Billion"	Mega Billion Investment Limited, a company incorporated in Hong Kong on 28 March 2014 which is beneficially owned by our Controlling Shareholders, i.e. as to approximately 5.04% by Mr. Chan Lo Kin (an executive Director), as to approximately 6.42% by Mr. Kan Man Hoo, as to approximately 11.16% by Mr. Kan Yiu Keung (an executive Director), as to approximately 11.16% by Mr. Kan Yiu Kwok (a non-executive Director), as to approximately 14.52% by Mr. Lai Kwan Hin, as to approximately 40.31% by Mr. Liu Su Ke (a non-executive Director), as to approximately 5.58% by Mr. Liu Winson Wing Sun (an executive Director) and as to approximately 5.80% by Mr. Yau Shik Fan, Eddy, and hence a connected person of our Company
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time
"MPF scheme"	mandatory provident fund scheme
"[REDACTED]"	[REDACTED]
"[REDACTED]"	the [REDACTED] and the [REDACTED], collectively
"Office Premises"	the head office of our Group located at 23/F, China United Plaza, 1008 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong
"[REDACTED]"	[REDACTED]
"[REDACTED]"	the [REDACTED] Shares [REDACTED] for subscription at the [REDACTED] under the [REDACTED], subject to reallocation as described in the section headed "Structure of the [REDACTED]" in this [REDACTED]
"[REDACTED] Underwriters"	the Underwriters of the [REDACTED] that are expected to enter into the [REDACTED] Underwriting Agreement

DEFINITIONS

"[REDACTED] Underwriting Agreement"	the underwriting agreement expected to be entered into on or around [REDACTED] by, among others, our Controlling Shareholders, the Lead Manager, the Bookrunner, the [REDACTED] Underwriters and us in respect of the [REDACTED], as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The [REDACTED]" in this [REDACTED]
"PRC" or "China"	the People's Republic of China (中華人民共和國), except where the context requires otherwise, and for the purpose of this [REDACTED] only geographical references in this [REDACTED] to the PRC or China exclude Hong Kong, Macau and Taiwan
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"Price Determination Agreement"	the agreement to be entered into by the Lead Manager (for itself and on behalf of the other [REDACTED] Underwriters) and us on the Price Determination Date to record and fix the [REDACTED]
"Price Determination Date"	the date, expected to be on or around [REDACTED] on which the Price Determination Agreement is entered into but in any event no later than [REDACTED]
"Profound"	Profound Union Limited, a company incorporated in the BVI on 18 August 2014 with limited liability and a Controlling Shareholder
"[REDACTED]"	[REDACTED]
"[REDACTED]"	the [REDACTED] new Shares [REDACTED] by our Company for subscription at the [REDACTED] under the [REDACTED], subject to reallocation as mentioned in the section headed "Structure of the [REDACTED]" in this [REDACTED]

"[REDACTED] Underwriters"	the underwriters of the [REDACTED] listed in section headed "[REDACTED] Underwriters" under the section headed "Underwriting – [REDACTED] Underwriters" in this [REDACTED]
"[REDACTED] Underwriting Agreement"	the underwriting agreement dated [REDACTED] relating to the [REDACTED] and entered into by, among others, our Controlling Shareholders, the Sponsor, the Bookrunner, the Lead Manager, the [REDACTED] Underwriters and us, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The [REDACTED] – [REDACTED] Underwriting Agreement" in this [REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation arrangement undergone by our Group in preparation for the [REDACTED] as described in the paragraph headed "Corporate Reorganisation" in Appendix IV to this [REDACTED]
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"[REDACTED]"	[REDACTED]
"Share Option Scheme"	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this [REDACTED]
"Shareholder(s)"	holder(s) of the Share(s)
"Sing Fat Construction"	Sing Fat Construction Company Limited (成發建築有限公司), a company incorporated in Hong Kong with limited liability on 8 February 1960 and an indirect non-wholly-owned subsidiary of our Company
"SME"	small and medium-size enterprises

"Sponsor" or "TC Capital"	TC Capital Asia Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor of the Listing and an independent third party
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Track Record Period"	comprises the financial years ended 30 June 2012, 2013 and 2014
"Underwriters"	[REDACTED]
"Underwriting Agreements"	[REDACTED]
"Urban Renewal Authority" or "URA"	the authority established under the Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong)
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S." or "United States" or "US"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1993 (as amended from time to time)
"sq. m." or "m^2"	square metres
"%"	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this [REDACTED] in connection with our Company and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"CAGR"	compound annual growth rate
"Contractor List"	the List of Approved Contractors for Public Works which comprise contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. "Buildings", "Port Works", "Roads & Drainage", "Site Formation" and "Waterworks"（認可公共工程承建商名冊）. It is administered by the Professional Services Section, Development Bureau. The Development Bureau makes additions, deletions, alterations or amendments as appropriate to the Contractor List from time to time
"DTC"	district term contract entered into between the Housing Authority and a building maintenance and renovation contracting service provider, pursuant to which the said service provider shall be responsible for providing services in connection with the maintenance, improvement and vacant flat refurbishment works of the properties within a particular district and a specific timeframe in accordance with the terms and conditions thereof
"GDP"	gross domestic product
"Group A"	Group A of the relevant works category in the Contractor List with tender limit for contracts of value up to HK$75 million. A Group A contractor means an approved contractor satisfying Group A's qualification. Please refer to the section headed "Laws and Regulations – Contractor licensing regime and operation – Contractor List maintained by WBDB" in this [REDACTED] for details
"Group B"	Group B of the relevant works category in the Contractor List with tender limit for contracts of value up to HK$185 million. A Group B contractor means an approved contractor satisfying Group B's qualification. Please refer to the section headed "Laws and Regulations – Contractor licensing regime and operation – Contractor List maintained by the WBDB" in this [REDACTED] for details

GLOSSARY OF TECHNICAL TERMS

"Group C"	Group C of the relevant works category in the Contractor List with tender limit for contracts of any values exceeding HK$185 million. A Group C contractor means an approved contractor satisfying Group C's qualification. Please refer to the section headed "Laws and Regulations – Contractor licensing regime and operation – Contractor List maintained by WBDB" in this [REDACTED] for details
"HKQAA"	Hong Kong Quality Assurance Agency
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"ISO 14001"	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behavior of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
"OHSAS 18001"	OHSAS 18001 is an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance

"Quality Maintenance Contractor" or "QMC"	an approved contractor listed in the building (maintenance works) category with a quality maintenance contractor status admitted by the Housing Authority. A Quality Maintenance Contractor is permitted to hold concurrently a greater number of maximum combination of various types of building maintenance contracts and district term contracts that were allowed for a contractor with a quality maintenance contractor status
"quotation"	the type of contracts with customers by request for quotation, details of which are set out under the section headed "Business – Customers, sales and marketing – General terms of contracts with customers" of this [REDACTED]
"tender contract"	the type of contracts with customers obtained by tendering which usually require recurring services for a specific period and details of which are set out under the section headed "Business – Customers, sales and marketing – General terms of contracts with customers" of this [REDACTED]
"WBDB"	the Works Branch Development Bureau（發展局工務科）of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function

FORWARD-LOOKING STATEMENTS

This [REDACTED] contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this [REDACTED], the words "aim", "anticipate", "believe", "could"', "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek"', "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this [REDACTED]. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our business prospects;
- our contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our Group's financial position;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our ability to source raw materials;
- fluctuation in the prices of raw materials and our ability to pass-through any increases in price to customers;

- our ability to protect our intellectual property rights;
- our ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this [REDACTED], whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this [REDACTED] might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this [REDACTED] are qualified by reference to the cautionary statements in this section.

In this [REDACTED], statements of or references to our intentions or those of our Directors are made as of the date of this [REDACTED]. Any such information may change in light of future developments.

You should carefully consider all of the information in this [REDACTED] including the risks and uncertainties described below when making an investment in the [REDACTED]. Our business, financial condition and results of operations could be materially and adversely affected by any of the risks and uncertainties described below. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the [REDACTED] could fall significantly and you may lose all or part of your investment.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

Most of our revenue is derived from contracts awarded through competitive tendering. There is no guarantee that our existing contracts may be renewed upon expiry or new contracts may be awarded to us to maintain or expand our business.

Most of our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. During each of the three years ended 30 June 2014, the percentage of our revenue derived from tender contracts were approximately 98.4%, 99.5% and 98.1% respectively. We are required to submit new tenders upon expiry of existing contracts or to bid for new contracts from time to time. The contract period for building maintenance projects normally lasts for three years whereas the contract period for renovation projects typically ranges from 2 months to 36 months. There is no right of first refusal upon expiry of such contracts and therefore, there is a risk that we may not succeed in tendering for the same customer's services upon the expiry of our service contract. Even if we are able to meet the pre-requisite requirements for tendering, there is no assurance that (i) we would be invited to or are made aware of the tendering process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favorable terms to our customers in order to increase the competitiveness of our tenders, and if we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected. Furthermore, so far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our reputation, business operations, financial condition and results of operations may be adversely affected.

Our historical revenue and profit margin from building maintenance and renovation projects may not be indicative of our future revenue and profit margin.

During each of the three years ended 30 June 2014, we recorded a revenue of approximately HK$602.6 million, HK$601.4 million and HK$600.4 million, respectively. For each of the three financial years ended 30 June 2012, 2013 and 2014, our net profit amounted to approximately HK$20.2 million, HK$23.3 million and HK$46.2 million, respectively, while our net profit margin amounted to approximately 3.3%, 3.9% and 7.7%, respectively. As disclosed above, we cannot guarantee that new businesses could be generated from our existing customers after completion of the current projects. The trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future. The profitability of our Group in the future depends on our capability to secure new contracts, the terms of the new contracts and the effectiveness of our cost control measures.

Moreover, 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. As such, the lowering of profit margin due to competition may adversely affect our profitability.

Furthermore, we need to estimate the time and costs of maintenance and renovation works in order to determine the tender price. Most of our service contracts with customers have a fixed and pre-determined service fee throughout the contract period without any clear price adjustment mechanisms. Once the tender or quotation is agreed with our customers, we can only adjust our service in certain limited circumstances as stipulated in the contract. For details, please refer to the section headed "Business – Service fees pricing policy, adjustments, payment terms and credit period – Pricing policy, adjustments and cost control" of this [REDACTED]. Accordingly, we have to bear the risk of cost fluctuations. There is no assurance that the costs estimated at the beginning of a contract will not overrun during the course of the contract period. Cost overrun may result from inaccurate estimation of costs, increase in cost of labours and materials, lack of a subcontractor whose cost is within budget, change in the regulatory requirements and the Government's policy, disputes with subcontractors, labour disputes, accidents, adverse weather condition, additional variation of technical specification or customers' requirements and unforeseen problems and circumstances. Changes or disagreements regarding design and choice of materials may occur in a project. Any of these may also give rise to delays in completion of works or even unilateral termination of contracts by our customers due to unsatisfactory performance.

As a result, our profitability will be adversely affected if profit margin of our projects is lowered due to competition or if we are unable to control our costs within our estimates or recover the extra costs of additional site works arising from such uncertainties from our customers. Due to the above uncertainties, the profit margins and revenue generated from our Group's building maintenance and renovation projects may fluctuate drastically from project to project and the historical revenue of our Group may not be indicative of our future revenue.

Our cash flows may fluctuate due to the payment practice applied to our projects.

As a main contractor, we normally incur net cash outflows as we are required to pay the set-up expenditures, costs for procurement of materials and equipment and in exceptional 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. If we take up too many significant projects, which require substantial initial setting up costs without sufficient cash inflow from other projects or other suitable sources of funds at a particular point of time, our corresponding cash flow position may be adversely affected.

A significant percentage of our revenue and trade receivables is derived from our major customers.

For the three financial years ended 30 June 2014, our top five customers accounted for approximately 98.1%, 98.4% and 95.7% of our total revenue, respectively while our largest customer, being the Housing Authority, accounted for approximately 61.7%, 60.1% and 60.8% of our total revenue, respectively. As at 30 June 2012, 2013 and 2014, 68.4%, 66.9% and 56.8% of our Group's 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. Our major customers during the Track Record Period include the Government, other public customers and private customers. There is no assurance that our top five customers will maintain the current business relationship with us upon the expiry of our existing service contracts. If they choose not to do so or if they significantly reduce the level of services required from us, we may not be able to find other customers in a timely manner or at all to utilise our service capacity. As a result, our business operations, financial results and profitability will be adversely affected. Further, we expect that the Housing Authority will continue to be our largest customer in the near future. Therefore, any decrease or delay in the level of spending from such customers in the industry where we operate would have an adverse impact on our business operations, financial condition and results of operations. There is no assurance that we can diversify the composition of our customer base to include more private sector customers to replace any such loss of revenue generated from the public sector.

Our Group is relying on certain principal subcontractors to implement our main contracts.

As much of the works undertaken by our Group is delegated to subcontractors, timely completion of projects depends on, to a great extent, the due and timely performance of our subcontractors. During the three financial years ended 30 June 2014, our Group's largest subcontractor accounted for approximately 26.1%, 18.8% and 26.3% of our Group's total cost of services and our Group's five largest subcontractors accounted for approximately 75.2%, 61.8% and 61.4% of our Group's total cost of services, respectively. There is no assurance that those major subcontractors will be able to continue to provide services to our Group at fees acceptable to us or we can maintain our relationship with them in the future. In the event that any of the major subcontractors is unable to provide the required services to us or the costs for them to provide those required services increase substantially, our Group's business, results of operations, profitability and liquidity may be adversely affected. Besides, suitable subcontractors may not always be readily available. If we are unable to hire qualified subcontractors, our ability to complete projects could be impaired. If our major subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damages claims.

We may take responsibilities for the sub-standard performance or non-performance of such subcontractors.

Our subcontractors are subject to our management and supervision. For details of such management and supervision, please refer to the section headed "Business – Subcontracting Arrangements – Control over subcontractors" of this [REDACTED]. We may not be able to monitor the performance of these subcontractors as directly and efficiently as we supervise our own staff. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, we may experience deterioration in the quality or delivery of our building maintenance and renovation works, incur additional costs due to delays or at a higher price in sourcing the services, equipment or supplies, or be subject to liability under the relevant contract for any default caused by our subcontractors. Such events could impact upon our reputation, financial condition and results of operations, and result in litigation or damages claims.

If our subcontractors violate any laws, rules or regulations in relation to occupational health and safety matters, we may expose ourselves as a main contractor to prosecutions by relevant authorities, and also be liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event that there is any such violation, whether substantial or minor in nature, of any laws, rules or regulations, occurring in the sites for which we are responsible, our operations and hence our financial condition will be adversely affected.

There is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defects liability period.

We normally receive progress payment from our customers on a monthly basis, with reference to the value of the works we have performed. Generally, the value of the works performed is assessed by our customers or their representatives who will certify our work progress in the preceding month. For some of our contracts, 5% to 10% of the value of our works performed (subject to a cap not exceeding 5% of the total contract value) is held by our customers as the retention money which is released to us upon expiry of the defects liability and maintenance period after completion of the contracts. Please refer to the section headed "Business – Service fees pricing policy, adjustments, payment terms and credit period – Payment terms and credit period" of this [REDACTED] for further details. As at 30

June 2012, 2013 and 2014, the amount of retention money receivables amounted to HK$12.1 million, HK$16.8 million and HK$14.0 million, respectively. There can be no assurance that progress payment is paid to us on time and in full, or the retention money or any future retention money will be released by our customers to us on a timely basis and in full. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

We are exposed to litigation claims relating to personal injuries.

Employees (including our employees and subcontractors' employees) who suffer bodily injury or death as a result of accidents or contracting diseases arising out of and in the course of their employment are entitled to claim damages against us as the main contractor under the Employees' Compensation Ordinance as well as under the common law. We may also face claims from third parties from time to time, including those who suffer personal injuries at premises where we provide services.

Although we have closely monitored and supervised our subcontractors in implementation of all such safety measure and procedures during executions of works, we cannot guarantee that there will not be any violations of rules, law or regulations by the subcontractors. In the event that our subcontractors fail to implement safety measures on our work sites, it may lead to occurrence of personal injuries, property damage or fatal accidents, which may adversely affect the financial condition of our Group to the extent not covered by our insurance policy and may affect the renewal of our licences.

During the Track Record Period and up to the Latest Practicable Date, our Group had settled an aggregate of 19 employees' compensation cases and personal injury claims which were fully covered by insurance and subcontractors' indemnity. As at the Latest Practicable Date, there were seven on-going cases against our Group, of which three cases are employees' compensation cases; three cases are personal injury cases and one case relates to property damage claim. For details of the litigations and potential claims to which we are subject during the Track Record Period, please refer to the section headed "Business – Litigation and potential claims" of this [REDACTED].

Although we have taken out insurance policies to cover these potential claims (details of our insurance policies are set out in the section headed "Business – Insurance" of this [REDACTED]), the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitrating authorities, and the result of any of the outstanding claims may be unfavourable to us. Such claims may fall outside the scope and/or limit of our insurance coverage. There is no assurance that our insurance policies will fully cover us for future events and if we have to pay out of our own resources for any uninsured claims, our financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of our case, we may need to spend resources and incur costs to handle these claims, which may affect our reputation in the building maintenance and renovation contracting service industry and therefore adversely affect our business operations, financial results and profitability.

Breaches of the Predecessor Companies Ordinance and the Companies Ordinance.

We have breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance, details of which are set out in the section headed "Business – Legal and regulatory compliance – Non-compliance of the Predecessor Companies Ordinance and the Companies Ordinance" of this [REDACTED]. If the Registrar of Companies in Hong Kong takes action against the relevant subsidiary of our Group and/or if our Controlling Shareholders fail to indemnify us fully, we may be required to pay certain penalties. In these circumstances, if we are required to make significant penalty payments or incur other liabilities, our reputation, cash flow and results of operations may be adversely affected.

Our Group's business is project-based. Fee collection and profit margin of our Group depend on the terms of the works contract and may not be regular.

Our Group's business is project-based. Fee collection and profit margin significantly depend on various factors, such as the proposed expenditure of the customers, the terms of the works orders and contracts, the length of the contract period, the efficiency of implementation of the works orders or contract and the general market conditions. As a result, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, and the profit margin and time for profit recognition depend on the terms of the works orders and contracts and may also not be regular. In relation to the revenue of our building maintenance and renovation contracts, income is recognised based on management's estimation of the value of each works order and contracts. Thereafter, customers would undertake detailed assessment of all completed works orders and contracts and such actual value of completed works orders and contracts assessed by the customers may be higher or lower than our management's estimation. The actual outcome of the contract in terms of our total revenue and costs may be higher or lower than our management's estimation. As such, we face a risk of having a material adjustment to the carrying amounts of assets and liabilities within the next financial year, our revenue, cost of services, profit margin, results of operations and cash flows will be affected accordingly.

Loss of key management or the ability to attract and retain suitable staff for our operations may materially affect our operations.

Our success is, to a significant extent, attributable to the leadership and contributions of our management team members as described in the section headed "Directors, senior management and staff" of this [REDACTED]. Our continued success is dependent to a large extent on our ability to retain the services of our management team. Any unanticipated departure of members of our management team without appropriate replacement found may have a material adverse impact on our business operations and profitability. Furthermore, we may be affected by a shortage of skilled staff in the construction industry and/or any changes in labour costs due to increased wages. Furthermore, if our employee turnover rate increases in the future, it will have an adverse impact on our business operations.

Safety measures may not be strictly complied with by our employees or our subcontractors' employees.

Our employees or subcontractors' employees may be required to undertake certain tasks including but not limited to working at height or on slippery floors, operation of heavy machinery and electrical appliances, lifting of heavy objects, use of corrosive and inflammable chemicals, working in environments containing dust, dirt, viruses or bacteria and working in new and unfamiliar environments. We cannot guarantee that our employees or employees of our subcontractors will fully comply with our safety measures, and if they do not, there may be heightened incidents of personal injuries, property damage or fatal accidents. This may adversely affect our ability to obtain new contracts by tendering process, our reputation and business operation.

Failure to meet schedule requirements of contracts may result in liquidated damages imposed on our Group.

Our contracts are normally subject to specific completion schedule requirements with liquidated damages charged to our Group if our Group does not meet the schedules. Liquidated damages are typically levied at a rate provided in the relevant contract for each day of delay. Any failure to meet the schedule requirements of the works contracts could cause our Group to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse effect on our business, financial condition, results of operations, reputation and prospect.

We have contingent liabilities involving uncertainty as to possible loss to our Group.

For some of the contracts with private sector customers, we are required to provide performance bonds that range from 5% to 10% of the total contract sums issued by banks in favour of the customers as security for the due performance and observance of our Group's obligations under the service contracts entered into between our Group and our private customers. As at 30 June 2012, 2013 and 2014, performance bonds issued by banks to our customers amounted to approximately HK$15.4 million, HK$10.3 million and HK$6.9 million, respectively. If our Group fails to perform its obligations to the satisfaction of our customers that leads to a breach of contract to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such banks accordingly and our business, financial condition and results of operations will be adversely affected.

Contracts which were not entered in compliance with the requirements under the Building Management Ordinance requirements may be avoided and our Group's revenue stream and profitability would be adversely affected.

Pursuant to section 20A(2) of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), the procurement of "relevant supplies, goods or services" for the management of a building must be made by invitation to tender if the value of the relevant supplies, goods or services exceeds or is likely to exceed HK$200,000 or 20% of the annual budget of the building owners' corporation (whichever is the lesser). Procurement for building maintenance and renovation services falls within the scope of "relevant services" for purposes of the Building Management Ordinance. Subject to order made by the Hong Kong court, any service contracts which are not entered into in strict compliance with the requirements under section 20A(2) of the Building Management Ordinance may be avoided, set aside or cancelled by the building owners' corporation by passing a resolution of the owners at a general meeting of the building owners' corporation. There is no assurance that our customers will act in strict compliance with the requirements under section 20A(2) of the Building Management Ordinance. If the service contracts were avoided by the building owners by virtue of the Building Management Ordinance, our Group's revenue stream and profitability would be adversely affected.

Our Group's operations could be affected by adverse weather conditions and are subject to other construction risks.

Most of our Group's projects are undertaken outdoor. Our operations may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to our Group in completing our projects on schedule. If there is delay in the work of our private sector projects due to the adverse weather conditions, we may have to subsequently accelerate our work progress in order to catch up to meet the scheduled time for completion unless our customers agree to grant extension of time for completion of projects on the ground of adverse weather conditions. Any delay in completion of the projects will lead to liquidated damages payable by us and will adversely affect our operating results. The acceleration works will inevitably incur additional costs. In addition, we are subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the works site.

Our labour may launch industrial action or strikes to demand higher wages and shorter working hours.

Construction works are usually divided into various different trades. Each trade requires highly specialised labour of its own and cannot be easily replaced by labour of another trade. As such, industrial action of any one trade will disrupt our construction progress. There is no assurance that trade unions will not launch any further industrial actions or strikes to ask for higher wages or shorter working hours. If we meet their demand, we will incur additional labour costs which would in turn adversely affect our profitability, and if not, the completion of our projects may be delayed and our customers may claim against us for breach of contract. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

We may be affected by possible increase in insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured.

We have taken out insurance policies as required by Hong Kong law or our customers to cover our business operations. For the three financial years ended 30 June 2014, the aggregate expenses of our insurances were approximately HK$2.9 million, HK$5.4 million and HK$4.9 million, respectively. Our insurance policies may not cover all our risks or payments and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. We cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of our current policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our business operations and financial results. Further, there are certain types of losses for which insurance coverage is not generally available (such as losses suffered caused by substandard performance of our subcontractors) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In such a case, our business operations, financial condition and results of operations may be adversely affected.

There is no assurance that we are able to maintain our eligibility to tender public works of the Government.

We are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Government works. In the event of, for example, a contractor's unsatisfactory performance or its failure to submit accounts or meet the financial criteria in accordance with the rules prescribed by the Building Authority and the Housing Authority from time to time, the Building Authority and the Housing Authority will have the right to remove any contractor from the list or take other regulatory action against a contractor such as suspension, or where applicable, downgrading or demotion to a lower group, in respect of all or any of the works categories it is in. In the event that any of our registrations with the Building Authority and the Housing Authority is not renewed or is removed from or suspended in the list or downgraded or demoted to a lower group, our Group's operations may be adversely affected. Furthermore, if our Group is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal or serious construction accident occurs at a construction site for which we are responsible, depending on the seriousness of the incident, regulatory actions may be taken against our Group such as removal of us from the contractor list, downgrading of our qualification to a lower status or class, suspension or restriction on us from tendering for projects. In the event of withdrawal, revocation, suspension or downgrading of any of our Group's licences, approvals or qualifications in any work category, the business, the prospects and operation of our Group could be adversely affected.

Our business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget.

Our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

We face keen competition.

There are a large number of qualified building maintenance and renovation contracting service providers in Hong Kong. In Hong Kong, building maintenance and renovation contracting service providers must be licensed to be registered general building contractors under the Buildings Ordinance and other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licences. According to the Ipsos Report, there were about 295 qualified building maintenance and renovation contracting service providers in Hong Kong in 2013, compared to 255 in 2009. Due to the large number of competitors, we may face significant downward pricing pressure thereby reducing our profit margins. Furthermore, if we do not provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected.

The construction industry, including the building maintenance and renovation industry, in Hong Kong has been facing the issue of labour shortage.

According to the Ipsos Report, the construction industry, including the building maintenance and renovation contracting services industry, in Hong Kong has been facing the issue of labour shortage due to insufficient number of workers entering the industry. According to the Ipsos Report, the declining number of young people entering the construction market, coupled with the large-scale construction projects going on in Hong Kong and Macau have raised the demand for construction workers and raised the labour costs in the region. The huge demand for construction workers will induce an insufficient supply of skilled and experienced building maintenance and renovation contracting service workers, especially when current skilled and experienced workers retire. This many threaten the development of the building maintenance and renovation contracting service industry in Hong Kong. If our Group and/or our subcontractors are unable to recruit or retain sufficient workers or fails to effectively manage our staff costs as a result of shortage of local labour supply, or if the labour costs of our subcontractors eventually pass to us, our business operations and financial performance may be materially and adversely affected.

Increases in labour costs may adversely affect our profitability.

Our business operations are labour intensive and due to the locality of our customers, all of our employees are employed in Hong Kong. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011 with the initial statutory minimum wage rate of HK$28 per hour. From 1 May 2013 up to the Latest Practicable Date, the statutory minimum wage rose to HK$30 per hour. Furthermore, as confirmed by our Directors, the prevailing market rate for workers in the construction industry are well above the current minimum statutory wage level. There is no assurance that the statutory minimum wage rate will not be further revised upward in the future. Furthermore, according to the Ipsos Report, the average daily wage for workers for building maintenance and renovation works in Hong Kong increased from about HK$812.2

in 2009 to HK$998.7 in 2013, at a CAGR of 5.3% mainly due to manpower shortage in the Hong Kong construction industry. Our labour costs may increase generally due to factors such as the continued expansion of our workforce and our Group's cost of services may increase thereby reducing our profit margin.

Increasing operation costs may affect our profit margin and our operation and financial position may be adversely affected.

According to the Ipsos Report, the costs of major building materials, such as cement and concrete blocks, have increased at a CAGR of about 4.2% and 5.1%, respectively from 2009 to 2013. The increasing trend of the costs of building materials is due to inflation and the appreciation of the Renminbi as most of the construction materials in Hong Kong are imported from the PRC. Inflation, coupled with an increase in material prices and wages, are expected to increase the total operation costs for building maintenance and renovation contracting service providers in Hong Kong over the next few years. As such, the overall profit margin of our Group's projects will be adversely affected and our operation and financial position may be adversely affected if we are unable to control our operating costs within our estimates.

Our performance is dependent on market conditions and trends in the building maintenance and renovation contracting service industry and in the overall economy which may change adversely.

All our operations and management are currently located in Hong Kong. The future growth and level of profitability of the building maintenance and renovation contracting service industry in Hong Kong are likely to depend primarily upon the continued availability of major building maintenance and renovation projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Government's spending patterns on the building maintenance and renovation contracting service industry in Hong Kong and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of building maintenance and renovation projects from the public sector, private sector or institutional bodies.

Apart from the public spending of the Government, there are numerous factors affecting the building maintenance and renovation contracting service industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for building maintenance and renovation works in Hong Kong deteriorate, our operations and profits could be adversely affected.

Our Group's operations are subject to due compliance with a number of environmental protection laws, regulations and requirements.

Our Group is required to comply with a number of environmental protection laws, regulations and requirements in Hong Kong. In the event that our Group's operations fail to meet the applicable environmental protection laws, regulations and requirements, our Group may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial condition of our Group. In addition, there is no assurance that the environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to the environmental protection laws, regulations and requirements applicable to our Group, our Group may incur additional cost in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

Our Group's business could be adversely affected by the 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 and other public customers may affect the business and operation results of our Group. In the event that Government and other public customers reduce 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.

The global financial crisis had negative repercussions on the global economy.

The global financial crisis in 2008 caused substantial volatility in the capital markets and a downturn in the global market. Demand for our building maintenance and renovation works services may decrease if the level of such services in the market is affected by these changing market conditions, which may adversely impact cash flow generated from our operations. The recent European sovereign debt crisis has aroused concerns about the rising cost of financing government debt. Furthermore, the availability of credit to entities, such as ourselves, is influenced by levels of investor confidence in the markets we operated in as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If another economic downturn occurs or there are prolonged disruptions to the credit markets in the future, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may affect our Group.

Our performance and financial condition is heavily dependent on the state of economy in Hong Kong as our revenue is solely attributable to the Hong Kong market. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

The state of political environment in Hong Kong may affect our Group.

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

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

The Underwriting Agreements may be terminated.

Prospective investors should note that the Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting – Underwriting arrangements and expenses – [REDACTED] Underwriting Agreement – Grounds for termination" of this [REDACTED] at any time prior to 8:00 a.m. on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

Our Controlling Shareholders may continue to be able to exercise substantial influence over our business following the [REDACTED] and their interests may conflict with the interests of our other Shareholders.

Immediately after the [REDACTED], our Controlling Shareholders will control [REDACTED] of the Shares. While our Company has entered into a deed of non-competition with each of our Controlling Shareholders to ensure that we are capable of carrying on our business independently of our Controlling Shareholders, by virtue of the level of the shareholding, our Controlling Shareholders may be able to influence certain matters requiring approval of our Shareholders, such as the election of Directors and the approval of certain business decisions. There could also be a conflict between the interests of our Controlling Shareholders and the interest of our Company's other Shareholders with respect to decisions such as dividends. They will also have veto power with respect to any Shareholder action or approval requiring a majority vote. They may take actions that you may not agree with or that are not in the best interest of our public Shareholders. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, discouraging bids for our Shares at a premium over the market price, or adversely affecting the market price of our Shares.

The liquidity and market price of our Shares following the [REDACTED] may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flow and announcements of new investments, strategic alliances and/or acquisitions or fluctuations in prices of our services could cause the market price and/or trading volume of our Shares to change substantially. Any such developments may result in large and sudden change in the volume and price at which our Shares will trade. It is likely that from time to time, our Shares will be subject to changes in price and/or trading volume that may not be directly related to our financial or business performance.

Future sales by our current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after the Listing, details of which are set forth in the section headed "Underwriting – Underwriting arrangements and expenses – Undertaking to the Stock Exchange pursuant to the Listing Rules" of this [REDACTED]. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our Shares is higher than the net tangible assets per Share immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate and substantial dilution in the unaudited pro forma adjusted combined net tangible assets to approximately HK$[REDACTED] per Share, which is calculated based on the maximum [REDACTED] of HK$[REDACTED] per Share. If we issue additional Shares in the future such as pursuant to the exercise of share options granted under the Share Option Scheme, purchasers of our Shares may experience further dilution in their ownership percentage. In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary Shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the net tangible assets per Share if we issue additional Shares in the future at a price which is lower than the net tangible assets per Share.

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the [REDACTED], there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Lead Manager (for itself and on behalf of the Bookrunner and the Underwriters), and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We expect our Shares to be listed on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our Shares will not decline following the [REDACTED]. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the [REDACTED] to vary significantly from the [REDACTED]:

- variation in our turnover, earnings and cash flow;
- liability claims brought against us based on, for example, defective products or safety-related regulatory actions;
- interruptions to our distribution arrangements;
- our failure to execute our strategy;
- any unexpected business interruptions resulting from operational breakdowns or natural disasters;
- inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our products; and
- political, economic, financial and social developments.

Granting options under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership.

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may materially and adversely affect our Group's results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. A summary of the terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix IV in this [REDACTED].

Dividends declared in the past may not be indicative of the dividend policy in future.

Sing Fat Construction has declared dividends of HK$1.4 million, HK$1.4 million and HK$82.4 million, respectively during the Track Record Period, and we have declared a dividend of HK$[60] million to our then shareholders on [●] November 2014. The dividend distribution record during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company to the Shareholders in future after Listing.

There is no assurance that our Group will declare dividends in amount similar to or exceeding historical dividends declared. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors.

The market price of our Shares when trading begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The [REDACTED] will be determined on the Price Determination Date. However, the [REDACTED] will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the [REDACTED] during that period. Accordingly, holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

RISKS RELATING TO STATEMENTS MADE IN THIS [REDACTED]

There can be no guarantee as to the accuracy of facts and other statistics contained in this [REDACTED] with respect to the economies and the industry in which we operate.

Certain facts and other statistics in this [REDACTED] are derived from various sources including the Ipsos Report and various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this [REDACTED] may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read this entire [REDACTED] carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward looking statement.

Prior to the publication of this [REDACTED], there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this [REDACTED]. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Bookrunner, the Lead Manager and the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "Professional Parties") involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this [REDACTED] or is inconsistent or conflicts with the information contained in this [REDACTED], we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, you should rely solely upon the information in this [REDACTED] in making your investment decisions regarding our Shares but note that undue reliance should not be placed on any forward looking statements contained in this [REDACTED] which may not occur in the way we expect or may not materialise at all as set out in the section headed "Forward-looking statements" of this [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Winson Wing Sun （廖永燊先生）*(Chairman)*	Flat B, Block 2, 12/F. The Cliveden 98 Route Twisk Tsuen Wan New Territories Hong Kong	Chinese
Mr. Kan Yiu Keung （簡耀強先生） *(Chief Executive Officer)*	Room 201, Marina Tower Long Beach Garden 103 Castle Peak Road Ting Kau Tsuen Wan New Territories Hong Kong	Chinese
Mr. Chan Lo Kin （陳勞健先生）	Flat B, 5/F. Westland Heights 47 Broadcast Drive Kowloon Hong Kong	Chinese
Non-executive Directors		
Mr. Liu Su Ke （廖澍基先生）	Flat A, 45/F. South Tower 8 Residence Bel-Air Island South 38 Bel-Air Avenue Hong Kong	Australian
Mr. Kan Yiu Kwok （簡耀國先生）	Flat E, 7/F., Block 11 Royal Ascot Shatin New Territories Hong Kong	Chinese

Name	Address	Nationality
Independent Non-executive Directors:		
Ms. Tong Sze Wan (唐詩韻女士)	Flat 3002 Block B, Serenade Cove 623 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
Mr. Kwong Ping Man (鄺炳文先生)	Flat G, 29/F Block 2, Aqua Marine 8 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Mr. Lam Yiu Por (林曉波先生)	Flat D, 8/F. Tower 3, Ocean Shores Tseung Kwan O New Territories Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed "Directors, senior management and staff" of this [REDACTED].

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	**TC Capital Asia Limited** Suite 1904, 19/F Tower 6, The Gateway Harbour City 9 Canton Road Tsim Sha Tsui Kowloon Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

Bookrunner, Lead Manager and Underwriters	[REDACTED]
Legal adviser to our Company	*as to Hong Kong law* **Loong & Yeung** Suites 2001-2006, 20/F Jardine House 1 Connaught Place Central Hong Kong *(Solicitors of Hong Kong)* *as to the Cayman Islands law* **Appleby** 2206-19 Jardine House 1 Connaught Place Central Hong Kong *(Cayman Islands attorneys-at-law)*
Legal adviser to the Sponsor and the Underwriters	[REDACTED]
Auditors and Reporting Accountants	**SHINEWING (HK) CPA Limited** 43/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong

Compliance adviser	**TC Capital Asia Limited** Suite 1904, 19/F Tower 6, The Gateway Harbour City 9 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Receiving bank	[REDACTED]

CORPORATE INFORMATION

Registered office in the Cayman Islands	**Appleby Trust (Cayman) Ltd.** Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters	23/F, China United Plaza 1008 Tai Nan West Street Cheung Sha Wan Kowloon Hong Kong
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Suites 2001-2006, 20/F Jardine House 1 Connaught Place Central Hong Kong
Company's website	[**http://www.yat-sing.com.hk**] *(information on this website does not form part of this [REDACTED])*
Company secretary	Ms. So Hau Kit, *ACIS, ACS* Suites 2001-2006, 20/F Jardine House 1 Connaught Place Central Hong Kong
Authorised representatives	Mr. Liu Winson Wing Sun Flat B, Block 2, 12/F. The Cliveden 98 Route Twisk Tsuen Wan New Territories Hong Kong Mr. Chan Lo Kin Flat B, 5/F. Westland Heights 47 Broadcast Drive Kowloon Hong Kong

Audit Committee	Ms. Tong Sze Wan *(Chairman)*
	Mr. Kwong Ping Man
	Mr. Lam Yiu Por
Remuneration Committee	Mr. Lam Yiu Por *(Chairman)*
	Ms. Tong Sze Wan
	Mr. Chan Lo Kin
Nomination Committee	Mr. Liu Winson Wing Sun *(Chairman)*
	Ms. Tong Sze Wan
	Mr. Kwong Ping Man
Cayman Islands Principal Share Registrar and Transfer Office	**[REDACTED]**
Hong Kong Share Registrar	[REDACTED]
Principal Bankers	**Bank of China (Hong Kong) Limited** Bank of China Tower No. 1, Garden Road Central Hong Kong
	China Construction Bank Corporation 28/F, CCB Tower 3 Connaught Road Central Central Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33/F., ICBC Tower
No. 3 Garden Road
Central
Hong Kong

The information set forth in this section has been derived from the Ipsos Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the [REDACTED] and no representation is given as to its accuracy. Except as otherwise noted, all the data and forecast in this section are derived from the Ipsos Report.

SOURCE OF INFORMATION

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of building maintenance and renovation contracting services in Hong Kong, at a fee of HK$338,000 and the Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with [REDACTED] in Hong Kong. Founded in Paris France in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,000 personnel worldwide across 85 countries.

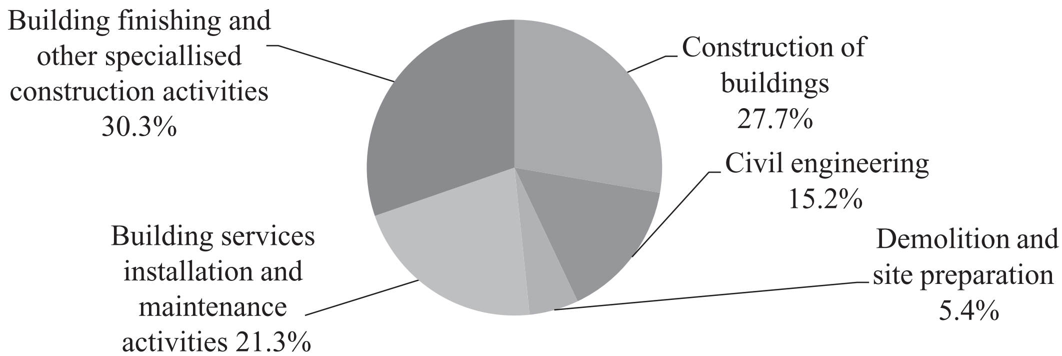
The information contained in the Ipsos Report is derived by means of data and intelligence gathering such as: (i) desk research; (ii) client consultation to understand the background information about our Company; and (iii) primary research by interviewing key stakeholders and industry experts including but not limited to building maintenance and renovation service providers and companies providing such services. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this [REDACTED] obtained from sources such as government publications, market data providers and the Ipsos Report.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE BUILDING MAINTENANCE AND RENOVATION CONTRACTING SERVICE INDUSTRY IN HONG KONG

Building maintenance and renovation contracting service industry under the category of "building services installation and maintenance activities" is one of the five major contracting service industries in Hong Kong (among which include construction of buildings, civil engineering, demolition and site preparation, and building finishing and other specialised construction activities). The chart below shows the segmentation of the gross value of construction works performed in Hong Kong in 2012.

Segmentation of the gross value of construction works performed in Hong Kong in 2012



Building maintenance and renovation contracting service plays an important role in the local building and construction industry as it can extend the life and maintain or elevate the value of the target buildings. In general, typical building maintenance and renovation works in Hong Kong include refurbishment and/or replacement of external and internal wall, internal floor and ceiling, loose concrete, doors and windows of buildings as well as the associated plumbing and electrical works.

The demand for maintenance and renovation works are usually originated from the owners of buildings which include (i) public/government institutions e.g. Housing Authority and URA; and (ii) private/non-government organisation e.g. owners' corporation of the residential buildings.

District term contract for the maintenance, improvement and vacant flat refurbishment

In regards to the service contracts awarded by the Government, the district term contract for the maintenance, improvement and vacant flat refurbishment i.e. DTC represented the key maintenance and renovation contracts in the public sector and are awarded by the Housing Authority from time to time. From 2009 to 2013, the Housing Authority executed an average of eight DTCs each year. The award of DTCs grant the successful building maintenance and renovation contracting service providers the exclusive right for the maintenance, improvement and vacant flat refurbishment works of all the Housing Authority's properties within a particular district and a specific timeframe, which is generally 3 years.

Only the building maintenance and renovation contracting service providers who are on the Housing Authority List of Building Contractors in Building (Maintenance) Group M2 are eligible to tender for the DTCs. Group M2 contractors are eligible to tender for maintenance and improvement contracts of unlimited value.

Role of subcontractors

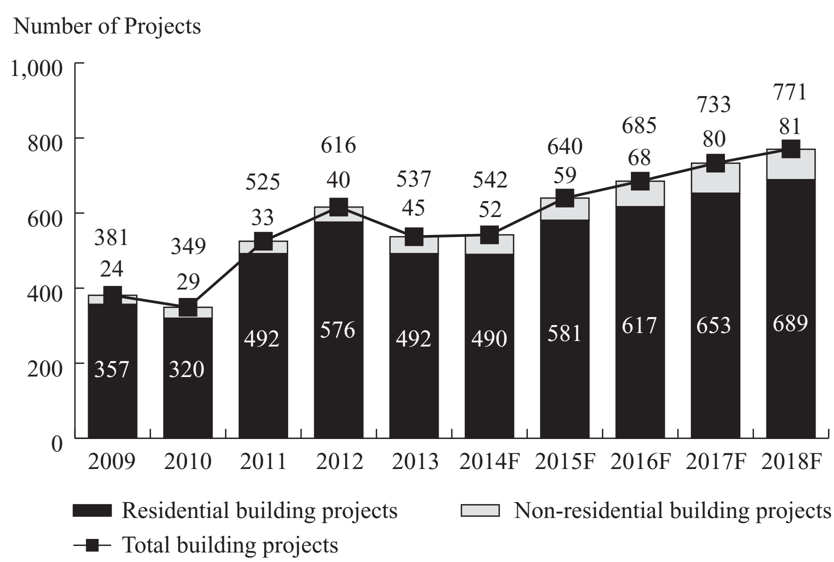
In the building maintenance and renovation contracting service industry, it is a common practice for the main contractors to outsource part of or all the works to one or more subcontractor(s). The amount of works outsourced by the main contractors depends on the variables such as expected profitability of subcontracting, availability of related skilled labours and equipment as well as work load of the main contractors by the time of contract awarded.

DEVELOPMENT OF BUILDING MAINTENANCE AND RENOVATION CONTRACTING SERVICE MARKET IN HONG KONG

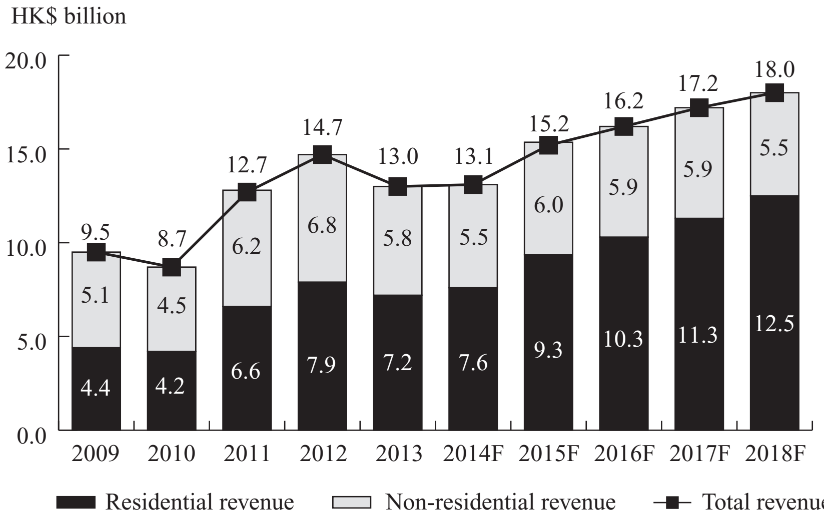
Governmental buildings

The tables below show the historical and estimated (i) number of governmental building maintenance and renovation projects in progress; and (ii) revenue of governmental building maintenance and renovation contracting service industry involving governmental buildings in Hong Kong from 2009 to 2018.

Number of Governmental Building Maintenance and Renovation Projects in Progress in Hong Kong from 2009 to 2018



Revenue of Building Maintenance and Renovation Contracting Service Industry involving Governmental Buildings in Hong Kong from 2009 to 2018



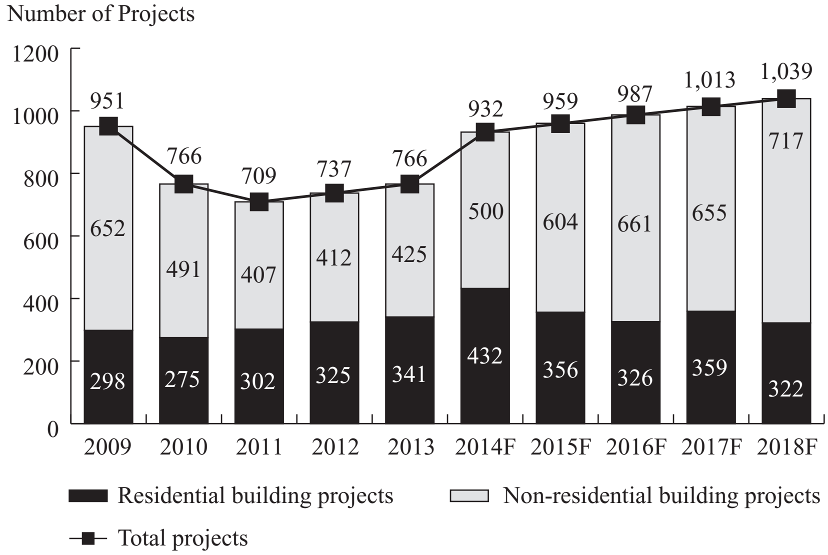
The total number of governmental building maintenance and renovation projects in progress in Hong Kong grew from approximately 381 in 2009 to approximately 537 in 2013. Correspondingly, the total revenue of this segment increased 36.8% from HK$9.5 billion in 2009 to HK$13.0 billion in 2013. The historical growth was mainly due to the supportive Government policies on building maintenance and renovation sectors and the increasing public awareness of building safety.

The ageing problem of public housing is expected to continue driving the revenue growth of governmental building maintenance and renovation contracting service industry in Hong Kong. According to the Ipsos Report, it is expected that the total estimated number of governmental building projects undergoing maintenance and renovation in Hong Kong will reach about 771 in 2018 from about 542 in 2014. The total revenue of this segment is also expected to increase 37.4% from HK$13.1 billion in 2014 to HK$18.0 billion in 2018.

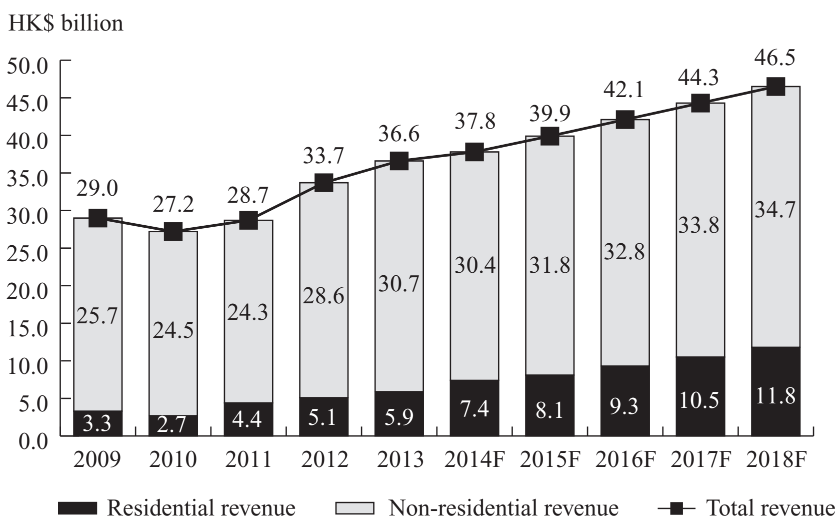
Non-governmental buildings

The tables below show the historical and estimated (i) number of non-governmental building maintenance and renovation projects in progress; and (ii) revenue of non-governmental building maintenance and renovation contracting service industry involving non-governmental buildings in Hong Kong from 2009 to 2018.

Number of Non-Governmental Building Maintenance and Renovation Projects in Progress in Hong Kong from 2009 to 2018



Revenue of Building Maintenance and Renovation Contracting Service Industry involving Non-governmental Buildings in Hong Kong from 2009 to 2018

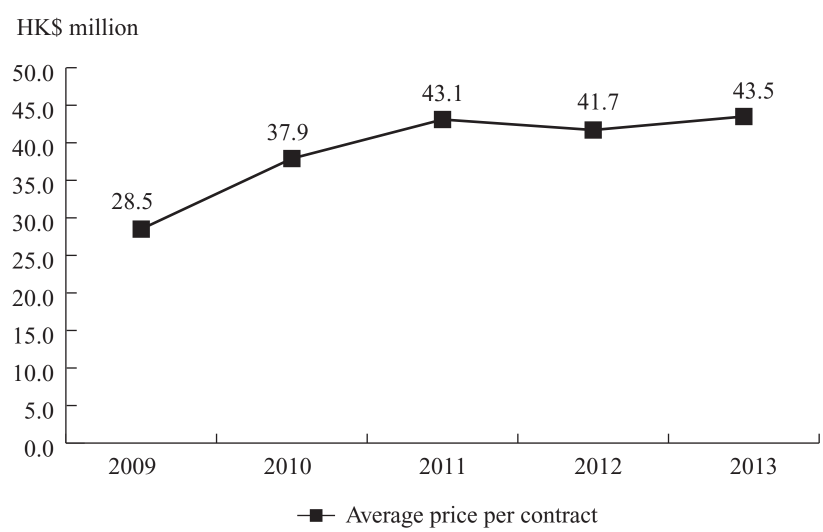


The total estimated number of non-governmental building projects undergoing maintenance and renovation in Hong Kong declined from approximately 951 in 2009 to approximately 766 in 2013. The drop was mainly due to the recovery of the Hong Kong economy from the global financial crisis in late 2008 as more money was invested in the building construction segment rather than maintenance and renovation project in the private sector under a prosperous economy as projects of private building construction were considered to be more profitable. Nevertheless, the revenue of building maintenance and renovation contracting service industry for non-governmental buildings in Hong Kong grew at a CAGR of about 6.0% during 2009 to 2013. This was mainly attributable to the increase in average contract price of building maintenance and renovation contracting service project in Hong Kong which was in turn attributable to the significant increase in the project size, the rising average daily wage of construction worker in building maintenance and renovation contracting service industry in Hong Kong, and the notable growth in the average wholesale prices of key building materials used in the building maintenance and renovation contracting service industry such as cement, concrete blocks, and white and colour glazed ceramic wall tiles.

Similar to the public sector, due to the problem of ageing buildings and the rising awareness of building safety, more private building projects are expected to undergo maintenance and renovation in the next 5 years. According to the Ipsos Report, it is estimated that the number of non-governmental building projects undergoing maintenance and renovation in Hong Kong will reach about 1,039 in 2018 while the total revenue of this sector will grow from HK$37.8 billion in 2014 to HK$46.5 billion in 2018, represented a CAGR of 5.3%.

Contract price

Average Contract Price of Building Maintenance and Renovation Contracting Service Projects in Hong Kong from 2009 to 2013



Notes: Contracts are inclusive of DTC

The growth of the average contract price of building maintenance and renovation service contracts from HK$28.5 million in 2009 to HK$43.5 million in 2013 with a CAGR of 11.2% mainly resulted from the increasing raw material, labour cost and the relatively higher valued DTC awarded by the Housing Authority in the past 5 years.

GROWTH DRIVERS FOR BUILDING MAINTENANCE AND RENOVATION CONTRACTING SERVICE IN HONG KONG

Supportive Government policies

The demand for building maintenance and renovation contracting services in Hong Kong is significantly affected by the Government policies. Major policies imposed by the Government on the building maintenance and renovation industry include:

> Mandatory Building Inspection Scheme ("MBIS") and Mandatory Window Inspection Scheme ("MWIS") and the Mandatory Building Inspection Subsidy Scheme ("MBISS")

Under the MBIS implemented by the BD in June 2012, the BD selects 2,000 target buildings (except domestic buildings not exceeding 3 storeys) each year which are at least 30 years old and requires the owners of all units in the target buildings to appoint a registered inspector to carry out certain prescribed inspections and supervise the prescribed repair works found necessary of the common parts, external walls and projections or signboards of the buildings once every ten years. Similarly, under the MWIS implemented by the BD in June 2012, the BD selects 5,800 target buildings of at least 10 years old (except domestic buildings not exceeding 3 storeys) each year and requires the owners to appoint a qualified person to carry out certain prescribed inspections on the windows of target buildings every five years. Out of the 5,800 buildings selected under the MWIS, 2,000 of which were also covered under the MBIS. To assist the building owners in complying with these statutory requirements, the URA and the Hong Kong Housing Society launched the MBISS October 2012 to provide financial and technical assistance to eligible building owners with the subsidy amount ranges from HK$25,000 to HK$100,000 subject to the total number of units of the building.

> Operation Building Bright ("OBB")

Implemented by Development Bureau, the BD, the URA and the Hong Kong Housing Society in May 2009, the OBB provides a total subsidy of HK$3.5 billion and is helping owners of over 3,200 buildings aged 30 years or over to carry out repair works.

> Integrated Building Maintenance Assistance Scheme ("IBMAS")

A subsidy of 50%, or up to HK$6,000 per annum of the premium for third party risks insurance for the common areas of buildings is provided to owners' corporations for 3 consecutive years who have successfully applied for the Common Area Repair Works Subsidy or the Common Area Repair Works Interest-free Loan of the IBMAS and have completed such repair works.

> Revitalisation of industrial buildings

Revitalisation measures have been imposed to facilitate the redevelopment and wholesale conversion of older industrial buildings with a purpose of providing more floor space for suitable uses such as hotels, office or data centres to meet Hong Kong's changing social and economic needs. Pursuant to the 2013 Policy Address, further refinements to the revitalisation measures were introduced to address certain difficulties and problems faced by applicants of wholesale conversion and redevelopment of industrial buildings. Also, building owners will be exempt from paying the waiver fee for the change of land use if they opt for the wholesale conversion, instead of redevelopment, of the industrial buildings.

The above schemes are able to accelerate the demand for building maintenance and renovation contracting services in Hong Kong as the public is more willing to undertake building rehabilitation given there is support available from the Government.

Rising number of ageing building

Buildings in Hong Kong are typically made of reinforced concrete and have a life span of about 50 years. According to the Development Bureau, there were about 39,000 private buildings in Hong Kong in 2013, among which about 13,000 are over 30 years old, the number is estimated to reach 22,000 within the decade. The growing number of ageing buildings will therefore further facilitate the demand for building maintenance and renovation services in Hong Kong.

MAJOR THREATS AFFECTING BUILDING MAINTENANCE AND RENOVATION CONTRACTING SERVICE INDUSTRY PLAYERS IN HONG KONG

Increasing operation costs

The costs of major building materials, such as cement and concrete blocks, have increased at a CAGR of about 4.2% and 5.1%, respectively from 2009 to 2013. The increasing trend of the costs of building materials is due to inflation and the appreciation of the Renminbi as most of the construction materials in Hong Kong are imported from the PRC. Inflation, coupled with an increase in material prices and wages, are expected to increase the total operation costs for building maintenance and renovation contracting service providers in Hong Kong over the next few years.

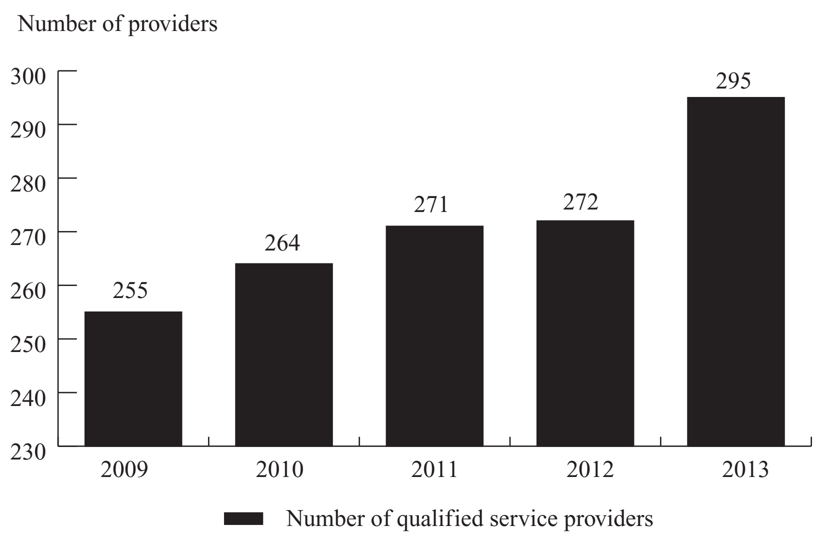
Insufficient experienced and skilled labour

The declining number of young people entering the construction market, coupled with the large-scale construction projects going on in Hong Kong and Macau have raised the demand for construction workers and raised the labour costs in the region. The huge demand for construction workers will induce an insufficient supply of skilled and experienced building maintenance and renovation contracting service workers, especially when current skilled and experienced workers retire. This may threaten the development of the building maintenance and renovation contracting service industry in Hong Kong.

COMPETITIVE LANDSCAPE

The building maintenance and renovation contracting service industry in Hong Kong is fragmented. There were about 295 qualified building maintenance and renovation contracting service providers in Hong Kong in 2013, compared to 255 in 2009. The increasing number of qualified building maintenance and renovation contracting service providers was due to the expected bright outlook in the building maintenance and renovation contracting service industry in Hong Kong in view of the growing demand for building maintenance and renovation services driven by the factors set out in the paragraph headed "Growth drivers for building maintenance and renovation contracting service in Hong Kong" of this section.

Number of Qualified Building Maintenance and Renovation Contracting Service Providers in Hong Kong from 2009 to 2013



Barriers to entry

Specialist knowledge and qualifications

Building maintenance and renovation is a specialist field within the construction industry in Hong Kong. Building maintenance and renovation work providers should possess specialist knowledge to perform preventative maintenance in accordance with the Buildings Ordinance. Building maintenance and renovation work providers without specialist knowledge on minor works would find it difficult to enter the industry. Building maintenance and renovation workers should register at relevant departments in order to provide such services in Hong Kong. Please refer to the section headed "Laws and Regulations – Contractor licensing regime and operation" of this [REDACTED].

Experience

Building maintenance and renovation works require the repair workers to identify potential problems within a structure. Observation is one of the primary duties of building maintenance and renovation workers and ability to discover structural or mechanical elements in a building comes along with experience.

Capital

Capital is essential for building maintenance and renovation contracting service providers in order to guarantee payment of wages to specialists and to rent specialised machinery for work. The inability to settle payments on time may defer the construction schedule and lead to a decrease in creditability. Furthermore, a contractor admitted by the Housing Authority is subject to certain minimum financial criteria and capital requirements. Please refer to the section headed "Laws and Regulations – Contractor licensing regime and operation" of this [REDACTED]. This poses a barrier for new building maintenance and renovation contracting service providers.

Top 10 contractors in the building maintenance and renovation contracting service market

The following table sets out the top ten contractors in the building maintenance and renovation contracting service market in 2013:

Ranking	Company	Company background	Market share in terms of total industry revenue (%)
1	Competitor A	A construction company listed on the Main Board and headquartered in Hong Kong	1.8
2	Competitor B	A subsidiary of a construction company listed on the Main Board and headquartered in Hong Kong	1.6
3	Competitor C	A construction company listed on the Main Board and headquartered in Hong Kong	1.4
4	Competitor D	A subsidiary of a construction company listed on the Main Board and headquartered in Hong Kong	1.3
5	Competitor E	A construction company headquartered in Hong Kong	1.2
6	Sing Fat Construction	Our operating subsidiary	1.2*(note)*
7	Competitor F	A subsidiary of an infrastructure company listed on the Main Board headquartered in Hong Kong	0.7
8	Competitor G	A subsidiary of a construction company listed on the Main Board and headquartered in Hong Kong	0.7

Ranking	Company	Company background	Market share in terms of total industry revenue (%)
9	Competitor H	A company headquartered in Hong Kong providing construction, maintenance, renovation, design and build of building projects services	0.5
10	Competitor I	A subsidiary of a company headquartered in Hong Kong providing demolition, new works, civil engineering and building maintenance services	0.5
Others			89.1
Total			100.0

Note: The revenue of Sing Fat Construction is calculated by reference to the average of its revenue of the two years ended 30 June 2013 and 2014.

Competition in DTC market

Building maintenance and renovation contracting service providers are especially interested in capturing large-scale projects such as DTC to maximise their revenue and profitability. As of September 2014, there were 31 contractors registered under Building (Maintenance) Group M2 category approved by the Housing Authority which are eligible to tender for the DTC. The competition in the DTC market is highly concentrated, with the top 5 contractors contributing to approximately 65.9% of total contract revenue in 2013. Out of the 24 ongoing DTC in 2013, the top 5 contractors were responsible for 16 of them. The following table sets out the top five players in the DTC market for the twelve months ended 31 December 2013 in terms of revenue and their respective background:

Ranking	Company	Background information	Market share in terms of total industry revenue (%)	Number of contracts
1	Competitor A	A construction company listed on the Main Board and headquartered in Hong Kong	22.3	6
2	Competitor B	A subsidiary of a construction company listed on the Main Board and headquartered in Hong Kong	17.7	4
3	Sing Fat Construction	Our operating subsidiary	12.9*(Note)*	4

Ranking	Company	Background information	Market share in terms of total industry revenue (%)	Number of contracts
4	Competitor H	A company headquartered in Hong Kong providing construction, maintenance, renovation, design and build of building projects services	7.1	1
5	Competitor J	A company headquartered in Hong Kong providing construction, maintenance, renovation, design and build of building projects services	5.9	1
Others			34.1	8
Total			100.0	24

Note: The revenue of Sing Fat Construction is calculated by reference to the average of its revenue of the two years ended 30 June 2013 and 2014.

Our competitive advantage

Reputation and track record

Sing Fat Construction was established in 1960, and has its reputation well-developed in the building maintenance and renovation contracting service industry in Hong Kong for over 20 years. Such good reputation with impressive track record, in terms of customer satisfaction, quality of work and cost control, enables us to gain confidence from its customers and therefore increases the opportunity of winning projects.

Significant market share in the DTC market

Sing Fat Construction ranked third with approximately 12.9% market share in terms of total revenue in the DTC market for the 12 months ended 31 December 2013. We are one of the major contractors providing maintenance, improvement and vacant flat refurbishment for public housing estates, public facilities and other public properties in Hong Kong pursuant to 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. Our significant market share in the DTC market also allows our Company to gain trust of our existing customers and attract potential customers. This in turn will continue to drive the competitiveness of our Group.

Stable relationships with customers

Having good and stable business relationship with customers in the construction industry, including the building maintenance and renovation contracting service industry, is especially important. It is because in the construction industry, including the building maintenance and renovation contracting service industry, in Hong Kong, usually a significant portion of revenue is gained by job referrals from customers. A good business relationship with customers has allowed us to have higher chances to win the projects.

This section sets forth a summary of the laws and regulations applicable to our business in Hong Kong.

LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the "Factories and Industrial Undertakings Ordinance")

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

– providing and maintaining plant and work systems that do not endanger safety or health;

– making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

– providing all necessary information, instruction, training, and supervision for ensuring safety and health;

– providing and maintaining safe access to and egress from the workplaces; and

– providing and maintaining a safe and healthy work environment.

A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK$500,000. A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for six months.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "Occupational Safety and Health Ordinance")

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

– providing and maintaining plant and work systems that do not endanger safety or health;

– making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;

– providing all necessary information, instruction, training, and supervision for ensuring safety and health;

– providing and maintaining safe access to and egress from the workplaces; and

– providing and maintaining a safe and healthy work environment.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK$200,000 and HK$500,000 respectively and imprisonment of up to 12 months.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$100 million per event (where the number of employees in relation to who the policy is in force does not exceed 200) and no less than HK$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years and on a summary conviction to a fine at level 6 (currently at HK$100,000) and to imprisonment for one year.

Pursuant to Section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors' employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "Employment Ordinance")

A principal contractor is subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK$50,000). Pursuant to Section 43F of the Employment Ordinance, if a principal contractor or superior sub-contractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may either (1) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the "Occupiers Liability Ordinance")

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (the "Immigration Ordinance")

Pursuant to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a sub-contractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK$350,000.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the "Minimum Wage Ordinance")

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK$30 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

ENVIRONMENTAL PROTECTION

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including but not limited to the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control

(Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, construction works at place within a designated area specified in this Ordinance and the use of powered mechanical equipment for the purpose of carrying out any construction work other than percussive piling at any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions e.g. hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

Any person who carries out any construction work except as permitted is liable (a) on first conviction to a fine of HK$100,000; (b) on second or subsequent conviction, to a fine of HK$200,000, and in any case to a fine of HK$20,000 for each day during which the offence continues.

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

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

All discharges, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be covered by a licence pursuant to the Water Pollution Control Ordinance. According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000, and in addition, if the offence is a continuing offence, to a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

The Waste Disposal Ordinance controls the production, storage, collection and disposal including treatment, reprocessing and recycling of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including but not limited to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) (the "Waste Disposal (Charges for Disposal of Construction Waste) Regulation") and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "Waste Disposal (Chemical Waste) (General) Regulation").

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK$1 million or above will be required, within 21 days after being awarded the contract, to make an application to establish a billing account solely in respect of that contract with the Director of Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who uses, or permits to be used, any land or premises for the disposal without such a licence commits an offence and is liable to (i) a fine of HK$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) in addition, if the offence is a continuing offence, to a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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

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

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

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK$2,000,000 and to imprisonment for six months; (b) on a second or subsequent conviction on indictment to a fine of HK$5,000,000 and to imprisonment for two years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for six months; (d) on a second or subsequent summary conviction to a fine of HK$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK$10,000 for each day on which he is satisfied the offence continued.

CONTRACTOR LICENSING REGIME AND OPERATION

Under the Buildings Ordinance, there are three contractors' registers, namely the general building contractors' register, the specialist contractors' register and the minor works contractors' register, being kept by the Building Authority.

General Building Contractor and Specialist Contractor

Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors and minor works. Pursuant to the Buildings Ordinance, registered specialist contractors may only carry out specialised work (including sub-registers of demolition works, foundation works, site formation works, ventilation works and ground investigation works) in their corresponding categories which they have been registered.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as general building contractor or as specialist contractor must satisfy the Building Authority on the following aspects:

(a) if it is a corporation, the adequacy of its management structure;

(b) the appropriate experience and qualifications of its personnel;

(c) its ability to have access to plant and resources; and

(d) the ability of the person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

An applicant for registration as a specialist contractor must satisfy the Building Authority that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

In considering each application, the Building Authority considers the qualifications, competence and experience of the following key personnel of the applicant:

(a) a minimum of one person (the "Authorised Signatory") appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance;

(b) for a corporation – a minimum of one director (the "Technical Director") from the board of directors of the applicant who is authorised by the board to:

    (i) have access to plant and resources;

    (ii) provide technical and financial support for the execution of building works and street works; and

(iii) make decisions for the company and supervise the Authorised Signatory and other personnel

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

(c) for a corporation which appoints a director who does not possess the required qualification or experience as the Technical Director to manage the carrying out of buildings works and street works, an "Other Officer" or an Authorised Signatory authorised by the board of directors is required to assist the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

A suitable person appointed by the board of directors is eligible to act as the Authorised Signatory, whereas the Technical Director must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of Technical Director.

The registered contractor is required to suspend all the building works and street works immediately if there is no Authorised Signatory appointed to act for the contractor for the purposes of the Buildings Ordinance. Similarly, all works should be ceased if there is no Technical Director acting for the contractor and an acceptable replacement is not appointed within a reasonable period of time. Before the Authorised Signatory/Technical Director/"Other Officer" ceases to act for the contractor, apart from giving the Building Authority an advanced notice, the contractor/Authorised Signatory/Technical Director/"Other Officer" should liaise with the authorised person, registered structural engineer or registered geotechnical engineer selected by the Building Authority with a view to providing necessary measures to ensure the safety and hygiene condition of the site during the period of suspension of works.

Under Section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. The application should comprise:

(a) a duly completed specified form;

(b) declarations in Buildings Department standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorised signatory(ies), the technical director(s) and the other officer(s) Technical Director in certain aspects;

(c) a job reference on a minimum of one relevant building project;

(d) certain documents relating to business registration;

(e) the prescribed fee in accordance with Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong).

If the contractor has made an application for renewal within the statutory time limit and pays the renewal fee, its registration will continue to be in force until its application for renewal is finalised by the Building Authority. In general, an application for renewal of registration would not be referred to the Contractors Registration Committee, an independent committee appointed by the Building Authority under section 8 of the Buildings Ordinance, for interview and assessment, except in the following circumstances:

(a) the contractor has been inactive in relevant building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or

(b) there have been new incidents or circumstances that require further consideration on the suitability of the contractor's registration. New incidents or circumstances include, but not limited to, the contractor's records in respect of the aspects stipulated in paragraph (b) above and subject to the following approach adopted by the Building Authority in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Development Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:

    (a) non-building works related labour safety offences, e.g. failure to ensure the wearing of safety helmet and the use of goggles, will not be taken into consideration. Generally speaking, an offence relating to the course of constructing the works or the manner in which the works are being carried out is considered as an offence relating to building works;

    (b) a contractor who has been convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb) is required to attend an interview;

    (c) a contractor who has been convicted of 7 or more labour safety offences committed within a rolling 6 months is required to attend an interview;

    (d) a contractor who has been convicted of 4 or more offences under section 27(3) of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) committed on the same site within a rolling 3 months is required to attend an interview;

    (e) a contractor who has been convicted of any environmental offence involving an imprisonment sentence will be required to attend an interview; and

    (f) for a contractor who has been suspended from tendering by the Development Bureau, the Housing Authority or their related departments, the Building Authority will consider the reasons of the suspension. In general, only factors which infer deficiencies of the contractors in technical competence and management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

Minor Works Contractor

Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

Under the minor works control system (the "MWCS") implemented by the Buildings Department since 31 December 2010, which was intended to serve as a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Building Authority, a total of 126 items of building works have been included as minor works subject to the control under the MWCS. Those minor works are categorised into three classes according to their nature, scale, complexity and risk to safety: Class I (total of 44 items), Class II (total of 40 items) & Class III (total of 42 items). Class I comprises more complicated minor works and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (the "Building Professional") (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor (the "Registered Contractor"); Class II comprises works of a lower complexity; while Class III comprises common household minor works; Class II and Class III can be carried out by Registered Contractor (which can be a Registered General Building Contractor, a Registered Specialist Contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a Registered Minor Works Contractor) without the involvement of a Building Professional. Under each class of minor works, it will be further sub-divided into different types and items that correspond to the specialisation of works in the industry. Minor works are grouped into seven types, including Type A (Alteration and Addition Works); Type B (Repair Works); Type C (Works relating to Signboards); Type D (Drainage Works); Type E (Works relating to Structures for Amenities); Type F (Finishes Works); and Type G (Demolition Works). The size, location and respective requirements of each item of minor works are set out in Schedule 1 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (the "B(MW)R").

Similar to the registration requirements for a general building contractor or a specialist contractor, under Section 12(5) of the B(MW)R, an applicant for registration as an registered minor works contract must satisfy the Building Authority on the following aspect:

(a) appropriate qualifications and experience of at least one of its director;

(b) it has access to plants and resources;

(c) if it is a corporation, its management structure is adequate;

(d) appropriate qualifications and experience of at least one of the persons appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance and his ability to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and

(e) the applicant is suitable for registration in the register.

Pursuant to Section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register, the following factors will be taken into account: (a) whether the applicant has any criminal record in respect of any offence under the Laws of Hong Kong relating to the carrying out of any building works; and (b) whether any disciplinary order has been made against the applicant.

In considering each application, the Building Authority is to have regard to the qualifications, experience and suitability of the following key personnel of the applicant:

(a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (the "AS"); and

(b) for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (the "TD"), who is authorised by the board to:

    (i) have access to plants and resources;

    (ii) provide technical and financial support for the execution of minor works; and

    (iii) make decisions for the company and supervise the AS and other personnel

    for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

A suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of TD.

The registered minor works contractor is required to suspend all the minor works immediately if there is no AS appointed to act for the contractor for the purposes of the Buildings Ordinance. Similarly, when there is no TD acting for the contractor, the contractor should apply for appointment of replacement of TD within a reasonable period of time. Before the AS/TD ceases to act for the contractor, apart from giving the Building Authority an advanced notice, the contractor/AS/TD should provide necessary measures to ensure the safety and hygiene condition of the site during the period of suspension of works and should liaise with the project authorised person, registered structural engineer or registered geotechnical engineer selected by the Building Authority in this regard where applicable.

Under Section 14(2)(c) of the B(MW)R, a registered minor works contractor should apply to the Building Authority for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. The application should comprise:

(a) a duly completed specified form;

(b) declarations in Building Authority standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel such as the authorised signatory(ies) and the technical director(s) in certain aspects;

(c) a job reference on a minimum of one relevant building project;

(d) certain documents relating to business registration;

(e) the prescribed fee in accordance with Building (Minor Works) (Fees) Regulation (Chapter 123O of the Laws of Hong Kong).

(f) If the contractor has made an application for renewal within the statutory time limit and pays the renewal fee, its registration will continue to be in force until its application for renewal is finalised by the Building Authority. In general, an application from a contractor for renewal of registration would not be referred to the Minor Works Contractors Registration Committee, an independent body appointed by the Building Authority under Section 6 of the B(MW)R for interview and assessment, except in the following circumstances:

   (i) the contractor has been inactive in relevant minor works in the past registration period (i.e. without a job reference on a minimum of one relevant item of minor works); or

   (ii) there have been new incidents or circumstances that require further consideration on the suitability of the contractor's registration. In this connection, the Building Authority will assess the suitability of the contractor for retention of its name in the register if it has been (i) convicted or disciplined under the Buildings Ordinance; (ii) convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb); (iii) convicted of 7 or more labour safety offences relating to building works committed within a rolling 6 months. Non-building works related labour safety offences, e.g. failure to ensure the wearing of safety helmet and the use of goggles, however will not be taken into consideration; (iv) involved in conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities; (v) convicted of 4 or more offences under Section 27(3) of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) committed on the same site within a rolling 3 months; (vi) convicted of 4 or more environmental offences committed on the same site within a rolling 3 months; and (vii) suspended from tendering by the Development Bureau or the Housing

Authority. The Building Authority will consider the reasons of the suspension. In general, only factors which infer deficiencies of the contractors in technical or management abilities, and factors related to standard of works, misconduct and site safety will be taken into consideration.

The Building Professional appointed will be responsible for the design and supervision of the works while the Registered Contractor appointed will be responsible for the carrying out of the works. If Building Professional is not required to be appointed, i.e. no Class I minor works item is involved, the design of the works will also be responsible by the Registered Contractor appointed as well. The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after the verification of all works involved are "minor works" and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting document and record photos within 14 days after the completion of works. For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects as required for Class I and Class II minor works items. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting document and record photos (before and after the completion of works) within 14 days after the completion of works. The Building Authority will conduct audit checks upon receipt of the above notices to ascertain compliance with the statutory requirements and ensure the quality and standard of such "minor works". Disciplinary and prosecution actions may be taken against cases of non-compliance. According to Sections 4A(2) and 9AA(2) of the Buildings Ordinance, if a person who arranged for the works to be commenced or carried out has knowingly failed to appoint the Building Professional and/or the Registered Contractor (as the case may be), he will be liable on conviction to a fine of up to HK$100,000 under Section 40(1AB) of the Buildings Ordinance.

Under Section 13 of the Buildings Ordinance, a Registered Contractor or the director, officer or person appointed by the registered contractor to act on his behalf for the purposes of the Buildings Ordinance who has been convicted by any court of an offence relating to building works or street works, has been negligent or has misconducted himself in buildings works or street works or has failed to discharge any of the specified duties is subject to inquiry by the disciplinary board. The disciplinary board may, among others, order that (i) the name of the Registered Contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the Registered Contractor or the director, officer or person be fined a sum up to HK$250,000; and (iii) the Registered Contractor or the director, officer or person be reprimanded.

If any building works have been or are being carried out in such a manner as, in the opinion of the Building Authority, will cause or will be likely to cause a risk of injury or damage to property, an order may be served under Section 24A of the Buildings Ordinance for ceasing the constitution of such a risk. The Building Authority may require a person to demolish, remove or alter any "minor works" commenced under the simplified requirements that have been or are being carried out in contravention of any provisions of the Buildings Ordinance. Any person who fails to comply with such order will commit offence and shall be liable on conviction to a fine of up to HK$50,000 and to imprisonment for up to three months and to a fine of up to HK$5,000 for each day if the offence is continuing.

Electrical Contractor

All contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

(a) if the applicant is an individual, he/she must be a registered electrical worker; or

(b) if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Fire service installation contractor

In order to undertake works in respect of the installation, maintenance, repairs or inspection of any fire service installation or equipment in Hong Kong, a contractor is required to be registered with the Fire Services Department of the Government as a fire service installation contractor. There are three different classes of fire service installation contractor. A registered contractor who undertakes any work in connection with fire service installations or equipment, except work of the class in respect of which his name is entered in the register kept by the Director of Fire Services, shall be guilty of an offence.

Licensed plumbers

No fire service or inside service shall be constructed, installed, maintained, altered, repaired or removed by a person other than a licensed plumber or a public officer authorised by the Water Authority. A licensed plumber is a person licensed under the Waterworks Regulation to carry out various types of authorised plumbing work connected with the supply of water to domestic, commercial and industrial buildings. It is an offence for any person or any person who employs a person other than a licensed plumber to carry out installation or modification of water services in a building.

Registered gas contractors

Only registered gas installers (registered to the appropriate class) employed by registered gas contractors can personally carry out gas installation work. "Gas Installation Work" includes the fabrication, connection, disconnection, testing, commissioning, decommissioning, maintenance, repair, or replacement of gas pipework, appliances and fitting.

Registered lifts and escalators contractors

The Lifts and Escalators Ordinance (Chapter 618 of the Laws of Hong Kong) (the "Lifts and Escalators Ordinance") stipulates that only qualified persons, specified persons, or persons under the direct supervision of qualified persons at the place at which where the lift works or escalator works are carried out are allowed to carry out lift works or escalator works personally. The Lifts and Escalators Ordinance further requires that responsible persons for a lift or an escalator must ensure that certain lift works or escalator works are to be carried out by registered contractors and thorough examinations of the lift or the escalator upon completion of installation, following major alteration and before the normal use and operation of the lift or the escalator is resumed, and at regular intervals are carried out by registered engineers.

Contractor List maintained by WBDB

The List of Approved Contractors for Public Works maintained by the WBDB (the "List of Approved Contractors") comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, namely buildings, port works, roads and drainage, waterworks and site formation. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor's status in each group will be either probationary or confirmed.

The following table sets out the value of works for which contractors in the respective categories and statuses are eligible to tender, and for the award of contracts:

Category	Authorised contract value
Group A (probation status)	any number of Group A contracts in the same category, provided that the total value of works in the Group A contracts that the contractor already holds and the Group A contract being procured under the same category does not exceed HK$75 million
Group A (confirmed status)	contracts of value up to HK$75 million
Group B (probation status)	(i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided that the total value of works in the Group B contracts that the contractor already holds and the Group B contract being procured under the same category does not exceed HK$185 million
Group B (confirmed status)	contracts of any value up to HK$185 million

Category	Authorised contract value
Group C (probation status)*(Note 1)*	the total number of Group C contracts that the contractor already holds and the Group C contract being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK$400 million *(Note 2)*.
Group C (confirmed status)*(Note 1)*	contracts of any value exceeding HK$185 million

Notes:

1. Group C contractors will normally not be allowed to tender for contracts in Groups A and B.

2. According to the Contractor Management Handbook published by the Development Bureau, this limit shall be increased to HK$500 million with effect from 1 December 2015.

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. A probationary contractor may apply for confirmation in writing to the Secretary for Development when he has satisfactorily completed works appropriate to his probationary status in accordance with the criteria for confirmation for the relevant category and group. "Confirmed" contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/ requirements to that described above.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public work contracts. Audited accounts of the approved contractors are submitted to the WBDB annually (in addition, a Group C contractor is also required to submit half-yearly management accounts) and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for any contract in that category. In the event the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the WBDB against such approved contractor.

Set out below are the minimum financial criteria and other requirements which a contractor is required to meet for retention on the List of Approved Contractors under the buildings Group B (probation status) category:

(a) Minimum employed capital

HK$4.9 million plus HK$2.9 million for every HK$43 million of annualised outstanding works or part thereof above HK$73 million, subject to a maximum of HK$10.6 million.

(b) Minimum working capital

HK$4.9 million or 10% on annualised outstanding works, whichever is higher

(c) Minimum technical and management criteria

(i) registration with the Building Authority's Register of General Building Contractors.

(ii) satisfactory completion of one building works contract (Government or non-Government contracts are acceptable) within the past 5 years. The contract shall be of value over 70% of the Group B limit and complying with the requirements in relation to projects of considerable scope and complexity.

(iii) experience as a sub-contractor will be accredited subject to the sub-contract works covering building trades and complying with other requirements in relation to projects of considerable scope and complexity.

Approved contractors of the Housing Authority

The Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be approved by the Housing Authority under the categories of either Building (New works) or Building (Maintenance works). A contractor under the Building (Maintenance works) category must possess the ISO 9001, ISO 14001, ISO 50001 *(Note)* and OHSAS 18001 certificates and is subject to stringent financial criteria, proven relevant record, management and on-site personnel requirements, probation and annual assessment on financial position. Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements stated in the "Specific Guidelines for Building Contractors" and the "Guide to Registration of Works Contractors and Property Management Services Providers" published by the Housing Authority and the payment of an application fee for annual renewal.

Note: With effect from 1 January 2014, all contractors on the list of building contractors shall be certified to Energy Management System (EnMS) ISO 50001 Certification. A grace period of 24 months, i.e. until 31 December 2015, is granted to contractors already on the list of building contractors for acquiring ISO 50001 Certification.

The following table sets out the value of works for which approved contractors listed in the Building (Maintenance works) category in the Housing Authority may tender:

Category	**Authorised contract value/type**
Building Work – Maintenance Works Category – Group M1 (confirmed status)	Eligible to tender for maintenance and improvement contracts with a value of up to HK$20 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK$20 million
Building Work – Maintenance Works Category – Group M1 (probation status)	Restricted to undertake not more than three Group M1 direct contracts at any one time provided that the total value of outstanding works being undertaken does not exceed HK$20 million or for term contracts the total value of annual expenditure does not exceed HK$20 million
Building Work – Maintenance Works Category – Group M2 (confirmed status)	Eligible to tender for maintenance and improvement contracts of unlimited value
Building Work – Maintenance Works Category – Group M2 (probation status)	Restricted to undertake not more than three Group M2 direct contracts at any one time

The Quality Maintenance Contractors (QMC) scheme was introduced by the Housing Authority for their district maintenance term contracts. The QMC scheme aims to induce contractors to commit to quality reform and cultural changes, upgrade their professional and technical competency, improve works quality, strengthen customer services, and invest in new technologies in the delivery of the maintenance service. A contractor with a QMC status is permitted to hold concurrently a greater number of maximum combination of various types of building maintenance contracts and district term contracts than that are allowed for the contractors without the QMC status.

Set out below are the minimum financial criteria and other requirements which a contractor is required to meet for retention as an approved Group M2 contractor listed in the Building (Maintenance works) category in the Housing Authority:

– Employed capital required *(Note 1)*

  HK$8.6 million or 10% of the total assets of the contractor, whichever is higher.

If the total value of outstanding works (which represent the annualised value of outstanding works including the Housing Authority, Government and private sector contracts on a world-wide basis) (the "Outstanding Works") reach $160 million or above, then the following criteria will apply:

(a) HK$16 million + HK$2 million for every HK$100 million of outstanding works or part thereof above HK$800 million; or

(b) 10% of the total assets of the contractor, whichever is higher.

– Working capital required

HK$8.6 million or 10% of the Outstanding Works, whichever is higher.

If the total value of the Outstanding Works reach $160 million or above, then the following criteria will apply: HK$16 million or 8% on first HK$800 million of outstanding works and 10% on remainder, whichever is higher.

– Other requirements

(a) as a registered General Building Contractor under the Buildings Ordinance;

(b) must possess ISO 9001, ISO14001 and OHSAS 18001 certificates to carry out building activities to keep, restore and improve the facilities of buildings and surroundings;

(c) must have the following past work record in building maintenance/ improvement contracts:

(i) have completed, as main contractor, maintenance/improvement projects within the past three years for the Housing Department, other governments or private sector;

(ii) two of those completed projects stated above shall each cost not less than HK$12 million with records of satisfactory performance.

(d) shall directly employ[*(Note 2)*] the following minimum number of full-time staff:

(i) one technical director who is registered in the Buildings Department and not to be the same person as the contract manager/project manager;

(ii) two contract managers/project managers who have obtained HKIA/ MHKIS/MHKIE/MHKICM or equivalent with three years relevant local managerial experience and capacity in the construction or maintenance field; *or* degree in architecture, building surveying, building technology & management, structural engineering or equivalent with five years relevant local managerial experience and capacity in the construction or maintenance field; *or* higher diploma/higher certificate/ diploma in architecture, building surveying, building technology & management, structural engineering or equivalent with eight years relevant local managerial experience and capacity in the construction or maintenance field; *and* registered as authorised signatory in the Buildings Department and not to be the same person as the technical director; and

(iii) two site agents who have obtained MHKICW/MICWCI or equivalent with five years relevant local experience in construction industry *or* higher diploma/diploma/higher certificate in building studies or civil/ structural engineering or equivalent with eight years relevant local experience in construction industry.

Notes:

1. The issued and paid-up capital and shareholders' fund should both meet the level of minimum employed capital applicable to the highest group and status of the contractor.

2. "Directly employed" shall mean staff employed by the contractor or by the holding company of the contractor for the exclusive use of the contractor.

Requirements for the procurement of supplies, goods and services by an owners' corporation

The procurement of supplies, goods and services by owners' corporations is regulated by the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong). Pursuant to the Building Management Ordinance, the procurement of all supplies, goods or services required by an owners' corporation in the exercise of its powers and the performance of its duties under the deed of mutual covenant (if any) or the Building Management Ordinance shall be procured by invitation to tender if the value of service exceeds or is likely to exceed:

(a) the sum of HK$200,000; or

(b) a sum which is equivalent to 20% of the annual budget of the owners' corporation, whichever is the lesser.

Whether the tender submitted for such purpose is accepted or not shall be decided by a resolution of the owners passed at a general meeting of the owners' corporation.

The above requirement for invitation to tender is exempted if:

(a) the relevant supplies, goods or services are of the same type as any supplies, goods or services which are for the time being supplied to the owners' corporation by a supplier; and

(b) the owners' corporation decides by a resolution of the owners passed at a general meeting of the owners' corporation that the relevant supplies, goods or services shall be procured from that supplier on such terms and conditions as specified in the resolution.

If the above requirements are not complied with, the contract for the procurement of the relevant supplies, goods or services is not void by reason only that it does not comply with the above requirements. However, subject to order made by the Hong Kong court, the contract may be avoided, i.e. cancelled by the owners' corporation by a resolution of the owners passed at a general meeting of the owners' corporation, only for the reason that it does not comply with the above requirements. The Hong Kong courts may make such orders (including whether the service contract is void or voidable) and give such directions in respect of the rights and obligations of the contractual parties as it thinks fit having regard to various circumstances, including but not limited to, whether the owners have benefited from the service contract and whether the owners have incurred any financial loss due to the service contract and the extent thereof.

Unless and until the relevant service contract is cancelled by the owners' resolution at a general meeting of the owners, the service contract remains valid and enforceable, and each party is required to fulfill its obligations thereunder.

Regulatory actions against approved contractors by the Development Bureau and the Housing Authority

The Development Bureau and the Housing Authority may take regulatory actions against failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal workers etc. For example, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor.

Regulating actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions. Please refer to in the section headed "Risk Factors – There is no assurance that we are able to maintain our eligibility to tender public works of the Government" in this [REDACTED] for risk associated with being a Government contractor.

Compliance with the relevant requirements

Our Directors confirmed that our Group has obtained all relevant permits/ registrations/ licenses for its existing operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

OUR CORPORATE HISTORY

Sing Fat Construction, our principal operating subsidiary, was established in Hong Kong in 1960. Our Controlling Shareholder and non-executive Director, Mr. Liu Su Ke, together with his spouse, Ms. Ho Fung Chun, acquired a controlling interest in Sing Fat Construction in 1972. Through a number of share transfers and allotments, and before our Reorganisation, Mr. Liu Su Ke together with his spouse, Ms. Ho Fung Chun, and his son, Mr. Liu Winson Wing Sun (an executive Director, a Controlling Shareholder and the chairman of the Board), beneficially owned approximately 45.69% interest in Sing Fat Construction.

Mr. Liu Su Ke has been working in the building construction industry since 1961. In 1972, Mr. Liu Su Ke was invited to invest in Sing Fat Construction to develop its building construction business in Hong Kong. Mr. Liu Su Ke, being confident in the prospects of the building construction market in Hong Kong at the time, invested in Sing Fat Construction with his own personal savings accumulated from his previous employments. Please refer to the section headed "Directors, senior management and staff" of this [REDACTED] for details relating to the qualification and experience of Mr. Liu Su Ke in the building construction industry and the building maintenance and renovation contracting services industry.

Details of the members of our Group and their respective corporate history are set out below:–

OUR COMPANY

Our Company was incorporated in the Cayman Islands on 17 September 2014. Upon completion of the Reorganisation, our Company became the holding company of our Group on [●] 2014, details of which are set out in the paragraph headed "Reorganisation" in this section.

OUR MAJOR OPERATING SUBSIDIARY – SING FAT CONSTRUCTION

Share acquisition by Mr. Liu Su Ke

Sing Fat Construction, our only operating subsidiary that made material contribution to our track record results, was incorporated in Hong Kong with limited liability on 8 February 1960. Sing Fat Construction was owned as to approximately 33.33%, 33.33% and 33.33% by each of Mr. Ho Tak Fai, Mr. Fred Wong, and Mr. Lai Cheung. Each of Mr. Ho Tak Fai and Mr. Fred Wong is an independent third party save for being a former shareholder and director of Sing Fat Construction. Mr. Lai Cheung is the father of Mr. Lai Kwan Hin, a Controlling Shareholder.

There were certain share transfers and allotments undertaken by the former shareholders of Sing Fat Construction. Immediately after such share transfers and allotments and before Mr. Liu Su Ke acquired shares in Sing Fat Construction in 1972, the shareholding structure of Sing Fat Construction was as follows:–

Name of shareholder	No. of shares	Shareholding percentage (approximately)
Fred Wong	1,290	14.33%
Kitling Wong	900	10.00%
Howard Wong	850	9.44%
Edward Wong	850	9.44%
Ho Duen	765	8.50%
Lai Cheung *(Note 1)*	580	6.44%
Lai Kwan Hin *(Note 1)*	550	6.11%
Lai Kwan Yim *(Note 1)*	550	6.11%
Ho Tak Fai	500	5.56%
Lam Ming *(Note 2)*	400	4.44%
Lai Shuet Fong *(Note 1)*	350	3.89%
Kun Siew Chun *(Note 1)*	300	3.33%
Cheung Shiu Fong	280	3.11%
Ho Heung	275	3.06%
Ho Ching	275	3.06%
Ho Shui	275	3.06%
Fung Yu Kwan	10	0.11%
	9,000	100.00%

Notes:

1. Mr. Lai Kwan Hin is a Controlling Shareholder and a director of Sing Fat Construction. Mr. Lai Cheung and Ms. Kun Siew Chun are the parents of Mr. Lai Kwan Hin. Mr. Lai Kwan Yim and Ms. Lai Shuet Fong are the siblings of Mr. Lai Kwan Hin.

2. Mr. Lam Ming passed away in or around 1972 and is a minority shareholder of Sing Fat Construction.

3. Each of Mr. Fred Wong, Ms. Kitling Wong, Mr. Howard Wong, Mr. Edward Wong, Ms. Ho Duen, Mr. Ho Tak Fai, Ms. Cheung Shiu Fong, Mr. Ho Ching, Mr. Ho Shui, Ms. Ho Heung and Mr. Fung Yu Kwan is an independent third party save for being a former shareholder and/or former director of Sing Fat Construction.

Due to the retirement plan of Mr. Fred Wong, the intention of Ms. Cheung Shiu Fong to realise her investment in Sing Fat Construction and Mr. Liu Su Ke's interest to develop building construction business, on 9 November 1972, Ms. Cheung Shiu Fong and Mr. Fred Wong, together with his spouse and son, Ms. Kitling Wong and Mr. Howard Wong transferred a total of 3,315 shares, representing approximately 36.83% of the then issued share capital of Sing Fat Construction, to Mr. Liu Su Ke and his spouse, Ms. Ho Fung Chun at an aggregate consideration of HK$331,500. On the same date, due to the interest of Mr.

Liu Su Ke's brother, Mr. Liu Tat Hung, to invest in building construction business, Mr. Fred Wong's son, Mr. Edward Wong, and Ms. Cheung Shiu Fong also transferred a total of 855 shares, representing 9.5% of the then issued share capital of Sing Fat Construction, to Mr. Liu Tat Hung, the brother of Mr. Liu Su Ke, at an aggregate consideration of HK$85,500. As confirmed by our Directors, the aforesaid considerations were determined with reference to the then par value of the shares and were settled on or around 9 November 1972.

Following the aforesaid share transfers, the shareholding structure of Sing Fat Construction was as follows:–

Name of shareholder	No. of shares	Shareholding percentage (approximately)
Liu Su Ke	2,190	24.33%
Ho Fung Chun	1,125	12.50%
Liu Tat Hung	855	9.50%
Ho Duen	765	8.50%
Lai Cheung	580	6.44%
Lai Kwan Hin	550	6.11%
Lai Kwan Yim	550	6.11%
Ho Tak Fai	500	5.56%
Lam Ming	400	4.44%
Lai Shuet Fong	350	3.89%
Kun Siew Chun	300	3.33%
Ho Ching	275	3.06%
Ho Shui	275	3.06%
Ho Heung	275	3.06%
Fung Yu Kwan	10	0.11%
	9,000	100.00%

Major corporate history after the share acquisition by Mr. Liu Su Ke in 1972 and up to the commencement of the Track Record Period

After the abovementioned share acquisitions by Mr. Liu Su Ke in 1972 and up to the commencement of the Track Record Period, a number of share transfers and allotments of Sing Fat Construction had taken place. Mr. Liu Su Ke, together with his spouse, Ms. Ho Fung Chun, and his son, Mr. Liu Winson Wing Sun, who is also an executive Director, a Controlling Shareholder and the chairman of the Board, remained holding a controlling interest in Sing Fat Construction throughout the said period with a beneficial interest ranging from 36.83% to 68.72%. Details are set out in the table below:

Date of share transfer/share allotment	Transferor(s)	Transferee(s)/Relevant subscriber(s)	Relevant shareholding (approx.)/Increase in issued share capital	Consideration/ Total issue price	Reason of share transfer/ share allotment
1. 3 March 1976 2. 19 March 1979 3. 1 October 1981 4. 16 February 1982	N/A	1. Liu Su Ke 2. Lai Cheung 3. Ho Fung Chun 4. Ho Duen 5. Lai Kwan Hin 6. Lai Kwan Yim 7. Liu Tat Hung 8. Ho Tak Fai 9. Lai Shuet Fong 10. Kun Siew Chun 11. Ho Ching 12. Ho Shui 13. Ho Heung 14. Kwan Fun Kun *(Note 1)* 15. Cheung Shiu Fong 16. Fung Yu Kwan	6,600 shares with a par value of HK$100 each *(Note 2)*	HK$660,000, which was determined with reference to the then par value of the shares of Sing Fat Construction and was settled on or around the relevant date of share allotment	Raising working capital
24 January 1984	Ho Tak Fai	1. Wong Ching Yee 2. Ho Duen 3. Ho Ching 4. Ho Shui 5. Ho Heung	4.16%	Nil	Transfer of shares of the deceased, Ho Tak Fai to his spouse, sons and daughter
18 March 1987	Wong Ching Yee	Lai Kwan Hin	0.83%	HK$13,000, which was determined with reference to the then par value of the shares and was settled on or around 18 March 1987	Wong Ching Yee's intention to realise her shareholdings in Sing Fat Construction and Lai Kwan Hin's intention to increase his investment in Sing Fat Construction
5 May 1987	Cheung Shiu Fong	Liu Su Ke	0.43%	HK$6,700, which was determined with reference to the then par value of the shares of Sing Fat Construction and was settled on or around 5 May 1987	Cheung Shiu Fong's intention to realise her investment in Sing Fat Construction and Liu Su Ke's intention to increase his investment in Sing Fat Construction
16 January 1991	Lai Cheung	Lai Kwan Hin	8.83%	HK$185,895, which was not settled as the transfer was between family members	Transfer from father to son

Date of share transfer/share allotment	Transferor(s)	Transferee(s)/Relevant subscriber(s)	Relevant shareholding (approx.)/Increase in issued share capital	Consideration/ Total issue price	Reason of share transfer/ share allotment
25 March 1991	1. Ho Duen 2. Ho Ching 3. Ho Shui 4. Ho Heung 5. Kwan Fun Kun 6. Liu Tat Hung 7. Fung Yu Kwan	Liu Su Ke	25.94%	HK$546,210, which was determined with reference to the then par value of the shares and the then net assets value of Sing Fat Construction and were settled on or around 25 March 1991	Migration plan and the intention to realise their shareholding in Sing Fat Construction of Ho Duen, Ho Ching, Ho Shui and Ho Heung and the intention of Kwan Fun Kun, Liu Tat Hung and Fung Yu Kwan to realise their investments in Sing Fat Construction
17 March 1992	N/A	1. Kan Man Hoo *(Note 3)* 2. Lai Kwan Hin 3. Liu Su Ke 4. Ho Fung Chun 5. Chan Lo Kin *(Note 4)* 6. Hui Siu Ling *(Note 4)* 7. Yau Shik Fan, Eddy *(Note 5)*	8,400 shares with a par value of HK$100 each *(Note 6)*	HK$840,000, which was determined with reference to the then par value of the shares of Sing Fat Construction and was settled on or around 17 March 1992	Raising working capital and to recruit Kan Man Hoo, Yau Shik Fan, Eddy, Chan Lo Kin (an executive Director), all being experienced personnel in the construction industry to join Sing Fat Construction
2 April 1992	Liu Su Ke	1. Chan Lo Kin 2. Hui Siu Ling 3. Yau Shik Fan, Eddy	8.96%	HK$215,000, which was determined with reference to the then par value of the shares and were settled on or around 2 April 1992	Providing more work incentive to Chan Lo Kin and Yau Shik Fan, Eddy
28 April 1992	1. Lai Shuet Fong 2. Lai Kwan Yim	Kan Man Hoo	6.49%	HK$155,700, which was determined with reference to the then par value of the shares and was settled on or around 28 April 1992	Migration plan and the intention to realise their investments in Sing Fat Construction of Lai Kwan Yim and Lai Shuet Fong and to provide more work incentive to Kan Man Hoo
1. 21 February 1994 2. 8 November 1996	N/A	1. Liu Su Ke 2. Kan Man Hoo 3. Lai Kwan Hin 4. Ho Fung Chun 5. Yau Shik Fan, Eddy 6. Chan Lo Kin 7. Hui Siu Ling	66,000 shares with a par value of HK$100 each *(Note 7)*	HK$6,600,000, which was determined with reference to the then par value of the shares of Sing Fat Construction and was settled on or around the relevant date of share allotment	Raising working capital
30 January 2001	Kun Siew Chun	Lai Kwan Hin	0.44%	Nil	Transfer of shares of the deceased, Kun Siew Chun to her son
30 January 2001	Kan Man Hoo	1. Kan Yiu Kwok 2. Kan Yiu Keung	22.22%	HK$2,000,000, which was not settled as the transfers were between family members	Transfer from father to sons
25 January 2005	Liu Su Ke	Liu Winson Wing Sun	5.55%	HK$500,000, which was not settled as the transfer was between family members	Transfer from father to son

Date of share transfer/share allotment	Transferor(s)	Transferee(s)/Relevant subscriber(s)	Relevant shareholding (approx.)/Increase in issued share capital	Consideration/ Total issue price	Reason of share transfer/ share allotment
1. 17 January 2007 2. 30 January 2007	1. Lai Kwan Hin 2. Yau Shik Fan Eddy 3. Kan Man Hoo 4. Hui Siu Ling 5. Ho Fung Chun 6. Liu Winson Wing Sun 7. Liu Su Ke 8. Kan Yiu Kwok 9. Kan Yiu Keung 10. Chan Lo Kin	ABO *(Note 8 & 9)*	99.55%	Nil	As part of an internal reorganisation among the shareholders of Sing Fat Construction

Upon the abovementioned share transfers, the shareholding structure of Sing Fat Construction was as follows:–

Name of shareholder	No. of shares	Shareholding percentage (approximately)
ABO (as trustee) *(Note 8 & 9)*	89,594	99.55%
Lam Ming	400	0.44%
Chan Lo Kin	2	0.002%
Kan Yiu Kwok	2	0.002%
Kan Yiu Keung	2	0.002%
	90,000	100.00%

Notes:–

1. Kwan Fun Kun is an independent third party save for being a former shareholder of Sing Fat Construction.

2. After the share allotments, the shareholding structure of Sing Fat Construction was as follows:–

Name of shareholder	No. of shares	Shareholding percentage (approximately)
Liu Su Ke	5,357	34.34%
Lai Cheung	1,377	8.83%
Ho Fung Chun	1,250	8.01%
Ho Duen	1,105	7.08%
Lai Kwan Hin	1,016	6.51%
Lai Kwan Yim	950	6.09%
Liu Tat Hung	950	6.09%
Ho Tak Fai	649	4.16%
Lai Shuet Fong	607	3.89%
Lam Ming	400	2.56%
Kun Siew Chun	400	2.56%
Ho Ching	398	2.55%
Ho Shui	398	2.55%
Ho Heung	398	2.55%
Kwan Fun Kun	261	1.67%
Cheung Shiu Fong	67	0.43%
Fung Yu Kwan	17	0.11%
	15,600	100.00%

3. Mr. Kan Man Hoo is a director of Sing Fat Construction, a Controlling Shareholder and the father of Mr. Kan Yiu Keung and Mr. Kan Yiu Kwok. Mr. Kan Yiu Keung and Mr. Kan Yiu Kwok are both Controlling Shareholders. Mr. Kan Yiu Kwok is a non-executive Director and Mr. Kan Yiu Keung is an executive Director and the chief executive officer of our Company.

4. Mr. Chan Lo Kin is an executive Director and a Controlling Shareholder and Ms. Hui Siu Ling is his spouse.

5. Mr. Yau Shik Fan, Eddy is a Controlling Shareholder.

6. Upon the share allotments, the shareholding structure of Sing Fat Construction was as follows:–

Name of shareholder	No. of shares	Shareholding percentage (approximately)
Liu Su Ke	11,325	47.19%
Kan Man Hoo	5,280	22.00%
Lai Kwan Hin	3,108	12.95%
Ho Fung Chun	1,500	6.25%
Lai Kwan Yim	950	3.96%
Lai Shuet Fong	607	2.53%
Kun Siew Chun	400	1.67%
Lam Ming	400	1.67%
Yau Shik Fan, Eddy	230	0.96%
Chan Lo Kin	100	0.42%
Hui Siu Ling	100	0.42%
	24,000	100.00%

7. Upon the share allotments, the shareholding structure of Sing Fat Construction was as follows:–

Name of shareholder	**No. of shares**	**Shareholding percentage (approximately)**
Liu Su Ke	35,466	39.41%
Kan Man Hoo	25,754	28.62%
Lai Kwan Hin	12,612	14.01%
Ho Fung Chun	5,650	6.28%
Yau Shik Fan, Eddy	5,198	5.78%
Chan Lo Kin	2,260	2.51%
Hui Siu Ling	2,260	2.51%
Kun Siew Chun	400	0.44%
Lam Ming	400	0.44%
	90,000	100.00%

8. As at 17 January 2007 and 30 January 2007, ABO was owned as to approximately 40.31% by Liu Su Ke, approximately 14.52% by Lai Kwan Hin, approximately 11.16% by Kan Yiu Keung, approximately 11.16% by Kan Yiu Kwok, approximately 6.42% by Kan Man Hoo, approximately 5.58% by Liu Winson Wing Sun, approximately 5.81% by Yau Shik Fan, Eddy and approximately 5.04% by Chan Lo Kin.

9. (i) As evidenced by a declaration of trust executed by ABO in favour of Liu Su Ke dated 30 January 2007, ABO held approximately 33.85% shareholding in Sing Fat Construction on trust for Liu Su Ke. As evidenced by a declaration of trust executed by ABO in favour of Ho Fung Chun dated 30 January 2007, ABO held approximately 6.28% shareholding in Sing Fat Construction on trust for Ho Fung Chun. As evidenced by a declaration of trust executed by Ho Fung Chun in favour of Liu Su Ke dated 30 January 2007, Ho Fung Chun held approximately 6.28% shareholding in Sing Fat Construction on trust for Liu Su Ke.

   (ii) As evidenced by a declaration of trust executed by ABO in favour of Lai Kwan Hin dated 17 January 2007, ABO held approximately 14.46% shareholding in Sing Fat Construction on trust for Lai Kwan Hin.

   (iii) As evidenced by a declaration of trust executed by ABO in favour of Kan Yiu Kwok dated 30 January 2007, ABO held approximately 11.11% shareholding in Sing Fat Construction on trust for Kan Yiu Kwok.

   (iv) As evidenced by a declaration of trust executed by ABO in favour of Kan Yiu Keung dated 30 January 2007, ABO held approximately 11.11% shareholding in Sing Fat Construction on trust for Kan Yiu Keung.

   (v) As evidenced by a declaration of trust executed by ABO in favour of Kan Man Hoo dated 30 January 2007, ABO held approximately 6.39% shareholding in Sing Fat Construction on trust for Kan Man Hoo.

   (vi) As evidenced by a declaration of trust executed by ABO in favour of Yau Shik Fan, Eddy dated 17 January 2007, ABO held approximately 5.78% shareholding in Sing Fat Construction on trust for Yau Shik Fan, Eddy.

   (vii) As evidenced by a declaration of trust executed by ABO in favour of Liu Winson Wing Sun dated 30 January 2007, ABO held approximately 5.56% shareholding in Sing Fat Construction on trust for Liu Winson Wing Sun.

(viii) As evidenced by a declaration of trust executed by ABO in favour of Chan Lo Kin dated 30 January 2007, ABO held approximately 2.51% shareholding in Sing Fat Construction on trust for Chan Lo Kin. As evidenced by a declaration of trust executed by ABO in favour of Hui Siu Ling dated 30 January 2007, ABO held approximately 2.51% shareholding in Sing Fat Construction on trust for Hui Siu Ling. As evidenced by a declaration of trust executed by Hui Siu Ling in favour of Chan Lo Kin dated 30 January 2007, Hui Siu Ling held approximately 2.51% shareholding in Sing Fat Construction on trust for Chan Lo Kin.

As part of the Reorganisation, on 8 October 2014, ABO acquired (i) an aggregate of 89,594 shares, representing approximately 99.55% of the issued share capital of Sing Fat Construction from Mr. Kan Man Hoo, Mr. Liu Winson Wing Sun, Mr. Liu Su Ke, Mr. Yau Shik Fan Eddy, Mr. Lai Kwan Hin, Mr. Chan Lo Kin, Mr. Kan Yiu Kwok and Mr. Kan Yiu Keung (the "Existing Shareholders"), and in consideration for which ABO allotted and issued an aggregate of 44,797 shares, credited as fully paid, to the Existing Shareholders; and (ii) 2 shares, 2 shares and 2 shares of Sing Fat Construction from Mr. Chan Lo Kin, Mr. Kan Yiu Kwok and Mr. Kan Yiu Keung, respectively, and in consideration for which ABO allotted and issued 2 shares, 2 shares and 2 shares, all credited as fully paid, to each of Mr. Chan Lo Kin, Mr. Kan Yiu Kwok and Mr. Kan Yiu Keung. Upon completion of the aforesaid share transfers, ABO held approximately 99.56% of the issued share capital of Sing Fat Construction and Sing Fat Construction became a non-wholly owned subsidiary of ABO. The shareholding structure of ABO upon completion of the aforesaid share transfers is as follows:–

Name of shareholder	No. of shares	Shareholding percentage (approximately)
Liu Su Ke	36,116	40.31%
Lai Kwan Hin	13,012	14.52%
Kan Yiu Kwok	10,000	11.16%
Kan Yiu Keung	10,000	11.16%
Kan Man Hoo	5,754	6.42%
Yau Shik Fan, Eddy	5,198	5.80%
Liu Winson Wing Sun	5,000	5.58%
Chan Lo Kin	4,520	5.04%
	89,600	100.00%

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 executed a confirmatory deed dated 7 October 2014, pursuant to which 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 acknowledged, confirmed and agreed among each of them that during the period from the date on which they have become a shareholder of the Company, ABO and Sing Fat Construction or the date of incorporation of the Company, ABO and Sing Fat Construction, whichever the later, and until the date of Listing or the date that the deed is terminated by them in writing, whichever the earlier:–

(a) they have acted and shall continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of each of the Company, ABO and Sing Fat Construction;

(b) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Company, ABO and Sing Fat Construction;

(c) they have casted and shall continue to cast unanimous vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of the Company, ABO and Sing Fat Construction; and

(d) they have cooperated and shall continue to cooperate with each another to obtain and maintain and consolidate control and the management of the Company, ABO and Sing Fat Construction.

Disposal of properties

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 (the "Disposal") 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 the Office Premises 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. For further details of the Disposal and the abovementioned lease arrangement, please refer to the sections headed "Business – Property interests" and "Continuing Connected Transactions" of this [REDACTED].

BUSINESS DEVELOPMENT

The following are important milestones in the history of our business development to date:

1960 – 1992	• Sing Fat Construction was incorporated in Hong Kong on 8 February 1960. • Sing Fat Construction was admitted to the list of approved contractor for public works of the Government in Group B (Buildings) with probationary status in October 1968. • Prior to 1992, Sing Fat Construction was principally engaged in new works projects for construction of buildings, schools, factories and public facilities in Hong Kong. We also carried out minor improvement works for building facilities as part of our ancillary business. • Sing Fat Construction was admitted to the Housing Authority's contractor list under the Building (Maintenance) Group M1 (probationary status) category in May 1991 which enabled Sing Fat Construction to tender for Housing Authority contracts for building maintenance and renovation works.
1992	• In order to capture the growing business opportunities for building maintenance for ageing buildings in Hong Kong, we strategically positioned ourselves as a main contractor in the building maintenance and renovation contracting services industry in Hong Kong. In July 1992, we commenced our first building maintenance project with the Housing Authority in respect of improvement of water supply system in a public housing estate.
1993	• We were awarded our first term contract by the Housing Authority for maintenance and repair of a public housing estate with a contract value of HK$55 million. • We have received a certificate of achievement from HKQAA for our integrated management system's current compliance with ISO 9001:2008 (quality management). Sing Fat Construction was promoted to the Housing Authority's contractor list under the Building (Maintenance) Group "M2" (probationary status) in August 1993 which enabled Sing Fat Construction to tender for Housing Authority contracts for building maintenance and renovation works for more tendering opportunities.

1996

- Sing Fat Construction was admitted to the Housing Authority's contractor list under the Building (Maintenance) Group M2 (confirmed status) category in February 1996 which enabled Sing Fat Construction to tender for Housing Authority contracts for building maintenance and renovation works for unlimited value.

1997

- In recognition of our effort in safety compliance, we won award for the Best Maintenance Works Contractor and award for the Best Maintenance Works Site (Bronze Award) in the Site Safety Campaign organised by the Housing Authority.
- We were awarded our first non-residential maintenance project by the Housing Authority for improvement works of a shopping centre with a contract value of HK$95.3 million.

1998

- We were awarded by the Housing Authority our first regional term maintenance contract with a contract value of HK$350 million.

1999

- Sing Fat Construction was registered as a general building contractor in November 1999.

2000

- Sing Fat Construction was registered as a specialist contractor under the category of demolition works in May 2000.

2001

- Sing Fat Construction was admitted by the Housing Authority as a Quality Maintenance Contractor in March 2001 that enabled us to enjoy more tendering opportunities for the Government's district term contracts.

2002 – 2005

- We were awarded a contract for building maintenance, repair and improvement works for an education institution and the project commenced in April 2002.

- In September 2003, we commenced our first private sector project in respect of external wall repair works of 38 residential towers of a private residential estate with a contract value of approximately HK$73.7 million.

- In recognition of our quality service, we won the Outstanding Contractor Award under the Quality Public Housing Construction & Maintenance Awards District Term Contract Category granted by the Housing Authority for four consecutive years:

  – In 2002, we won the Outstanding Contractor Award – Silver Award.

  – In 2003, we won the Outstanding Contractor Award – Gold Award.

  – In 2004, we won the Outstanding Contractor Award – Gold Award for the second time.

  – In 2005, we won the Outstanding Contractor Award – Silver Award for the second time.

2007

- We have received a certificate of achievement from HKQAA for our integrated management system's current compliance with ISO 14001:2004 (environmental management).

- We won the Outstanding Contractor Award – Silver Award under the Quality Public Housing Construction & Maintenance Awards District Term Contract Category granted by the Housing Authority for the third time.

2007 – 2008

- In recognition of our effort in safety compliance, we won the Bronze Award for the Construction Industry Safety Award Scheme under the Renovation and Maintenance Works (Shatin District) category granted by the Labour Department.

2008 – 2011

- In 2008, we have received a certificate of achievement from HKQAA for our integrated management system's current compliance with OHSAS 18001:2007 (occupational health and safety management) standards.

- We won the Outstanding Contractor Awards under the Quality Public Housing Construction & Maintenance Awards District Term Contract Category granted by the Housing Authority for another four consecutive years:

  – In 2008, we won the Outstanding Contractor Award – Gold Award for the third time.

  – In 2009, we won the Outstanding Contractor Award – Silver Award for the fourth time.

  – In 2010, we won the Outstanding Contractor Award – Bronze Award.

  – In 2011, we won the Outstanding Contractor Award – Silver Award for the fifth time.

2011 – 2012

- We won the Silver Award for the Construction Industry Safety Award Scheme under the Renovation and Maintenance Works (Tuen Mun District) category granted by the Labour Department.

2012

- Sing Fat Construction was registered as a minor works contractor in October 2012.

- Further, we won the Bronze Award for Oustanding Maintenance & Improvement Project in the Quality Public Housing Construction & Maintenance Awards 2012.

2013

- We won the Outstanding Contractor Award – Silver Award under the Quality Public Housing Construction & Maintenance Awards District Term Contract Category granted by the Housing Authority for the sixth time.

2014

- Leveraging on our experience in the industry, in view of the Government's measures on revitalisation of industrial buildings (details of which are set out in the section headed "Industry Overview – Growth drivers for building maintenance and renovation contracting service in Hong Kong" which will become one of the driving force in the industry in Hong Kong, we further widened our spectrum of services by embarking on renovation projects involving conversion of industrial buildings from industrial use to hotel or hostel use. In October 2014, we have been awarded a renovation contract with a contract value of approximately HK$360 million for conversion of industrial buildings from industrial use to hotel use. The renovation project is expected to commence in November 2014.

- Our Company was incorporated to act as the holding company of all the equity interests of our Group after the corporate restructuring pursuant to the Reorganisation.

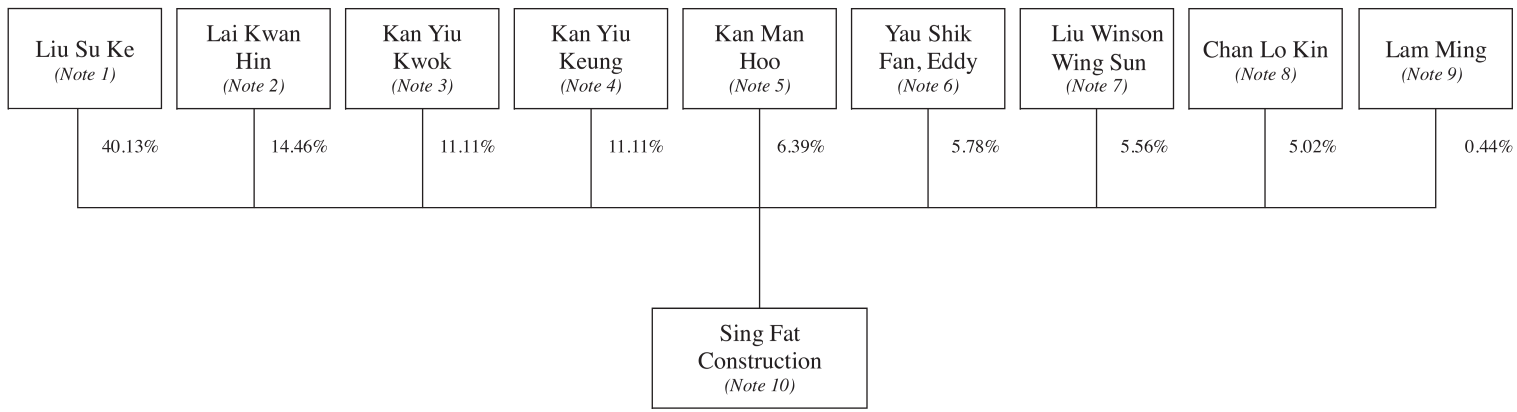
REORGANISATION

Our Company completed the Reorganisation on [●] 2014 in preparation for the Listing, pursuant to which our Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to this [REDACTED].

As confirmed by our Directors, the change of shareholdings in Sing Fat Construction, being the subsidiary of our Company incorporated in Hong Kong, under the Reorganisation would not require any approval or permit from any relevant government authorities in Hong Kong.

OUR GROUP STRUCTURE

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:



Notes:–

(1) As evidenced by a declaration of trust executed by ABO in favour of Mr. Liu Su Ke dated 30 January 2007, ABO held approximately 33.85% shareholding in Sing Fat Construction on trust for Mr. Liu Su Ke. As evidenced by a declaration of trust executed by ABO in favour of Ms. Ho Fung Chun dated 30 January 2007, ABO held approximately 6.28% shareholding in Sing Fat Construction on trust for Ms. Ho Fung Chun. As evidenced by a declaration of trust executed by Ms. Ho Fung Chun in favour of Mr. Liu Su Ke dated 30 January 2007, Ms. Ho Fung Chun held approximately 6.28% shareholding in Sing Fat Construction on trust for Mr. Liu Su Ke.

(2) As evidenced by a declaration of trust executed by ABO in favour of Mr. Lai Kwan Hin dated 17 January 2007, ABO held approximately 14.46% shareholding in Sing Fat Construction on trust for Mr. Lai Kwan Hin.

(3) As evidenced by a declaration of trust executed by ABO in favour of Mr. Kan Yiu Kwok dated 30 January 2007, ABO held approximately 11.109% shareholding in Sing Fat Construction on trust for Mr. Kan Yiu Kwok. Approximately 0.002% shareholding in Sing Fat Construction was held directly by Mr. Kan Yiu Kwok.

(4) As evidenced by a declaration of trust executed by ABO in favour of Mr. Kan Yiu Keung dated 30 January 2007, ABO held approximately 11.109% shareholding in Sing Fat Construction on trust for Mr. Kan Yiu Keung. Approximately 0.002% shareholding in Sing Fat Construction was held directly by Mr. Kan Yiu Keung.

(5) As evidenced by a declaration of trust executed by ABO in favour of Mr. Kan Man Hoo dated 30 January 2007, ABO held approximately 6.39% shareholding in Sing Fat Construction on trust for Mr. Kan Man Hoo.

(6) As evidenced by a declaration of trust executed by ABO in favour of Mr. Yau Shik Fan, Eddy dated 17 January 2007, ABO held approximately 5.78% shareholding in Sing Fat Construction on trust for Mr. Yau Shik Fan, Eddy.

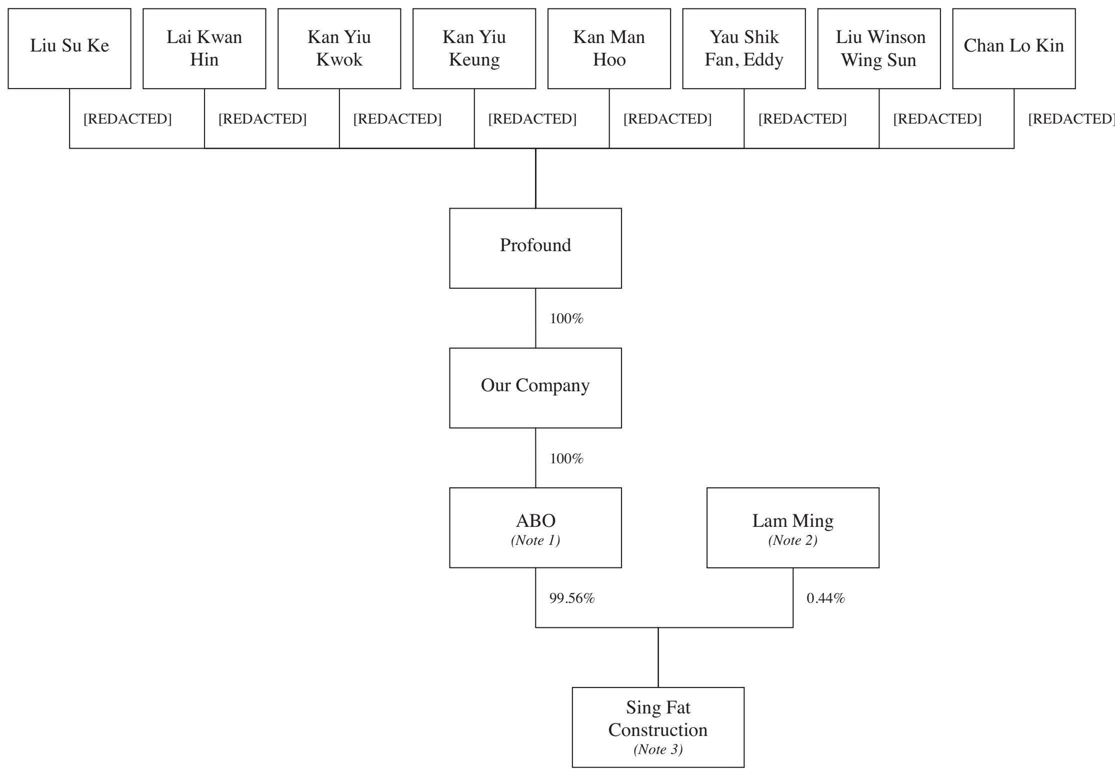
(7) As evidenced by a declaration of trust executed by ABO in favour of Mr. Liu Winson Wing Sun dated 30 January 2007, ABO held approximately 5.56% shareholding in Sing Fat Construction on trust for Mr. Liu Winson Wing Sun.

(8) As evidenced by a declaration of trust executed by ABO in favour of Mr. Chan Lo Kin dated 30 January 2007, ABO held approximately 2.509% shareholding in Sing Fat Construction on trust for Mr. Chan Lo Kin. Approximately 0.002% shareholding in Sing Fat Construction was held directly by Mr. Chan Lo Kin. As evidenced by a declaration of trust executed by ABO in favour of Ms. Hui Siu Ling dated 30 January 2007, ABO held approximately 2.51% shareholding in Sing Fat Construction on trust for Ms. Hui Siu Ling. As evidenced by a declaration of trust executed by Ms. Hui Siu Ling in favour of Mr. Chan Lo Kin dated 30 January 2007, Ms. Hui Siu Ling held approximately 2.51% shareholding in Sing Fat Construction on trust for Mr. Chan Lo Kin.

(9) Mr. Lam has deceased and will remain as a minority shareholder of Sing Fat Construction upon completion of the Reorganisation and following the Listing. To the best of our Directors’ knowledge, information and belief having made, reasonable enquiries, Mr. Lam Ming is an independent third party save for his approximately 0.44% shareholding in Sing Fat Construction.

(10) Sing Fat Construction was a building maintenance and renovation service provider in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Sing Fat Construction holds approximately 4.02% shareholding interest in a company incorporated in Hong Kong, which engages in insurance underwriting business.

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [REDACTED]:



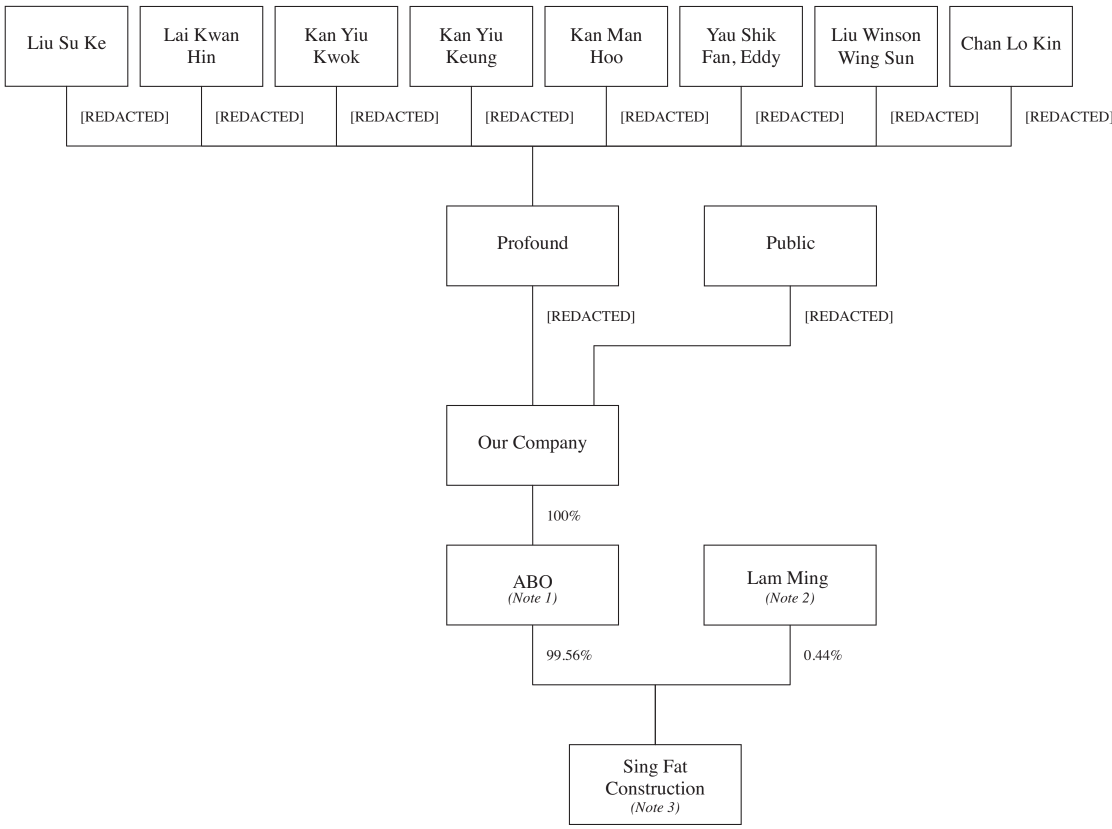
Notes:–

(1) ABO is an investment holding company.

(2) Mr. Lam Ming has deceased and will remain as a minority shareholder of Sing Fat Construction upon completion of the Reorganisation and following the Listing. To the best of our Directors' knowledge, information and belief having made reasonable enquiries, Mr. Lam Ming is an independent third party save for his approximately 0.44% shareholding in Sing Fat Construction.

(3) Sing Fat Construction is a building maintenance and renovation service provider in Hong Kong. Sing Fat Construction holds approximately 4.02% shareholding interest in a company incorporated in Hong Kong, which engages in insurance underwriting business.

The following diagram sets out the corporate structure of our Group after completion of the Reorganisation and immediately after completion of the [REDACTED]:



Notes:–

(1) ABO is an investment holding company.

(2) Mr. Lam Ming has deceased and will remain as a minority shareholder of Sing Fat Construction upon completion of the Reorganisation and following the Listing. To the best of our Directors' knowledge, information and belief having made reasonable enquiries, Mr. Lam Ming is an independent third party save for his approximately 0.44% shareholding in Sing Fat Construction.

(3) Sing Fat Construction is a building maintenance and renovation service provider in Hong Kong. Sing Fat Construction holds approximately 4.02% shareholding interest in a company incorporated in Hong Kong, which engages in insurance underwriting business.

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. 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 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.

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 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. During the Track Record Period, we derived approximately 68.9%, 68.8% and 66.9% of our revenue from carrying out building maintenance services for the three financial years ended 30 June 2014, respectively. Approximately 31.1%, 31.2% and 33.1% of our revenue was derived from provision of renovation services for the three financial years ended 30 June 2014 respectively.

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.

For all of our contracts, we act as the main contractor and delegate works to our subcontractors under close supervision of and management by 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 services respectively. 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 also implement procedures for maintaining a high standard of occupational health, safety, environment and quality control. We have received a certificate of achievement from HKQAA for our integrated management system's current compliance with ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Our commitment to maintaining an effective occupational health, safety and environmental management system enables our Group to constantly meet the requirements of our customers who take compliance of workplace safety and environmental compliance very seriously as assessment criteria for their service providers.

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.

COMPETITIVE STRENGTHS

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

Established reputation and proven track record

We completed over 200 projects in Hong Kong since 1992. 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 2013. We have established reputation as a dedicated contractor achieving customer satisfaction, quality of work and cost control which in turn enables our Company to gain confidence from our customers and therefore increase the opportunities of winning new projects from customers. We believe that our proven track record and our ability to deliver our jobs on time and to the satisfaction of our customers are the crucial factors to our success in the industry. 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 DTC 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 for public housing estates, public facilities and other public properties in Hong Kong pursuant to 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. Our significant market share in the DTC market also allows our Company to gain trust of our existing customers and attract potential customers. This in turn will continue to drive the competitiveness of our Group. In addition, our Group has also received a number of awards from the Housing Authority in recognition of our service quality. For details relating to the awards granted to our Group, please refer to the paragraph headed "Awards and accreditation" of this section.

Diverse experience and capabilities

Our Group has established ourselves as a well-recognised main contractor to carry out a variety of building maintenance and renovation projects ranging from 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 building maintenance and renovation projects undertaken by our Group, we are well-positioned to expand our scope of services and integrate our existing services to customise solutions that meet our customers' requirements at a competitive pricing and reasonable cost.

Stable relationships with our key customers and subcontractors

We have established stable business relationships with our key customers and the longest of which is over 25 years. Among our five largest customers (in terms of revenue) during the Track Record Period, we have been providing services to them for a period ranging from 1 to 25 years and a majority of such periods being over 5 years. We believe that our comprehensive service range, quality management and on-time service delivery are our key edges in maintaining long term relationships with our customers. Having good and stable business relationship with customers in the building maintenance and renovation contracting service industry is especially important because good relationships with customers can open doors for job referrals from customers who are satisfied with our work quality. This in turn allows our Group to win new projects.

Subcontracting is commonplace in the building maintenance and renovation contracting service industry in Hong Kong as it minimises the number of employees employed directly by main contractors, increases labour mobility and brings about cost efficiency. As such, maintaining good relations with our subcontractors is crucial. We have established long-term business relationship with our subcontractors who are closely monitored and supervised by us. Please refer to the paragraph headed "Control over subcontractors" in this section for our internal control measures over our subcontractors. Our five largest subcontractors (in terms of costs of services) during the Track Record Period have maintained business relationship with us for a period ranging from 2 years to 12 years. Through our past dealings with our subcontractors, we have acquired sufficient appreciation of their expertise and strengths for maintaining our internal list of approved subcontractors that are able to meet our safety and quality standards.

Experienced management team

Our management team has extensive industry knowledge and project management experience in building maintenance and renovation works. Our executive Directors, namely Mr. Kan Yiu Keung and Mr. Chan Lo Kin, have over 29 and 36 years of experience in building maintenance and renovation contracting service industry, respectively. Mr. Liu Winson Wing Sun, our executive Director, has over 12 years of experience in building maintenance and renovation contracting service industry. As at the Latest Practicable Date, a majority of our senior management team have either received tertiary education or above or professional qualifications such as professional engineers. Further details of the qualification and experience of our Directors are set out in the section headed "Directors, senior management and staff" of this [REDACTED]. Their qualifications and experience facilitate the formulation of competitive tenders, which are essential to us in securing new business, and in carrying out efficient and timely implementation and management of project works. Our Directors believe that the combination of our management and technical teams' collective expertise and knowledge of the industry, together with our highly qualified employees, have been and will continue to be our Group's valuable assets.

Our commitment to maintaining safety standard, quality control and environmental protection

We recognise the importance of safety, quality and environmental controls as they can directly affect our reputation, our service quality and our profitability. We have established and implemented an integrated management system for safety, environment and quality management. We have received a certificate of achievement from HKQAA for our integrated management system's current compliance with the ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Our Directors believe that our effective occupational health and safety management system would help reduce our exposure to these claims and improve our overall service quality and overall profitability. Furthermore, our customers emphasise workplace safety and environmental compliance as assessment criteria for their services providers. Thus, our good compliance track record and management system increases our ability us to secure new contracts from our customers.

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 this by implementing the following corporate strategies:

Continue to strengthen our market position in the industry and expand our market share in Hong Kong

We plan to strengthen our position in the industry by improving our services to meet the rising demands of our customers. During the Track Record Period, revenue from the Government sector contributed the largest part of our revenue. Our Directors consider that there is much room for our business expansion and market penetration in the private sector. There are various subsidies and assistance schemes provided by the Government to support private property owners who wish to undertake building rehabilitation. Such schemes include Mandatory Building Inspection Scheme, Mandatory Window Inspection Scheme, Mandatory Building Inspection Subsidy Scheme, 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 private 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 increasing public awareness of the importance of building safety, 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. 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. Furthermore, the Government's policy on mandatory replacement of laundry pole holders (clothes-drying racks commonly known as "three joss sticks") to stainless steel laundry clothes-drying racks, which better conform with safety standards for households living in public housing estates in Hong Kong, will generate more tendering opportunities and demand for our renovation services. In view of the above, we will continue to leverage on our experience in the industry to explore the market in the private sector so as to solidify our market position in the industry and expand our market share in Hong Kong. Our Directors confirm that our Company has no immediate intention to expand our market share by acquisition.

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.

We plan to finance the expenditure for the above new projects and future projects by the proceeds from the [REDACTED] within 24 months after the Listing, details of the allocation on use of proceeds are set out in the section headed "Future plans and use of proceeds" of this [REDACTED]. If there is deficiency in funding, such expenditure would be financed by our internal resources.

Expand our renovation service capacity to cover industrial building projects

Leveraging on our experience in the building maintenance and renovation contracting service industry, we plan to further widen our spectrum of renovation services by embarking on renovation projects involving conversion of industrial buildings from industrial use to hotel or hostel use. According to the Ipsos Report, revitalisation measures have been imposed by the Government to facilitate the redevelopment and wholesale conversion of older industrial buildings with a purpose of providing more floor space for suitable uses such as hotels, office or data centres to meet Hong Kong's changing social and economic needs. Pursuant to the 2013 Policy Address, further refinements to the revitalisation measures were introduced to address certain difficulties and problems faced by applicants of wholesale conversion and redevelopment of industrial buildings. In the 2014 Policy Address, the Government announced that plans to revitalise industrial buildings will be continued in order to increase the housing supply by conducting a new round of area assessments of industrial land. Moreover, offices and hotels in particular will re-use old industrial buildings to accommodate the growing demand. Therefore, it is expected that revitalisation of industrial buildings will become one of the driving force in the building maintenance and renovation contracting service industry in Hong Kong. During the Track Record Period, we have commenced a renovation project involving conversion of factory units to hostel and completion of project is expected to take place in December 2014. In October 2014, we have been awarded a renovation contract with a contract value of approximately HK$360 million for conversion of an industrial building in Hong Kong from industrial use to hotel use. The renovation project is expected to commence in November 2014. For purpose of such renovation project, we will also devote more resources for the design, mock-up, pre-assembling and fabrication of parts and components into a complete bathroom unit so as to customise our services to meet the customers' demand during the conversion process.

Riding on our operational resources and experience, we are well-positioned to diversify our servicing portfolio, capture new opportunities from growing demand for renovation services in the industrial sector and expand our customer base.

We plan to finance the expenditure for the abovementioned renovation project by the proceeds from the [REDACTED] for purchase of materials, machinery and equipment required for such project within 24 months after the Listing. Please refer to the section headed "Future plans and use of proceeds" of this [REDACTED] for details. If there is deficiency in funding, such expenditure would be financed by our internal resources.

Continue to increase our operational efficiency and enhance our quality of service

With our continuous growth in business scale and scope, we plan to upgrade our information technology and management systems which will enable us to analyse information and records of our financial, human resources, sales and customer relationship management and enhance our operational efficiency. In addition, we will continue to enhance our operational efficiency and cost control by following the controls and procedures relating to our subcontractors engagement and supervision of our subcontractors over material procurement, which allows us to maintain a stringent standard in the selection of approved suppliers and approved subcontractors. Besides, we will further enhance our competitiveness by further enhancing our quality of services, recruiting additional staff to solicit new customers, carry out project management, tighten our controls over quality, safety and environmental compliance and provide quality customer service for our expanded customer base, and continuously providing training to our staff in respect of, among other things, workplace safety, operational skills and management and supervisory skills over our subcontractors so as to raise our standard and quality of services. In addition, we will continue to proactively manage our current customer relations, expand our customer base and enhance customer loyalty.

We expect the expenditure for the above operational and information technology infrastructure will be financed by the proceeds from the [REDACTED] which is expected to be incurred within 12 months after the Listing. Please refer to the section headed "Future plans and use of proceeds" of this [REDACTED] for details.

Adhere to prudent financial management to ensure sustainable growth and capital sufficiency

We will continue to closely monitor our capital and cash positions, particularly our subcontracting fees which cover labour costs and material costs which have augmented in recent years. In the process of identifying and capturing emerging opportunities, we will continue to deploy our resources on a selective and prudent basis to focus on projects which are more profitable in nature. We will continue to focus on our internal control system to ensure adequate cash flow for our ongoing capital requirements, and to achieve maximum cost savings.

OUR BUSINESS OPERATIONS

Scope of services

During the three financial years ended 30 June 2012, 2013 and 2014, we derived approximately 68.9%, 68.8% and 66.9% of our revenue from carrying out building maintenance services for the three financial years ended 30 June 2014, respectively. Approximately 31.1%, 31.2% and 33.1% of our revenue was derived from carrying out renovation works for the three financial years ended 30 June 2014 respectively.

The following table sets out a breakdown of our revenue during the Track Record Period by the type of our services:

	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
Total:	602,641	100.0	601,426	100.0	600,392	100.0

Building maintenance services

Our maintenance services typically include general upkeep, restoration and improvement of existing facilities and facility components of buildings and surroundings. A large part of our building maintenance works is generated from maintenance works orders under DTCs with the Housing Authority which generally deal with maintenance, improvement and vacant flat refurbishment of public housing estates, public facilities and other public properties in Hong Kong. Apart from providing services to the public, we also provide building maintenance services to various private property management companies, universities, schools and other customers in the private sector. Examples of our maintenance services include re-roofing, external and internal wall refurbishment, floor rescreeding and retiling, spalling repair, repairing and replacing windows, door repairing, painting works, plumbing and drainage works covering areas such as public housing estates, public areas in public housing estates, private residential properties, shopping centres, markets, cook-food stalls and school campus.

For all major building maintenance contracts completed during the Track Record Period or contracts on hand as at the Latest Practicable Date, the contract period normally lasts for three years.

Contracts on hand

As at the Latest Practicable Date, we have 8 building maintenance contracts on hand (including contracts in progress and contracts which are yet to commence) with a total notional or estimated contract value of approximately HK$1,747 million, details of which are set out below:

Particulars of the contract	Category	Customer	Expected completion date *(Note 1)*	Estimated/ Notional contract value *(Note 2)*	Amount of revenue attributable to building maintenance services recognised during the Track Record Period *(Note 2)*
				(HK$'000)	*(HK$'000)*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	Housing Authority	November 2014	150,420	161,098 *(Note 2)*
Building maintenance works of a public housing estate in Hong Kong	Public	A public housing provider in Hong Kong	November 2014	2,431	478 *(Note 2)*
DTC for the maintenance, improvement and vacant flat refurbishment for a district in the New Territories, Hong Kong	Public	Housing Authority	December 2014	171,000	167,538 *(Note 2)*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	Housing Authority	February 2015	299,400	315,523 *(Note 2)*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in various districts in Hong Kong	Public	Housing Authority	June 2015	252,510	171,379 *(Note 2)*

Particulars of the contract	Category	Customer	Expected completion date *(Note 1)*	Estimated/ Notional contract value *(Note 2)*	Amount of revenue attributable to building maintenance services recognised during the Track Record Period *(Note 2)*
				(HK$'000)	*(HK$'000)*
Improvement works for a shopping centre in Hong Kong	Public	Housing Authority	December 2015	63,264	15,324 *(Note 2)*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in the New Territories, Hong Kong	Public	Housing Authority	March 2016	435,690	123,336 *(Note 2)*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	Housing Authority	June 2017	372,600	– *(Note 3)*
Total:				1,747,315	954,676

Notes:

1. Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of our Group.

2. Building maintenance works mainly comprise various number of works orders issued under the DTC. Contract value only represents the estimated amount of the works orders under the DTC whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by our Group as at 30 June 2014.

3. This DTC commenced in July 2014 and therefore no revenue was recorded during the Track Record Period.

Contracts completed

The following table sets forth the building maintenance projects that we have completed during the Track Record Period:

Particulars of the contract	Category	Customer	Year of completion	Estimated/ Notional contract value *(Note 2)* *(HK$'000)*	Amount of revenue attributable to building maintenance services recognised during the Track Record Period *(Note 2)* *(HK$'000)*
Term contract for in-flat maintenance services for various districts in Hong Kong	Public	Housing Authority	2011	36,000	1,544 *(Note 3)*
DTC for the maintenance, improvement and vacant flat refurbishment for public properties in Kowloon, Hong Kong	Public	Housing Authority	2011	100,500	1,077 *(Note 3)*
DTC for the maintenance and vacant flat refurbishment for a district in the New Territories, Hong Kong	Public	Housing Authority	2012	159,000	21,538 *(Note 3)*
External wall repair and associated works at a private residential estate in Hong Kong	Private	A property management company of a private real estate in Hong Kong	2012	29,141	20,351 *(Note 3)*
Lift lobbies maintenance at a private residential estate in Hong Kong	Private	A private property management company in Hong Kong	2012	24,725	20,726 *(Note 3)*
Repair works at a private residential estate in Hong Kong	Private	A private property management company in Hong Kong	2013	63,306	48,042 *(Note 3)*

Particulars of the contract	Category	Customer	Year of completion	Estimated/ Notional contract value *(Note 2)* *(HK$'000)*	Amount of revenue attributable to building maintenance services recognised during the Track Record Period *(Note 2)* *(HK$'000)*
Building maintenance works at a university in Hong Kong	Public	A university in Hong Kong	2013	8,833	7,671 *(Note 3)*
Term maintenance contract for shopping centres, carparks, markets and cook-food stalls in the New Territories, Hong Kong	Private	A major real estate management company in Hong Kong	2013	14,320	62,090 *(Note 4)*
DTC for the maintenance, improvement and vacant flat refurbishment for various districts in Hong Kong	Public	Housing Authority	2013	126,000	80,902 *(Note 3)*
Building maintenance works relating to renewing ceramic tiles to the building border and column of residential buildings at a private residential estate in Hong Kong	Private	A private property management company in Hong Kong	2013	7,510	7,509 *(Note 2)*
Term repair contract for the existing properties in a district in Kowloon, Hong Kong	Public	A statutory body responsible to facilitate the regeneration of the older urban areas of Hong Kong	2014	6,788	1,113 *(Note 2)*
Others *(Note 1)*		Miscellaneous customers	2011-2014	7,672	3,944
Total				583,795	276,507

Notes:

1. There are approximately 5, 6 and 3 projects which were ongoing and are grouped under the category "Others" during the three financial years ended 30 June 2012, 2013 and 2014, respectively.

2. Building maintenance works mainly comprise various number of works orders issued during the period of the DTC. Contract value only represents the estimated amount of the works orders under the DTC whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by our Group as at 30 June 2014.

3. The contract value is greater than the amount of revenue recognised during the Track Record Period because a portion of the revenue has been recognised before the Track Record Period.

4. The amount of work orders issued under the contract was substantially greater than the contract value initially estimated under the contract due to increase in this customer's budget towards this contract.

Renovation services

Similar to our building maintenance services, we provide renovation services to the Government, incorporated owners of private residential properties, private property management companies, universities and education institution, charitable organisations and other customers in the private sector. A large part of our renovation works is typically generated from renovation works orders under term contracts and lump sum renovation contracts which deal with renovation works such as alteration, upgrading and fitting-out works, changes in facilities configuration; fabrication, modification, removal, or installation of hardware and equipment; signs; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials; and other renovation works that upgrade the general condition of buildings and their facilities. Our renovation services cover areas such as hostels, factories, shopping centres, school campus, carparks and other common areas of public housing and private residential properties.

For all major renovation contracts completed during the Track Record Period or contracts on hand as at the Latest Practicable Date, the contract period normally ranges from 2 months to 36 months.

Contracts on hand

As at the Latest Practicable Date, we have 8 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with a total notional or estimated contract value of approximately HK$682.3 million, details of which are set out below.

Particulars of the contract	Category	Customer	Expected completion date *(Note 1)*	Estimated/ Notional contract value *(Note 2)*	Amount of revenue attributable to renovation services recognised during the Track Record Period *(Note 2)*
				(HK$'000)	*(HK$'000)*
Renovation works at a hostel of a charitable organisation in Hong Kong	Public	A charitable organisation in Hong Kong	October 2014	31,278	17,267 *(Note 2)*
Demolition and spalling works in respect of an industrial building in Hong Kong	Private	A private company incorporated in Hong Kong	October 2014	3,500	600 *(Note 2)*
Building renovation works at an industrial building in Hong Kong	Private	A private company incorporated in Hong Kong	December 2014	15,511	4,653 *(Note 2)*
Renovation works at a high-end residential estate in Hong Kong	Public	An incorporation of the property owners of a high-end residential estate in Repulse Bay, Hong Kong	February 2015	131,658	103,744 *(Note 2)*
Renovation term contract for buildings of an education institution in Hong Kong	Public	An education institution	March 2015	57,461	112,567 *(Note 3)*
Renovation term contract for buildings of an education institution in Hong Kong	Public	An education institution	March 2015	57,461	129,978 *(Note 3)*
Renovation and conversion of an industrial building from industrial use to hotel use located in the New Territories, Hong Kong	Private	A private company incorporated in Hong Kong	May 2016	360,000	– *(Note 4)*

Particulars of the contract	Category	Customer	Expected completion date *(Note 1)*	Estimated/ Notional contract value *(Note 2)*	Amount of revenue attributable to renovation services recognised during the Track Record Period *(Note 2)*
				(HK$'000)	*(HK$'000)*
Renovation contract for redecoration of a public housing estate	Public	Housing Authority	June 2016	25,389	– *(Note 5)*
Total:				682,258	368,810

Notes:

1. Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of our Group.

2. The contract value of a renovation contract only represents the estimated amount of works to be performed under the contract whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by our Group under the contract as at 30 June 2014.

3. The renovation contract with this customer comprise various number of renovation works orders issued during the period of the contract. Contract value only represents the estimated amount of the works orders under the contract whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by our Group as at 30 June 2014. The amount of renovation works orders issued under the contract was substantially greater than the contract value initially estimated under the contract due to increase in the customer's budget towards this renovation contract.

4. This renovation contract is expected to commence in November 2014 and therefore no revenue was recorded during the Track Record Period.

5. This renovation contract is expected to commence in October 2014 and therefore no revenue was recorded during the Track Record Period.

Contracts completed

The following table sets forth the renovation projects that we have completed during the Track Record Period:

Particulars of the contract	Category	Customer	Year of completion	Estimated/ Notional contract value (Note 2) (HK$'000)	Amount of revenue attributable to renovation services recognised during the Track Record Period (Note 2) (HK$'000)
Fire safety improvement works for a shopping arcade in Hong Kong	Private	A private real estate management company in Hong Kong	2011	6,800	2,604 (Note 3)
Renovation term contract for buildings of an education institution in Hong Kong	Pubic	An education institution	2012	73,914	78,617 (Note 4)
Renovation term contract for buildings of an education institution in Hong Kong	Public	An education institution	2012	76,332	58,803 (Note 3)
Upgrading of electricity supply at a residential estate in Hong Kong	Public	A public housing provider in Hong Kong	2012	37,317	9,918 (Note 3)
Alterations and additions term contract for building works at a university in Hong Kong	Public	A university in Hong Kong	2012	8,218	1,245 (Note 3)
Addition of lift towers to a residential estate in Hong Kong	Public	Housing Authority	2013	37,648	37,497 (Note 2)
Others (Note 1)		Miscellaneous customers	2011-2014	22,055	15,782
Total:				262,274	204,466

Notes:

1. There are approximately 16, 9 and 5 projects which were ongoing and are grouped under the category "Others" during the three financial years ended 30 June 2012, 2013 and 2014, respectively.

2. The contract value of a renovation contract only represents the estimated amount of works to be performed under the contract whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by our Group under the contract as at 30 June 2014.

3. The contract value is greater than the amount of revenue recognised during the Track Record Period because a portion of the revenue has been recognised before the Track Record Period.

4. The renovation contract with this customer comprises various number of renovation works orders issued during the period of the contract. Contract value only represents the estimated amount of the works orders under the contract whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by our Group as at 30 June 2014. The amount of renovation works orders issued under the contract was greater than the contract value initially estimated under the contract due to increase in the customer's budget towards this renovation contract.

Summarised below is the table reconciling the aggregate contract value of the projects at the beginning and end of each year and contract value of new projects during the Track Record Period:

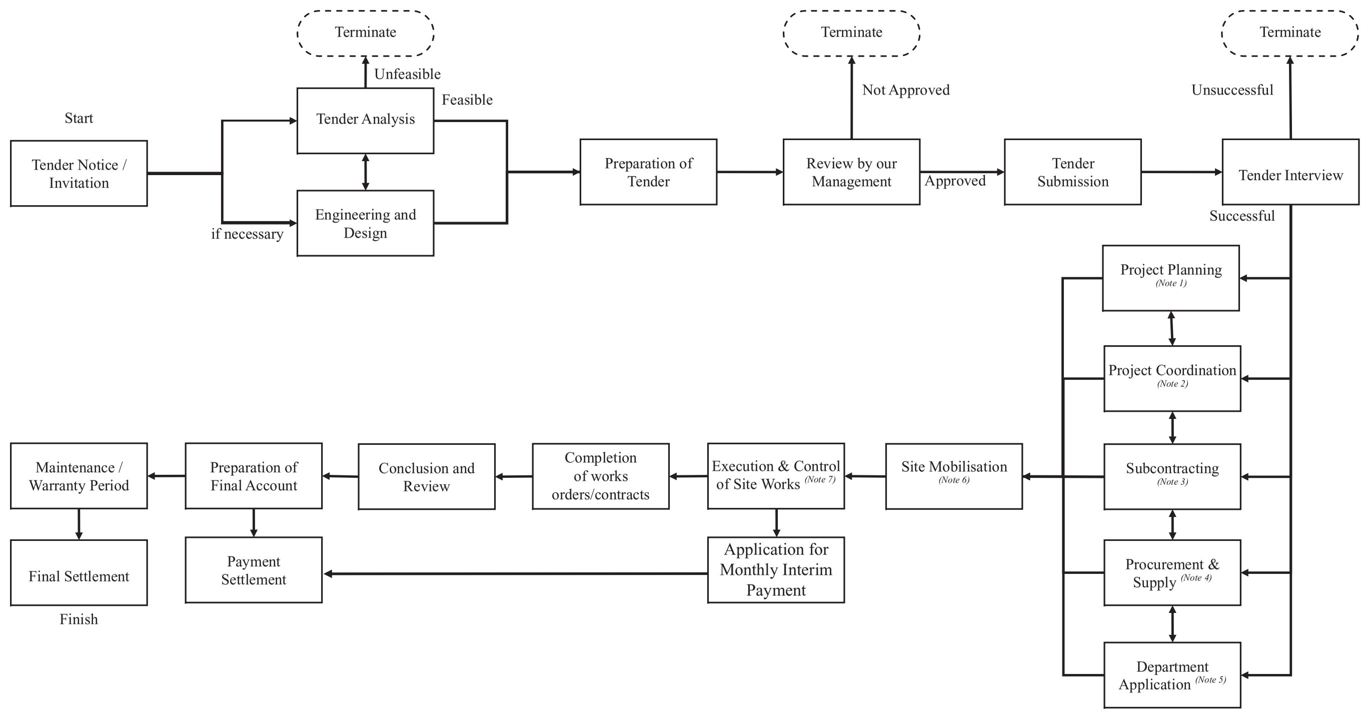
	Number of projects	**Estimated/ Notional contract value**
		HK$'000
As at 1 July 2011		
Existing projects	24	1,335,688
During the financial year		
Number of contracts completed	24	394,468
New contracts awarded	19	292,212
As at 30 June 2012		
Existing projects	19	1,233,433
During the financial year		
Number of contracts completed	13	113,088
New contracts awarded	14	705,986
As at 30 June 2013		
Existing projects	20	1,826,331
During the financial year		
Number of contracts completed	15	273,529
New contracts awarded	8	118,781
As at 30 June 2014		
Existing projects	13	1,671,583
Number of contracts completed	nil	nil
New contracts awarded	3	757,989
As at the Latest Practicable Date		
Existing projects	16	2,429,571

As illustrated in the table above, as at 30 June 2014, 13 projects were still in progress.

Subsequently, we have been awarded 3 new projects. As at the Latest Practicable Date, there were 16 projects on hand which 14 of them were still in progress and 2 of them were yet to commence.

Operation flow

As a main contractor, we carry out overall project implementation of our building maintenance and renovation projects. Our operation principally involves preparation of tenders, executing the required works through our project execution team and subcontractors, and coordinating, supervising and monitoring our subcontractors in all stages of the projects. Set out below is the typical work-flow of our project operations:



Note:

1. Project planning includes preparing work programme, project plan and safety plan

2. Project coordination includes organising project meetings with site safety committee and information distribution

3. Subcontracting includes appointment of subcontractors and organising subcontracting works

4. Procurement and supply include managing and supervising subcontractors for purchasing materials and equipment required for the projects

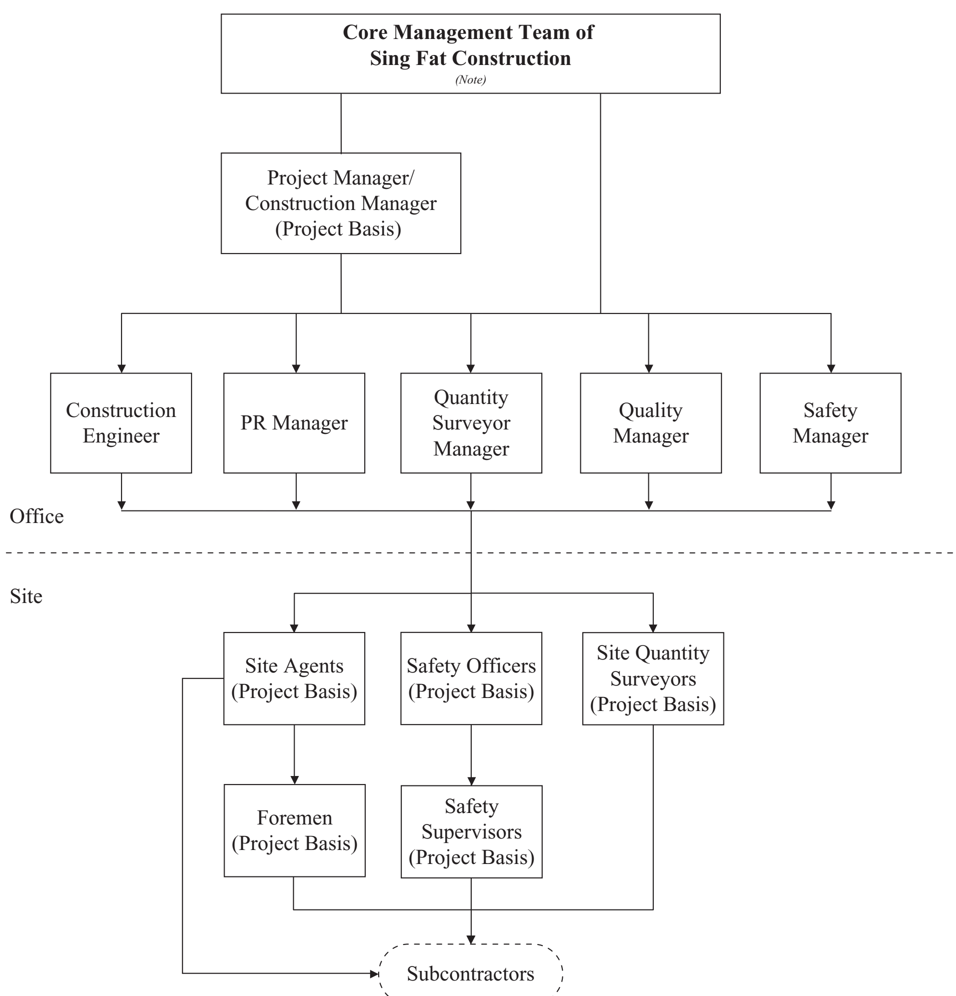
5. Department application includes applications for permission/consenting for site operation

6. Site mobilisation includes organising site facilities, safety and environmental protection measures and conducting safety training

7. Execution and control of site works include carrying out site works, inspecting materials, controlling subcontractors, controlling progress, environmental and safety inspections

Structure of our project management team

The structure of our project management team is set out below:



Note: The core management team of Sing Fat Construction comprises, among others, Mr. Liu Winson Wing Sun (the safety director), Mr. Kan Yiu Keung (the technical director and project director), Mr. Chan Lo Kin (the administration director) and Mr. Jacky Cheung Yat Ming (the technical director and construction engineer).

The above project management structure may vary depending on our customers' requirements, contractual specifications and the complexity and size of our projects.

The responsibilities of our key project management team members are set out below:

Administration Director

Our administration director is our management representative who is responsible for managing our management system in accordance with ISO9001:2008 standards and requirements. He works with our project directors for preparing tender submissions, organising tender process, carrying out tender and contract review, managing list of approved subcontractors and suppliers, reviewing and approving subcontracting documents, allocating company resources and manpower for individual project and carrying out periodic performance appraisal for our managerial staff. He also works with our project director to monitor the project progress.

Project Director

Our project director works with our administration director to monitor project progress, liaising with our customer for contract related matters, working with our administration director to prepare tender submissions and monitoring the quality and work progress of subcontractors.

Safety Director

Our safety director is responsible for formulating our occupational health and safety policies, overseeing and managing our safety department for site safety management, organise safety committee meeting.

Project Manager/Construction Manager

Our project/construction manager is responsible for day-to-day project execution and administration on project basis, assisting our project director in conducting contract review, preparing quality and environmental plan for individual project, controlling and monitoring workmanship, project progress and pollution control, controlling and managing the work performance of subcontractors and suppliers designated for the project and handling complaints from customers or other external parties.

Technical Director/Construction Engineer

Our technical director and construction engineer are responsible for resolving technical queries, organising technical submission for relevant authorities' approval, reviewing and approving subcontractors' technical submissions.

Quality Manager

Our quality manager is responsible for monitoring the implementation of our quality management system, monitoring the quality of materials and equipment purchased by our subcontractors, controlling non-conformity, monitoring implementation of corrective and preventive actions, conducting staff performance appraisal and organising staff training.

Safety Manager

Our safety manager is responsible for assisting our safety director to implement our safety and environmental management system, develop our safety management system and procedures, coordinating with our safety officers to implement our safety and environmental management system, monitoring overall performance of our safety and environmental management and report to our safety director, coordinate with our safety officers to identify and review statutory requirement for occupational health and safety and evaluate our compliance of statutory compliance on site.

Site Agent

Our site agent is responsible for assisting our project manager to supervise and monitor the overall workforce and work progress on site, supervising workmanship, quality and pollution on site and coordinating with our safety officer to implement our occupational health and safety management on site.

Public Relations Manager (PR Manager)

Our PR manager is responsible for establishing and managing relationship between our customers, other external parties affected by our project execution (such as tenants of public housing estates) and our Company, promoting customer service for internal staff and handling customers' complaints.

Quantity Surveyor Manager

Our quantity surveyor manager is responsible for assisting our administration director and project director to prepare tendering documents, cost estimation, assess quantity of completed works, prepare interim payment submissions and prepare quantitative information for claims and final accounts.

Site Quantity Surveyor

Our site quantity surveyor is responsible for assisting our quantity surveyor manager to prepare assessment of quantity of completed works, interim payment submissions, quantitative information for claims and final accounts on project basis.

Foreman

Our foreman is responsible for assisting our site agent to supervise and coordinate the operation on site, carrying out in-process and final inspection and supervise the site measures for pollution control on project basis.

Safety Officer

Our safety officer is responsible for organising and supervising site safety measures according to statutory requirement, carrying out hazard identification, risk management and control, organising site safety training, carrying out site safety and environmental inspection, organising and analysing statistical data for incidents and accidents, carrying out incidents and accidents investigations, promoting site safety awareness, assisting our safety director to organise and conduct site safety committee meeting on monthly basis, advising the site safety committee on changes in statutory requirement for site safety, organising safety audit, coordinating with our safety supervisors to identify and review statutory requirement for occupational health and safety and evaluate our compliance of statutory compliance on site.

Safety Supervisor

Our safety supervisor is responsible for assisting our safety officer to implement site safety measures and monitor our day-to-day site safety management.

Operation process

Projects identification

Building maintenance and renovation works contracts are generally awarded through tenders. Potential projects are identified through regular review of the tender notices published on the Gazette, local press and other publicly available information such as the websites for certain customers or receiving invitation letters directly from public sector customers. For public sector works, invitations to tender are normally by invitation or advertised in the Gazette and are open to approved contractors to participate. As for private sector customers, we are also informed of projects subject to tender by receiving invitation letters directly from private customers or their representatives. In relation to our existing term contracts which are about to expire, the general timeframe for submitting new tenders for renewing the term contract with the same customer is approximately six to seven months prior to expiry of such contract. We also enter into service contract with private customers by way of quotations for provision of renovation services of relatively smaller contract sum amount.

Tender analysis and preparation of tenders

After receiving the tender or quotation details, our tender review team, which consists of our administration director, project director, safety director, quantity surveyor manager and other personnel appropriate to particular project requirements, makes a preliminary assessment of the requirements of the tender or quotation. In our assessment, in considering whether to bid for the tender or accept the request for a quotation, we evaluate the profitability of the projects, the feasibility of undertaking such project with reference to technical requirements, our expertise and capacity, our available manpower resources, availability of suitable subcontractors, schedule, quality expectation, quantity specifications, preliminary safety and environmental risk analysis and other possible risk factors associated with such project. While preparing the terms of our initial tender offer, we take into account a number of factors including our relationship with that customer, our business strategy on sector penetration, prevailing market rates and market trends, material costs, cost of subcontractors and allocation of human resources, the need for procurement of equipment or additional supplies, our budget and the requirements of the tender or quotation including any specific requirements. We also inspect the site for any other information material for considering the initial offer. Details of our initial tender offer are reviewed and endorsed by our tender review team before submission to the customer for consideration and tender interview.

As the fees charged by us are generally fixed under the contract, we may bear the risk of any cost fluctuations. To mitigate cost fluctuation risks, we carefully consider during the pre-contract negotiations stage, the terms of the tender contract including but not limited to the service fees chargeable based on our pricing policy, circumstances for service fee adjustment and the payment terms offered to customers as detailed in the paragraph headed "Service fees pricing policy, adjustments, payment terms and credit period" of this section. To ensure an accurate estimate on costs of the projects, we may invite our approved subcontractors to discuss costs assessment during the tendering process. In certain cases involving private customers, we may be required to provide a performance bond in favour of our customer for due performance of the contract as detailed in the paragraph headed "Customers, sales and marketing – General terms of contracts with customers" of this section.

After the general terms are negotiated and agreed, we enter into a formal contract with the customer. The general terms of the tender contract are set out in the sub-paragraph headed "Customer, sales and marketing – General terms of contracts with customers" of this section. Prior to signing, our tender review team will cross check the terms of the initial offer with that of the tender contract or quotation for any material variation.

If we are awarded the tender contract or we agree on the terms of the quotation, we will proceed to the project implementation stage. However, in the event that we do not secure the tender, we will gather information on the winning tender from public tender results and customers' feedback. We use such information to trace and analyse market trends.

Project implementation

The implementation process includes formation of a project execution team, appointment, delegation and supervision of works to subcontractors, 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 and in accordance with our quality and safety standards.

Formation of a project execution team

Once a contract is awarded, a project execution team is then formed. The size of our project execution team depends on the scope of services, complexity of the project and our available resources. Our project execution team typically consists of a project manager (or construction manager for a district term contract), a safety officer, a safety supervisor, a site quantity surveyor, a site agent, a general foreman and a number of technical staff chosen by the project director or the administration director to meet the specific requirements under the relevant contract. Please refer to the paragraph headed "Our business operation – Structure of our project management team" of this section for their respective duties. Internally, the project manager convenes meetings with members of the project execution team and our subcontractors on monthly basis to review the progress of the project and to resolve any issues encountered during project implementation. Externally, regular meetings are also held between our project director, administration director, our project manager and representatives of our customer or its architects, consultants or surveyors on weekly basis to keep them informed of the progress of the project. Monthly meetings are held with our customers to discuss matters on material delay (if any) or other issues materially affecting the project and performance of the contracts.

Preparation of project plans, project coordination, applications to the Government and site mobilisation

Prior to commencement of a project, our project manager works in collaboration with our administration director and project director to review the customers' requirements, contract drawings and project specifications, the scope of works as indicated in the customers' brief or tender documents, contract period, completion date, existing physical constraints and difficulties, design and development control, identification of significant environmental aspects and their control, statutory requirement for environmental protection and pollution control, site layout, planned manpower and resources and safety planning. Based on the above factors and analysis, contract quality plan, occupational health and safety plan, environmental management plan, subcontracting management plan, inspection plan and customer services plan are drawn up and submitted to client for approval prior to commencement of a project. Moreover, our project execution team organises project meeting with our site safety committee for information distribution on safety compliance matters. We also apply to government departments such as the Environmental Protection Department for setting up billing accounts for waste disposal and notify the Building Authority and the Labour Department of our site operation prior to commencement of a project. Furthermore, we organise site facilities and arrange for safety and environmental protection measures prior to commencement of a project.

Procurement of materials and equipment

The materials and equipment required for the projects are normally sourced through our subcontractors. For details of the purchasing arrangement, please refer to the paragraph headed "Subcontracting arrangements – Purchasing arrangements" of this section. Materials required for our projects typically include wooden materials, tiles, materials for plumbing, sanitary fitting and water proofing, metal and steel materials, louvre materials, cement materials and paint materials. Our quality manager coordinates with the subcontractors to agree on quantity, price, size and type of the materials required for the project and obtain catalogues, samples and quotations for the materials required. Proposed materials and samples (when required) are required to be submitted to our quality manager and our customers for approval prior to purchasing. All materials ordered are sent directly to the relevant site for inspection by our site agent and foreman before utilisation.

Delegation of works to 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. Please refer to the paragraph headed "Subcontracting arrangement" of this section for further details.

Inspection, completion and application for payment and certification

In the course of our works, our site agent coordinates inspection on all works completed on a regular basis to ensure that the works performed by our Group comply with the requirements as set out in the relevant contract. A joint inspection will be conducted by our site agent, the architects, surveyors or any other representatives appointed by our customers to confirm and certify the completion date of the relevant works order before our application for interim payment from the customers.

We receive progress payments pursuant to the terms of each respective contract and our application for progress payments is normally made on a monthly basis. Generally, our quantity surveyor manager makes applications for interim payments every month and the architects, surveyors or other representatives appointed by our customers issue a payment certificate certifying the portion of works completed after inspection. Payment terms varies with different types of customers and contracts. Please refer to the paragraph headed "Customers, Sales and Marketing – Service fees pricing policy, adjustments, payment terms and credit period – Payment terms and credit period" of this section for details.

For payments to our subcontractors, we adopt a "pay when paid" approach i.e. we pay our subcontractors within seven days after we receive payment from our customers pursuant to the terms of the main contract.

Defects rectification and maintenance period

Our customers normally require a defects liability and maintenance period, during which we are responsible for rectifying works defects. The defects liability and maintenance period typically ranges from 12 months to 24 months after completion of the relevant contracts or works orders. We require a back-to-back defects liability and maintenance period from our subcontractors. If there are any works defects found by our customers, the relevant subcontractor is in general responsible for rectifying the works defects in accordance with the back-to-back defects liability clause of the subcontracting agreement with our Group and thus such subcontractor is usually the party to bear all the costs in rectifying the works defects. There were no material claims which were brought against our Group by our customers for defects liability during the Track Record Period.

CUSTOMERS, SALES AND MARKETING

Customers

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.

We have established a relatively broad customer base for our services including the Housing Authority, a major real estate management company in Hong Kong, incorporated owners of private residential properties, universities, schools and education institutions, charitable organisations and other customers in the private sector. We have not experienced any material seasonal fluctuations in our revenue given that (i) most of our revenue during the Track Record Period derived from term contracts which are generally for a period of three years; and (ii) due to the diverse nature of our services. During the Track Record Period, services provided to our five largest customers are summarised as follows:

	Services provided by our Group during the Track Record Period *(Note 8)*	Approximate number of years of business relationship	Revenue recognised for the year ended 30 June		
			2012	**2013**	**2014**
			HK$'000	*HK$'000*	*HK$'000*
Customer A *(Note 1)*	(i) and (ii)	25	372,013	361,315	365,100
Customer B *(Note 2)*	(ii)	12	152,940	108,742	118,285
Customer C *(Note 3)*	(i) and (ii)	8	11,239	37,977	26,920
Customer D *(Note 4)*	(i)	2	–	56,477	47,267
Customer E *(Note 5)*	(i) and (ii)	7	35,210	27,357	13,906
Customer F *(Note 6)*	(i)	8	19,506	845	–
Customer G *(Note 7)*	(ii)	1	–	–	17,267

Notes:

(1) A government body responsible for the provision, management, maintenance and other housing related services of the public housing in Hong Kong.

(2) An education institution.

(3) A major real estate management company in Hong Kong.

(4) An incorporation of the property owners of a high-end residential estate in Repulse Bay, Hong Kong.

(5) A private property management company in Hong Kong.

(6) A property management company of a private residential estate in Hong Kong.

(7) A charitable organisation in Hong Kong.

(8) Types of services provided

  (i) Building maintenance services

  (ii) Renovation works services

Our largest customer, namely, the Housing Authority (customer A), accounted for approximately 61.7%, 60.1% and 60.8% of our revenue for the three financial years ended 30 June 2014, respectively. Our five largest customers together accounted for approximately 98.1%, 98.4% and 95.7% of our revenue for the three financial years ended 30 June 2014, respectively.

All of our five largest customers during the Track Record Period are independent third parties. None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of the five largest customers of our Group during the Track Record Period. We have continued to serve the above mentioned customers subsequent to the Track Record Period.

General terms of contracts with customers

The principal terms of the contracts with our customers are set out below. We entered into service contract with our customers on project basis. We do not enter into any long-term master contract with any of our customers.

Scope of services and resource allocation

Our service contracts with customers set out the exact scope of services following our customer's specifications and requirements. During the Track Record Period, none of our service contracts entered into with our customers contained exclusivity clause which restricts our ability to provide services to other customers. Additionally, the service contracts may also specify the expected project management structure, contractual specifications on quality, occupational safety, health and environmental management and other technical specifications in connection with the project.

Term and termination

The contract period for building maintenance projects normally lasts for three years whereas the contract period for renovation projects normally ranges from 2 months to 36 months. Our tender contracts typically include a termination clause giving both parties the right to terminate in different circumstances. In certain tender contracts, each party may terminate the contract by prior notice to the other party. Tender contracts may be terminated by our customers if we (i) fail to remedy within a specified period of time a material breach of the contract; (ii) provide incomplete, untrue or misleading particulars or data in the tender submission; (iii) substantially or persistently fail to comply with the standard of services required by such contract; (iv) become bankrupt or go into liquidation or a petition has been filed against us; or (v) make a general assignment, composition or arrangement for the benefit of creditors. We may terminate the contract if our customer (i) fails to remedy within a specified period of time a material breach of the contract; (ii) becomes bankrupt or goes into liquidation or a petition has been filed against it; or (iii) makes a general assignment, composition or arrangement for the benefit of creditors.

The service period of quotations are generally shorter than such period under the tender contracts. Quotations may not specify any service period but instead continue until completion of the service or prior notice by one party to the other party.

During the Track Record Period, none of our contracts was terminated by reason of material breach by us or liquidation or petition for bankruptcy or winding up of the other party to the agreement.

Services fees chargeable and payment terms

The service contract sets out the services fees chargeable by us (and in some cases, circumstances for adjustment) and the payment terms. The services fees chargeable are generally fixed without any explicit price adjustment mechanism. For details of our services fees including possible adjustments and payment terms, please refer to the paragraph headed "Service fees pricing policy, adjustments, payment terms and credit period" below.

Retention money

It is a common practice in the industry that customers hold up a portion of progress payments as retention money. Such practice applies to our contracts other than DTCs and term contracts with an education institution (being one of our five largest customers during the Track Record Period). The retention money normally represents 5-10% of the total contract sum which is released to us upon expiry of the defects liability and maintenance period. The defects liability and maintenance period usually lasts for 12 months to 24 months after completion of the relevant contracts. The amount of retention money is normally capped at an amount not exceeding 5% of the total contract value.

Orders for variations

Customers in general have the right to order variations in the course of our performance of the relevant contracts. The rates for the works under such variation order(s) are in general to be agreed upon between us and the architects or surveyors appointed by our customers in accordance with the provision of the schedule of rates as provided in the relevant contract or as may be agreed between our customers and our Group.

Liquidated damages

In order to secure due and timely performance of a main contractor, customers are generally entitled to liquidated damages if we fail to complete the works within the specified completion date under the contract (or such later date agreed by our customers). Such liquidated damages are determined on a daily basis with reference to the schedule of fixed rates or a formula prescribed in the contract, whichever is applicable. During the Track Record Period, the aggregate amount of liquidated damages paid by our Group was not material and did not exceed 1% of our revenue for each of the three financial years ended 30 June 2014. Our Directors do not expect any material delay in the time of completion of projects in progress as at the Latest Practicable Date which is likely to cause liquidated damages to be imposed on our Group. In any event, our subcontractors are required to indemnify our Group for any loss incurred by our Group as a result of a delay in completion of projects.

Defects liability/Maintenance period

Our customers normally require a defects liability and maintenance period, during which we are responsible to rectify works defects. The defects liability and maintenance period typically ranges from 12 months to 24 months after completion of works orders or contracts. We require a back-to-back defects liability and maintenance period from our subcontractors. If there is any work defects found by our customers, the relevant subcontractor is in general responsible for rectifying the work defects in accordance with the back-to-back defects liability clause in the subcontracting agreement between our Group and the subcontractors. For contracts other than DTCs and term contracts with an education institution (being one of our five largest customers during the Track Record Period), portion of progress payment are held up by our customers as retention money during such defects liability and maintenance period.

Security and other protections for customers

There are a number of terms which may be included in our contracts for the protection of our customers including provision of performance/surety bond, provision of indemnity and adequate insurance coverage, as summarised in the following paragraphs.

Performance bond requirement

For some of the contracts with private sector customers, we are required to provide performance bonds that range from 5% to 10% of the total contract sums issued by banks in favour of the customers as security for the due performance and observance of our Group's obligations under the service contracts entered into between our Group and our private sector customers. If our Group fails to perform its obligations to the satisfaction of our customers that leads to a breach of contract to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such banks accordingly. The performance bonds are normally released upon completion of the project or as specified in the relevant contract. As at 30 June 2012, 2013 and 2014, performance bonds issued by banks to our customers amounted to approximately HK$15.4 million, HK$10.3 million and

HK$6.9 million, respectively. The performance bonds were issued by our bank in favour of the relevant customers. As such, we do not recognise any liabilities on our combined statements of financial position until such performance bonds are deducted by our customers due to defaults and breaches under the relevant contracts. During the Track Record Period, there was no deduction from performance/surety bonds by our customers due to a breach of contract.

Indemnity for damages and breach

We are normally required to indemnify our customers for, among others, liabilities (i) in respect of personal injury or death of any person or damage to any property arising out of the performance of our services under the contracts; and (ii) breach of contracts by us. Our Directors confirm that we had not experienced any material claims by our customers arising from breach of contracts during the Track Record Period and up to the Latest Practicable Date.

Adequate insurance

We are required to obtain adequate insurance cover for the above risks and any other liability in respect of our employees, employees of our subcontractors as well as other third party liabilities. For details relating to the insurance arrangement, please refer to the paragraph headed "Insurance" of this section.

Service fees pricing policy, adjustments, payment terms and credit period

Pricing policy, adjustments and cost control

Our pricing policy takes into account various factors which include: (i) prevailing market rates; (ii) cost analysis taking into account services provided, potential increase in wages, resources allocated to the project, the relevant term of service, material costs, subcontractors' fees, size of project and expected timetable provided by the customer; (iii) our budget and determination of a reasonable profit margin; and (iv) relationship, reputation or background of the customer.

In light of the increasing labour costs and the labour intensive nature of our business, it is important for us to accurately estimate our cost in preparing tenders or pricing our services. We believe that our customers expect accurate assessment of cost (which should take into consideration potential increases in material costs and labour costs) prior to entering into any service contracts or submitting any bids for tenders. Furthermore, most of our contracts are tender contracts and the terms of the tenders are fixed or pre-determined in the contracts which do not include any explicit price adjustment mechanism. For DTCs entered into with the Government, there is limited price adjustment mechanism mainly with reference to price index on costs of labour and materials need in public sector construction projects compiled by the Census and Statistics Department. Accordingly, we bear the risk of costs overrun as set out in the section headed "Risk Factors – We may suffer from cost overrun and our profitability may be adversely affected" of this [REDACTED].

In order to control our Group's overall operational costs and avoid cost overrun, we mostly rely on our assessment of costs in the stage of preparing the terms of our initial tender offer as a way to pass potential increase in service costs to customers and to tackle the risk of cost increment over time, and rely on our cost control measures to avoid cost overrun. We have generally been able to take into account potential increase in costs during the tendering process with reference to our past experience. In addition, in the course of project execution, based on the site agent's or foreman's report and customer feedback, we are able to monitor the progress of each project and if we identify material cost overrun with reference to the original estimates of the monthly budget, our quantity surveyor manager will investigate the causes and assess the cost overrun to see if any follow-up actions are required.

In the event that our customers order variations of works, our quantity surveyor manager will ascertain the amount of additional cost and expenses which is subject to the approval of the architects or quantity surveyors appointed by our customers. Furthermore, our service fees may be reduced in cases where the service contracts give customers the right to deduct service fees payable if our subcontractors are engaged to rectify defects in our services or other matters not to our customer's satisfaction, execution of outstanding works or if there is delay in completion without a valid and justifiable reason. Our Directors confirm that we had not experienced any cases that our service fees were materially reduced by our customers for the aforesaid reasons during the Track Record Period. In any event, our subcontractors are required to indemnify us for any loss and damage arising from their failure to execute their works in accordance with customers' requirements.

Payment terms and credit period

We submit interim payment applications to customers on a monthly basis in respect of the value of the work we have performed in the preceding month, which is required to be certified by our customer's architects or quantity surveyors. Subject to customers' satisfaction of the works, our customers will make payments based on such certificates after our submission of interim payment applications.

Inspection procedures and payment terms vary with different types of customers and contracts.

DTCs

- For the DTCs entered into with the Government, quantity surveyors appointed by the Government visit our site, inspect and certify our work progress of each works order on a monthly basis.

- Depending on the work progress of each works order, up to a maximum of 70% of the value of each works order is payable by the Government. Corresponding interim payments are automatically made by the Government within 21 days from the date of certification on payment amount for our work progress through the Government's ERP system.

- The remaining 30% of the value of each works order is settled by the Government after submission of final bill upon completion of each works order. A joint inspection is conducted by our quantity surveyor manager and the representative of the Government on the works progress in order to certify final completion of a 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 to certify final completion of each works order and prepare final accounts of the works order. The remaining balance payment is then settled by the Government within 42 days from the date of submission of final accounts in respect of each works order.

Non-DTCs

- For non-DTC contracts, we apply for interim payment on a monthly basis. Quantity surveyors appointed by customers visit our site, inspect and certify our work progress by issuing a payment certificate after our application for interim payment.

- Payment terms vary with different types of customer and contracts:

  (i) Renovation term contracts with an education institution (being one of our five largest customers during the Track Record Period),

  – Interim payment of up to a maximum of 80% of the value of each works order is payable by the customer before completion of each works order. Corresponding interim payments are made by the customers within 21 days from the date of payment certificate issued by our customers.

  – The remaining 20% of the value of each works order is settled by the customers 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 customer to certify final completion of each works order and prepare final accounts of the works order. The remaining balance payments is then settled by the customer within 21 days from the date of certification on the completion of each works order.

  (ii) Other contracts with public and private customers

  – Interim payment of approximately 90% to 95% of the value of our works done as certified by our customers is payable by the customers before completion of the contract. Corresponding interim payments are made by the customers within a period not longer than 21 days (for public sector projects) or 35 days (for private sector projects) from the date of issue of the relevant payment certificate.

  – The remaining 5% to 10% of the value of our works done as certified by the customers is held by customers as retention money which will be released to us upon expiry of the defects liability and maintenance period which usually lasts for 12 months to 24 months after completion of the relevant contracts. The amount of retention money is normally capped at an amount not exceeding 5% of the total contract value.

Our Group performs ongoing credit evaluations of our customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. Our Group continuously monitors collections and payments from our customers. Moreover, in order to minimise the credit risk, our accounts department responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review 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. During the Track Record Period, no impairment loss on trade and other receivables is made. As at 30 June 2012, 2013 and 2014, the carrying value of trade and other receivables are approximately HK$256.2 million, HK$299.7 million, and HK$259.6 million, respectively.

Our trade receivables turnover days were approximately 133.5 days, 147.5 days and 148.4 days for each of the three financial years ended 30 June 2014, respectively. For further analysis of our trade receivable turnover days, please refer to the section headed "Financial Information – Trade and other receivables" of this [REDACTED]. We closely and continually monitor the trade receivables balance and overdue balance to consider whether a reminder letter or provision for impairment of trade receivables is necessary.

Marketing activities

Due to our long history in Hong Kong, our proven track record and our well-established relationship with our existing customers, we are able to rely on our existing customer base, reputation and customer referrals such that we do not rely heavily on promotional activities. Our customer services department is responsible for liaising and maintaining our relationship with customers.

SUBCONTRACTING ARRANGEMENTS

Subcontractors

For all of our contracts, we act as the main contractor and delegate works to the subcontractors under close supervision and management of our project management team. Owing to the labour intensive nature of our works, with the engagement of subcontractors, we are able to undertake projects which require different and specific work skills such as electrical work, installation, repair of fire service equipment, plumbing works, gas installation works, lifts or escalators works, etc. required for building maintenance and renovation works. Accordingly, we are able to deploy our resources in a more cost effective manner. Our subcontractors are required to observe all requirements of our main contracts and are prohibited from further subcontracting the whole of the works subcontracted to them without our consent. In exceptional circumstances, in the course of project execution for DTCs, we set up dumping facilities for sorting and disposal of waste materials generated from building maintenance and renovation works without delegating the same to our subcontractors. For the three financial years ended 30 June 2014, our revenue attributable to the works orders without our subcontractors' participation amounted to HK$16.8 million, HK$18.1 million and HK$19.2 million, representing approximately 2.8%, 3.0% and 3.2% of our Group's revenue, respectively.

Selection criteria of subcontractors

We have maintained an approved list of subcontractors. 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. Most of our subcontractors are registered with the Subcontractor Registration Scheme (the "SRS") of the Construction Industry Council. The SRS is an industry-wide initiative to improve the regulation and management of subcontracting. The Housing Authority has mandated the employment of registered subcontractors in all new building, maintenance and improvement contracts and the Development Bureau has introduced contractual provisions requiring public works contractors to engage domestic subcontractors who are either registered under the SRS or will complete their registration under the SRS before the execution of the relevant subcontracted works. Most of our subcontractors (or their proprietor, partner or director (where applicable)) are required (i) to complete at least one job within five years as a main contractor or subcontractor in the areas which they apply or to have acquired comparable experience by their proprietors, partners or directors within last five years; (ii) to be listed on one or more government registration schemes operated by policy bureaux or departments of the Government relevant to the trades and specialties for which registration is sought; (iii) to be employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and to have completed all the modules of the project management training series for subcontractors (or equivalent) conducted by the Construction Industry Council; or (iv) to be registered as registered skilled worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty and to have completed the senior construction works trade management course (or equivalent) conducted by the Construction Industry Council. Our approved list of subcontractors is reviewed and updated on an ongoing basis by our administration director, project director and safety director, with reference to the performance assessment of each subcontractor on an annual basis. Generally, we select subcontractors based on their technical expertise, financial background, management structure, past performance, safety record, records of compliance with health, safety and environmental law, rules and regulations and reputation. For certain public sector projects involving electrical and mechanical works, fire services installation, lift tower installation works, etc., the Housing Authority may reserve its rights to nominate a subcontractor that meets its quality standard requirements. Although we do not have any exclusive arrangements with subcontractors, we do not foresee any difficulties in arranging replacement of subcontractors should it become necessary.

Major subcontractors

During the Track Record Period, details of our five largest subcontractors and the amounts of their subcontracting fees are summarised as follows:

	Approximate number of years of relationship	For the year ended 30 June 2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*
Subcontractor A *(Note 1)*	6	148,197	104,392	143,301
Subcontractor B *(Note 1)*	12	75,840	79,397	51,554
Subcontractor C *(Note 1)*	7	33,446	30,666	47,695
Subcontractor D *(Notes 1 and 2)*	3	45,070	40,816	46,102
Subcontractor E *(Note 1)*	11	84,817	60,762	45,968
Subcontractor F *(Note 1)*	5	62,520	35,347	24,331
Subcontractor G *(Note 3)*	6	55,097	44,839	39,804
Subcontractor H *(Note 1)*	2	–	53,653	44,904

Notes:

1. Each of these subcontractors is a private company incorporated in Hong Kong and a subcontracting service provider in respect of the building maintenance and renovation projects and construction engineering projects.

2. Subcontractor D is Chung Tat, a company incorporated in Hong Kong and owned as to 60% by Faithful Construction Limited, which is in turn beneficially owned by our Controlling Shareholders, i.e. as to approximately 33.33% by Mr. Chan Lo Kin (an executive Director), approximately 33.33% by Mr. Liu Su Ke (a non-executive Director), approximately 18.33% by Mr. Kan Yiu Keung (an executive Director) and approximately 15.00% by Mr. Kan Man Hoo, and Chung Tat is therefore a connected person of our Company.

3. Subcontractor G is a sole proprietorship established in Hong Kong and a subcontracting service provider in respect of the building maintenance and renovation projects and construction engineering projects.

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 and our Group's five largest subcontractors accounted for approximately 75.2%, 61.8% and 61.4% of our Group's total cost of services, respectively.

Subcontracting fees represent direct costs paid or payable to our 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.

Save for Chung Tat which is a connected person of our Company as disclosed above, our five largest subcontractors during the Track Record Period are independent third parties. None of our Directors or their associates or any Shareholder holding more than 5% of our Company's issued share capital had any interests in the five largest subcontractors as at the Latest Practicable Date.

We do not have any material dispute or claim with any of the subcontractors during the Track Record Period.

Terms of the subcontracting agreement

We generally enter into subcontracting agreements with our subcontractors, the salient terms of which are set out below:

– Rights and obligations of the subcontractor and our Group under the project – in particular, a subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis;

– Subcontracting fee and settlement term – Subcontracting fee may represent a fixed sum or a percentage of the contract value of our main contract or works orders issued by our customers unless there is a variation order or additional works to be performed by the subcontractors with our prior consent. We normally pay our subcontractors within seven days after we receive payment from our customers pursuant to the terms of the main contract. In certain circumstances, for the purpose of relieving subcontractors' cashflow and ensuring smooth operation of the projects, upon application by the subcontractors, we make advance payment to the subcontractors who are in needs of funds to pay for workers' wages and purchase materials to carry out their works. 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 advances made to subcontractors before services are treated as other receivables in our Company's financial statements. For the three financial years ended 30 June 2012, 2013 and 2014, our Group has made advance payment to subcontractors in the amount of HK$17.4 million, HK$22.5 million and HK$14.5 million, respectively. 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 subcontractors were non-interest bearing;

– The duration of the subcontracting agreement is the same as the duration of the main contract between us and our customers. We may terminate the subcontracting agreement if: (i) subcontractor fails to carry out the works in accordance with the terms of the main contract; (ii) subcontractor further subcontracts all the works to a third party without our consent: (iii) subcontractor delays carrying out the works without reasonable cause; and (iv) subcontractor repeatedly fails to comply with safety and other relevant laws, rules and regulations;

– Undertaking by subcontractor to indemnify our Group against any loss, expense or claim arising from their failure to comply with subcontracting agreement by the subcontractor and/or its employees;

– Subcontractor is responsible for carrying out the works in accordance with all relevant safety, health and environmental laws, rules and regulations. In the event of any non-compliance, the relevant subcontractor bears all the liabilities, losses, costs and expenses resulting from such non-compliance;

– Meetings are held with the relevant subcontractor on a monthly basis to review the progress of the projects and to resolve any issues encountered during the project implementation stage;

– Subcontractor may be required to open a bank account designated for the project with Sing Fat Construction as one of the authorised signatory for the purpose of monitoring project expenses (including payment of subcontracting fees, use of advance payment to subcontractors, payments to materials suppliers and payment of wages, etc.), ensuring systematic cash flow and tightening control over project budget;

– The amount of retention money (if any) to be retained by us pending expiry of the defects liability period as stated in the main contract; and

– The amount of liquidated damages as may be payable by subcontractor in the event of a delay in completion of the projects.

Purchasing arrangements

Our subcontractors are responsible for purchasing the materials and equipment required for the projects. Materials required for our projects typically include wooden materials, tiles, materials for plumbing, sanitary fitting and water proofing, metal and steel materials, louvre materials, cement and concrete materials and paint materials. Our subcontractors enter into supply contracts with suppliers for supply of these materials. Subcontracting fee payable to our subcontractors include the costs of materials and equipment required for the projects. Our subcontractors are responsible for settlement of payment with the suppliers for the materials purchased. As our subcontractors are delegated to source materials and equipment for the projects, our Group does not have any direct suppliers. That said, we supervise and manage our subcontractors during the procurement process. Our quality manager coordinates with the subcontractors to agree on quantity, price, size and type of the materials required for the project and obtain catalogues, samples and quotations for the materials required. Proposed materials and samples (when required) are required to be submitted to our quality manager and our customers for approval prior to purchasing. All materials ordered are sent directly to the relevant site for inspection by our site agent and foreman before utilisation.

In most cases, our subcontractors are required to source materials from our approved suppliers, who are independent third parties, to ensure quality of the materials used. These approved suppliers are based in Hong Kong. Our project director, with the assistance of our quality manager, keeps an approved list of materials suppliers and assesses their overall performance with reference to product quality, safety standards, environmental standards, and timeliness of delivery, on a regular basis. We maintain stable relationship with these materials suppliers through our subcontractors for over 10 years. We therefore do not foresee any material difficulties to source materials in the future.

Control over subcontractors

We adopt the following internal control measures to (i) control our subcontractors' quality of work, (ii) control our subcontractors' compliance of occupational health safety, environmental rules and regulations, and (iii) control and manage our risks under the Employment Ordinance and Employees' Compensation Ordinance:

Control over subcontractors' work quality and performance

Furthermore, in order to monitor the performance of the subcontractors and to ensure that the subcontractors comply with the requirements of the main contract and our quality standards, we have put in place the following internal control measures:

(a) Management structure between our project management team and our subcontractors

For each project, our project director, administration manager and project/construction manager are responsible for deployment of resources and control of subcontractors. Our site agent, who assists the project/construction manager in the overall control of site works, is also responsible for monitoring the performance of direct labour and subcontractors. Our foreman assists the site agent for controlling and monitoring the site works, and shall be delegated with authority to give instruction to workers and subcontractors for carrying out site works in compliance with contractual specifications and our quality standards. Our safety manager and safety officer organises all safety training, promotes the workers' and subcontractors' safety awareness and compliance on site. Subcontractors are required to designate a responsible person to monitor the quality and safety of their works during the project period.

(b) Prevention of unauthorised multi-level subcontracting

It is our policy to prohibit a subcontractor from further sub-contracting the whole of the subcontracted works to third party without our consent as this will adversely affect our management over the subcontractors' workforce and the quality of workmanship. In the event that a subcontractor is in breach of such restriction, we are entitled to terminate the subcontracting agreement and the subcontractor concerned is required to indemnify us against any loss and damages resulting from such breach.

(c) Constant monitoring and inspection

Our quality manager, foreman and safety supervisor conduct daily inspection on the work performance of the subcontractors and their employees and random inspection or surprise checks may be conducted by our site agent on an ad hoc basis. In addition, our site agent, with the assistance of the foreman, collects information to report on the work progress of subcontractors on a bi-weekly basis for review by our project/ construction manager who then decides whether any follow-up action is required.

(d) Control over project expenses and payments

Under the terms of the subcontracting agreement, our subcontractors are required to open a bank account on project basis with Sing Fat Construction as one of the authorised signatory for the purpose of monitoring project expenses (including payment of subcontracting fees, payments to materials suppliers and downstream subcontractors and wages paid to employees of subcontractors, etc.), ensuring systematic cashflow and tightening control over project budget during the project period. In particular, in order to ensure the subcontractors pay their employees and downstream subcontractors without unjustified delay, any release of payment from us to our subcontractors is subject to their submission of evidence, endorsed by their downstream subcontractors, showing that their downstream subcontractor's outstanding payment has been settled and that wages of employees of subcontractors have been fully paid.

(e) Monthly review on our subcontractors' work progress

Monthly review meeting is held and chaired by our project/construction manager or quality manager with the participation of the management and site representatives of the subcontractors. During the review meeting, we review work progress for the past month, discuss site safety and environmental compliance issues, customers' complaints and feedback. We also discuss issues regarding non-conforming works, defects or other faults arising from works performed by our subcontractors during the project period so that our project/construction manager can investigate and take appropriate corrective action and implement measures to prevent re-occurrence of similar incidents. Our project/construction manager also reviews the causes of non-conformance and complaints, identifies the responsible parties or subcontractors and provides corresponding instructions to them to rectify and make good the defects or non-conforming work accordingly. The site agent will then implement appropriate action, enforces and supervise the respective subcontractors to carry out the rectification works to the required standard. After the remedial and rectification works have been completed, our project/construction manager reports back to the customers or their representative for inspection and confirms with the customers for satisfactory completion of the respective work.

(f) Indemnity from our subcontractors for substandard work performance

In some cases, when a subcontractor fails to rectify the works to the required standard under the contract, our customer may deduct the cost from payments to our Group from the retention money retained by our customers. In such case, the relevant subcontractor would then be held fully liable to indemnify us against any loss and expense incurred and such sum will be deducted from our payment to the subcontractor accordingly. During the Track Record Period, we did not receive claim from any of our customers for unsatisfactory work performed by our subcontractors.

(g) Performance assessment of our subcontractors

We conduct annual assessment on the quality of our subcontractors. Our administration director, project director and safety director, appraise the quality of the subcontractors based on their performance in previous projects with reference to the performance indicators such as their technical expertise, financial background, management structure, safety record, records of compliance with healthy, safety and environmental law, rules and regulations and reputation. We will remove those subcontractors who repeatedly fail to meet our requirements from our approved list. For Government projects, we conduct quarterly assessments on performance quality of subcontractors and a quarterly report is required for submission to the Housing Authority.

Control over subcontractors' compliance of occupational health, safety, environmental rules and regulations

The implementation of the following measures for monitoring subcontractors' compliance with occupational health, safety and environmental laws, rules and regulations is overseen by our safety committee which is chaired by Mr. Liu Winson Wing Sun, our executive Director and safety director. For details of the composition of our safety committee, please refer to the paragraph headed "Occupational health and safety" of this section below.

(a) Briefing sessions prior to commencement of project

A series of briefing sessions is conducted by our safety officer to the representatives of the subcontractors and their workers prior to the commencement of the project implementation stage. The briefing sessions cover topics such as our safety policy, quality policy, project quality plan and environmental management plan. The purpose of these briefing sessions is to highlight the respective policies, plans, objectives and guidelines to the subcontractors, provide them with adequate and clear information and draw their attention to the importance of strict compliance and observance of occupational health, safety and environmental laws and regulations.

(b) Safety inspection and safety assessment

Our safety supervisors conduct daily inspection on the subcontractors' compliance of safety and environmental measures, progress and potential risk to the general public. Our safety supervisors may conduct safety inspection on an ad hoc basis. In case of non-compliance of our safety guidelines by a subcontractor, we issue warning letter to relevant employees and the subcontractors concerned. If a major safety deficiency is found, a work suspension notice may be issued to relevant employees and the subcontractor concerned until the deficiency is rectified to the satisfaction of both the project/construction manager and our safety officer. In extreme case, we may terminate the relevant subcontracting agreement if the subcontractor is found to be in repeated non-compliances with safety and other relevant laws and our safety guidelines in which case such subcontractor will be liable to indemnify us against any loss and damages resulting from such non-compliances. Our safety officer conducts appraisal on compliance of safety requirement on the part of our subcontractors' workers on a quarterly basis to monitor their performance on occupational health of safety compliance.

(c) Indemnity from the subcontractors for non-compliance of safety regulations

For any criminal charges against our Group due to non-compliance of applicable laws and regulations in relation to safety, health and environment by the subcontractors' employees, we are entitled under the terms of the subcontracting agreement to claim against our Group's subcontractors for any losses, liabilities, costs and expenses resulting from such criminal charges or convictions.

(d) Ongoing safety training

With an aim to further promoting safety culture and to ensuring the compliance of the relevant safety rules by subcontractors, training courses are arranged by our safety committee to offer training to employees of subcontractors on their safety and environmental awareness and assist them to correct unacceptable or dangerous misbehaviour at construction sites. We also provide internal safety training and/or external safety training relating to the latest safety laws, rules and regulations of the construction industry to our employees. For details of our training provided to our employees as well as employees of our subcontractors, please refer to the paragraph headed "Occupational health and safety – safety training and promotion" of this section. A copy of safety manual is displayed on sites in prominent places accessible to all subcontractors and their employees. We consider that such approach is effective in controlling the work misbehaviour of the employees of subcontractors and enhance their safety awareness.

Control over our risks under the Employment Ordinance and Employees' Compensation Ordinance as main contractor

Employment Ordinance

For any action regarding claims for outstanding wages instituted by the employees of our subcontractors, our Group, as the principal contractor, are invariably named as one of the defendants due to our liability to settle the outstanding wages on the direct employer's behalf pursuant to section 43C of the Employment Ordinance even without any fault on our part. Such payment of wages is recoverable from our subcontractors pursuant to section 43F of the Employment Ordinance. To monitor our subcontractors' compliance with the Employment Ordinance and avoid non-payment of wages by our subcontractors to their employees, we adopted the following measures on monitoring wage payments:

(a) Our project/construction manager and site agent are responsible for handling complaints from all workers (including subcontractors' employees) for outstanding wage claims. We take a pro-active approach in identifying potential wage claim at early stage. Enquiries or complaints hotline is in general displayed at the construction sites in prominent places such that wage disputes could be resolved without resort to court procedures.

(b) In order to avoid dispute between our subcontractors and us in respect of amount of wages paid to employees of subcontractors, we maintain an attendance record of all site workers (including subcontractors' employees) on daily basis by an electonic system installed at sites or a logbook supervised by our foreman.

(c) After we make a payment to our subcontractors on a pay day, we require payment advice or confirmations from our subcontractor evidencing that they paid their employees punctually. In some cases, we may require our subcontractors to pay wages to their employees on site in the presence of our site agent as a witness to make sure that they pay their employees punctually. Furthermore, pursuant to the terms of our subcontracting agreements, we reserve our rights to pay the wages of the subcontractors' employees on the subcontractors' behalf in which case we are entitled to deduct such paid amount from the subcontracting fees payable by us to such subcontractor.

Employees' Compensation Ordinance

Pursuant to section 24 of the Employees' Compensation Ordinance, when an employee of a subcontractor is injured at work, the principal contractor shall be liable for any claim of compensation made by the injured employee under the Employees' Compensation Ordinance. The main contractor may take action to recover from the subcontractor any payment which that subcontractor is required to make. Therefore, for any action regarding personal injuries instituted by the employees of our subcontractors, our Group, as the main contractor, would invariably be named as one of the defendants due to our liability to settle the claim of compensation pursuant to section 24 of the Employees' Compensation Ordinance even without any fault on our part. Such payment is recoverable from our subcontractors pursuant to section 24 of the Employees' Compensation Ordinance. Since our Group is required to take out employee's compensation insurance policy, the payment will be ultimately recoverable from the insurance companies. In the event that the insurer refuses to cover such liability, our subcontractors are required to indemnify us for such liability pursuant to the subcontracting agreement.

Pursuant to our safety policy, our subcontractor must inform our safety officer immediately upon the occurrence of any accident involving subcontractors' employees or any third party arising from the execution of the works. Details of the injured person must be submitted to our site office within three days after accident to make proper record for any possible claims under Employees' Compensation Ordinance. Subcontractors are required to ensure that all claims conform to the requirements of the Employees' Compensation Ordinance and relevant conditions of our insurance policy. Please refer to the paragraph headed "Occupational health and safety – safety inspection, risk assessment and accident reporting" for details of our policy on accident reporting.

In view of the above measures currently in place, our Directors are of the view, and the Sponsor concurs, that there are adequate and effective measures to control our subcontractors' quality of work, control our subcontractors' compliance of occupational health safety, environmental rules and regulations, and control and manage our risks under the Employment Ordinance and Employees' Compensation Ordinance.

AWARDS AND ACCREDITATION

In recognition of our outstanding performance and quality of work, our Group has received the following awards or certificate from different departments of the Government and professional accreditation organisations:

Year of grant	Description	Awarding organisation/ institution
Certification for compliance with ISO/OHSAS requirements		
2008 *(Notes 1, 4)*	Certificate for compliance with the requirements of OHSAS 18001: 2007 occupational health and safety management systems specification applicable to building activities to keep, restore and improve the facilities of buildings and surroundings, construction of buildings and demolition of building with demolition design	HKQAA
2007 *(Notes 2, 4)*	Certificate for compliance with the requirements of ISO 14001: 2004 environmental management system standard applicable to building activities to keep, restore and improve the facilities of buildings and surroundings, construction of buildings and demolition of building with demolition design	HKQAA
1993 *(Notes 3, 4)*	Certificate for compliance with the requirements of ISO 9001: 2008 quality management system standard applicable to building activities to keep, restore and improve the facilities of buildings and surroundings, construction of buildings and demolition of building with demolition design	HKQAA
In recognition of our Group's quality service		
2013	Quality Public Housing Construction & Maintenance Awards 2013 *District Term Contract Category: Outstanding Contractor Award – Silver Award*	Housing Authority
2012	Quality Public Housing Construction & Maintenance Awards 2012 *Outstanding Maintenance & Improvement Project – Bronze Award*	Housing Authority

Year of grant	Description	Awarding organisation/ institution
2011	Quality Public Housing Construction & Maintenance Awards 2011 *District Term Contract Category: Outstanding Contractor Award – Silver Award*	Housing Authority
2010	Quality Public Housing Construction & Maintenance Awards 2010 *District Term Contract Category: Outstanding Contractor Award – Bronze Award*	Housing Authority
2009	Quality Public Housing Construction & Maintenance Awards 2009 *District Term Contract Category: Outstanding Contractor Award – Silver Award*	Housing Authority
2008	Quality Public Housing Construction & Maintenance Awards 2008 *District Term Contract Category: Outstanding Contractor Award – Gold Award*	Housing Authority
2007	Quality Public Housing Construction & Maintenance Awards 2007 *District Term Contract Category: Outstanding Contractor Award – Silver Award*	Housing Authority
2005	Quality Public Housing Construction & Maintenance Awards 2005 *District Term Contract Category: Outstanding Contractor Award – Silver Award*	Housing Authority
2004	Quality Public Housing Construction & Maintenance Awards 2004 *District Term Contract Category: Outstanding Contractor Award – Gold Award*	Housing Authority
2003	Quality Public Housing Construction & Maintenance Awards 2003 *District Term Contract Category: Outstanding Contractor Award – Gold Award*	Housing Authority
2002	Excellent Estate Maintenance Services Award 2002 *District Term Contract Category: Outstanding Contractor Award – Silver Award*	Housing Authority

Year of grant	Description	Awarding organisation/ institution
In recognition of our Group's safety practice		
2011 – 2012	Construction Industry Safety Award Scheme 2011/2012 *Renovation and Maintenance Works (Tuen Mun District) – Silver Award*	Labour Department
2007 – 2008	Construction Industry Safety Award Scheme 2007/2008 *Renovation and Maintenance Works (Shatin District) – Bronze Award*	Labour Department
1997	Site Safety Campaign 1997 *Best Maintenance Works Contractor*	Housing Authority
1997	Site Safety Campaign 1997 *Best Maintenance Works Site: Maintenance and Improvement Works (Enhanced CARE) at Fuk Loi Estate – Bronze Award*	Housing Authority

Notes:

1. Sing Fat Construction was first accredited with OHSAS 18001 compliance certification in 2008 which is renewed once every three years. The current certificate will expire on 26 November 2014. Our Directors did not see any legal impediment or factors that prevent to renewal of this accreditation.

2. Sing Fat Construction was first accredited with ISO 14001 compliance certification in 2007 which is renewed once every three years. The current certificate will expire on 28 August 2016.

3. Sing Fat Construction was first accredited with ISO 9000 compliance certification in 1993 which is renewed once every three years. The current certificate will expire on 9 June 2015.

4. The accreditation body conducts an external audit to assess the relevant management system is in conformity of the standards in place every three years. Such external audit is normally conducted before the expiry of the relevant ISO certificate. Upon satisfaction in regards to the relevant management system, a renewal certificate will be issued.

QUALITY ASSURANCE

To maintain consistent quality services for our customers, we have established a quality assurance system which is certified to be in compliance with the requirements of ISO 9001:2008 and ISO 14001:2004, respectively. The primary objective of our Group is to (i) fulfil the needs of our customers by providing quality services that meet both contractual and statutory requirements; and (ii) continuous improvement in quality, safety and customers' service. From tender to post-contract stage, we clearly define objectives and directions, utilise resources in a planned, systematic, efficient, safe and cost effective manner. Compliance with our quality assurance requirements is mandatory for our staff and subcontractors. Through continuous evaluation, assessment and review of each department's management functions, we believe our quality management system has enhanced the management and operational quality and ability of both our Directors, senior management and our site staff. Our quality assurance system is overseen by our administration director with the support of our quality department.

Our quality assurance team comprises four quality managers who are responsible for the day-to-day quality assurance under the supervision of Mr. Chan Lo Kin, Mr. Kan Yiu Keung and Mr. Liu Winson Wing Sun, being our executive Directors, and our administration director, project director and safety manager, respectively. For details of the qualifications and experience of our administration director, project director and construction manager, please refer to the section headed "Directors, Senior Management and Staff" of this [REDACTED].

Our quality assurance measures are summarised below:

(a) Quality control plan

Prior to commencement of each project, our quality manager prepares quality control plan for individual project for approval by our administration director, project director and project/construction manager before submission to our customers. Such quality control plan sets out customers' requirements and our quality standards with reference to performance indicators such as adequacy to follow the customers' specification of materials and workmanship, work progress, response to customers' instructions, customer services, site safety, site tidiness, control of nuisance and environmental management. At the outset of the project implementation, our project/ construction manager holds a project initiation meeting with our site agent, foreman and subcontractors to discuss the execution requirements of the quality control plan, assign quality control and assurance responsibilities on materials ordering, works execution and inspection during the project to ensure they understand the required quality standards and requirements.

(b) Constant monitoring and inspection

We closely monitor the quality of purchased materials and our subcontractors' workmanship standard. Our quality managers coordinate with our subcontractors to agree on quantity, size and type of the materials required for the project to make sure the materials meet our customers' requirements prior to ordering. Proposed materials and samples (when required) are required to be submitted to our quality managers and our customers for approval prior to purchase. All materials ordered are sent directly to the relevant site for inspection by our site agent and foreman before utilisation. Furthermore, we closely supervise our subcontractors and monitor their workmanship standards and performance to ensure that our subcontractors comply with the contractual specifications under the main contract and our quality standards. Our quality manager, foreman and safety supervisor conduct daily inspection on the work performance of the subcontractors and their employees and random inspection or surprise checks may be conducted on an ad hoc basis. Our project/construction manager and quality managers conduct monthly meeting with our subcontractors to review work progress and ensure that the project is executed on schedule. For details of our control measures over our subcontractors, please refer to the paragraph headed "Subcontracting arrangements – Control over subcontractors" of this section. Prior to inspection by our customers, our site agent conducts inspection on all works completed to ensure that the work completed conforms to the specifications and quality standards set out in the contract.

(c) Customer service

To improve our quality of service, in the course of project execution, we offer customer services to our customers to handle and resolve complaints and non-conformities and consider preventive actions to prevent re-occurrence of similar incidents in the future. In handling customers' complaints and feedback, our customer service department follows our "4R" procedures (i.e. receiving, recording, responding to and reviewing complaints in a timely manner). We operate a complaint telephone hotline on site manned by our public relations representatives throughout the project period from 9 a.m. to 6 p.m. and from Monday to Saturday (excluding public holidays) to handle and receive complaints from public that may arise in the course of our project execution. Complaints can also be lodged by way of email, complaint card or written complaint form. We endeavour to respond to such complaints and enquiries within 24 hours and in case of emergency, within an hour. Such complaints and enquiries are reported to our project/construction manager and quality manager who then coordinate with our safety officers to consider appropriate corrective and preventive actions to be taken. Furthermore, we conduct customers' survey on a regular basis to gather customers' feedback for each project on our service performance of individual project. In addition, as part of our customer service, our staff and subcontractors' employees are required to attend service manner training on personal behaviour, work attitude, discipline, politeness and courtesy to our customers and third parties on sites.

(d) Management on occupational health, safety and environmental protection

As part of our quality assurance, we commit to providing a safe and environmental friendly working environment. We operate a safety management system to ensure our Group's compliance with the relevant safety requirements and standards. We adopt environmental management plan to ensure proper management of environmental protection and compliance of environmental laws and regulations in the course of project execution. Please refer to the paragraphs headed "Occupational health and safety" and "Environmental protection" of this section for details.

(e) Management review

We consider that it is imperative to improve our quality management system through constant evaluation and assessment. To this end, we hold management review meeting on an annual basis, with the presence of our core management team including our administration director, project director, safety director, quality managers, project/construction managers, quantity surveyor managers, public relations managers and construction engineers, to evaluate the adequacy and effectiveness of our quality, environmental, occupational health and safety policy and objectives, effectiveness of our management operation by reference to internal and independent management system audit reports, reports on safety audits, reports on non-conformity, corrective and preventive actions, reports on complaints and feedbacks from customers and other external parties, reports on compliance of the statutory requirements relating to occupational health, safety and environmental protection and reports on performance of subcontractors and suppliers. The management review meeting will also discuss and initiate improvement actions to ensure that our quality policy objectives can be met.

In recognition of our quality service, we have received a number of awards from the Housing Authority. Further details are set out in the paragraph headed "Awards and accreditation" of this section above.

There was no significant delay in the delivery of our projects and no major complaints from customers regarding quality of our works during the Track Record Period and up to the Latest Practicable Date. We attribute our proven track record to our quality of services and our effective quality assurance measures under our quality management system.

OCCUPATIONAL HEALTH AND SAFETY

We have adopted an occupational health and safety system as managed by our safety department for the benefit of our employees and our subcontractors' employees. We are committed to providing a safe and healthy working environment. It is also our concern not to put the general public in hazards. Our system follows international standards and is certified to be in compliance with the requirements of OSHAS 18001 and ISO 14001 since 2008 and 2007, respectively. We implement the following measures to ensure workplace safety:

Safety committee

Our safety committee is formed at corporate level and headed by Mr. Liu Winson Wing Sun, our executive Director and safety director, with two safety managers, seven safety officers and eight safety supervisors who are our full-time employees as at the Latest Practicable Date. Most of them are either registered safety officers registered under the Factories and Industrial Undertakings (Safety Officer and Safety Supervisor) Regulations or attained diploma in the occupational health and safety discipline. For details of the qualification and experience of Mr. Liu Winson Wing Sun, our safety director, please refer to the section headed "Directors, senior management and staff" of the [REDACTED]. Safety committee meeting is held on a monthly basis for the purpose of setting strategic guidelines for our safety department to (i) manage occupational health and safety measures relating to our operation; and (ii) monitor the implementation of safety management for our Company. In addition to our safety committee, we also set up safety sub-committee at site level which consists of our site agent, quality manager, foreman, safety officer, safety supervisor and the authorised representative of subcontractors for individual projects. Site safety meeting is held on a monthly basis. The role of the safety sub-committee is to monitor the implementation of on-site safety management with the participation of the subcontractors' representatives on project basis.

Safety inspection, risk assessment and accident reporting

Prior to commencement of each project, our safety officer prepares safety plan for individual project for approval by our safety director and project director before submission to our customers. For the daily operation of our project, our safety supervisors carry out daily safety inspection to monitor our site safety. Weekly inspection is also conducted by our project execution team with the participation of our safety officers, safety supervisors, site agents and foremen and a weekly report is prepared to evaluate the degree of the site work's compliance with safety regulations, review the adequacy of safety measures on site and take immediate steps to remedy any defects or unsafe conditions and practices observed. Our safety officer also conducts safety risk assessment on a quarterly basis which forms an integral part of safety management and accident prevention. The aim of risk assessment is to monitor site workers' performance on occupational health and safety compliance and identify significant risks arising from work activity on site. Our safety officer is informed of the planned work programme and actual work progress so that he can conduct risk assessment and advise site agent in taking preventive control measures in securing persons from risk. In routine inspections, our safety supervisors use site safety inspection checklist to record our safety compliance. Reports on the findings of the safety inspection are completed as soon as practicable after the inspection. Such report is distributed to our safety director, safety officers and project manager with copies being provided to our customers. All checklist and inspection reports comply with the requirements of all statutory safety regulations shall incorporate a follow up procedure to ensure that any defects identified must be promptly and satisfactorily rectified, and reported to our safety committee accordingly. In addition, for Housing Authority contracts, depending on the scale of the contract, the Housing Authority conducts safety audits or safety reviews on project basis once every three months to ensure that we comply with the safety requirement prescribed by the Housing Authority during project execution.

We adopt the following procedures for recording, handling and reporting on accidents:

– For accidents that lead to incapacity of more than three days, a completed statutory Form 2 (a prescribed form in the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)) in duplicate copies together with the supplementary information including particulars of the accident, the relevant worker's salary and insurance covered ("Form 2") will be submitted to the Labour Department within 14 days in accordance with section 15 of the Employees'

Compensation Ordinance. For minor accidents that lead to incapacity of not more than three days, we will report to the Labour Department using Form 2B (a prescribed form in the Employees' Compensation Ordinance) within 14 days.

– In the event of dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident in Hong Kong, we will notify the Labour Department and submit the Labour Department's standard "Dangerous Occurrence Report Form" within 24 hours. Our safety officers will also complete the investigation on the accident/incident within the same timeframe. Within seven days, we will also submit Form 2 to the Labour Department in case of injury. A detailed investigation will be completed by our safety officers within seven days.

Safety training and promotion

The provision of adequate safety training for all levels of personnel (including the subcontractors' employees) plays a vital role in effective accident prevention. We implement a suitably structured training programme for all personnel employed on site. Prior to commencement of each project, our safety officer provides induction safety training and safety toolbox coaching to all the workers on site on all relevant site safety regulations when they first enter the site. Furthermore, our safety managers also prepare quarterly training programme that requires site personnel to attend safety training on safety rules and regulations on a weekly basis. Safety training may be held on ad hoc basis in the event of occurrence of accident to provide specific training on prevention of occurrence of similar accidents in the future. These trainings focus on different trades and activities and enhance occupational health and safety awareness. Control measures on high-risk activities are also emphasised. Topics of our safety training typically cover the following:

– safe operation and maintenance of plants, machineries and equipment;

– provision, use and maintenance of personal protective equipment;

– safety procedures for working at height;

– provision, use and maintenance of safe access;

– fire precautionary measures;

– safe handling and movement of materials;

– safety procedures for chemical processes and for the handling, transporting and storage of chemicals;

– safety procedures for emergency; and

– duties and procedures for reporting hazards, incidents, accidents and diseases. good housekeeping of workplaces.

All training records and attendance are properly documented for submission to our customers as part of our quality assurance.

We consider that the provision of adequate promotion of safety information for all levels of personnel is crucial for effective accident prevention. Various measures, such as poster campaigns and distribution of safety information sheets and guides to our site staff are adopted in order to promote their safety awareness and develop a safety culture on sites. All relevant warning signs, emergency and rescue procedures, notices and placards are displayed at strategic locations in offices, workshops, welfare facilities, and in the construction areas. Copies of the relevant occupational safety and environmental legislation and the related guidelines are displayed in both English and Chinese whenever available in every site office. To further promote a safety culture, we implement an award scheme for grant of award to "the best worker of the month" in recognition of his or her performance on occupational health and safety compliance.

Regular surveillance audits by the HKQAA and internal safety audit

We are certified to be in compliance with the standards of OHSAS 18001:2007 (Occupational health and safety management systems) by HKQAA. According to the regulations of HKQAA, the relevant certification shall be renewable (subject to compliance with HKQAA regulations) every three years, and surveillance audits will be conducted at least once every year of certification. HKQAA conducts a review of our management systems generally every six months. After receiving the report from HKQAA, or if there are any updates based on the assessment of our safety committee, we will inform our staff and particularly the site agents and foremen who are responsible for checking proper implementation of new safety protocols by staff on-site. If non-conformity is discovered in the course of the audit, we will be required to adopt corrective and preventive measures within the timeframe agreed upon between the HKQAA auditor and us. Our Directors confirmed that material deficiencies in relation to workplace safety has been identified by the HKQAA surveyor and our safety management system continually fulfilled the OHSAS 18001 certification requirements in the audit reports.

In addition to the external audit conducted by HKQAA, we also engage an independent occupational health and safety auditor (the "Internal OHS Auditor"), who is a registered safety auditor, for the purpose of conducting internal audit on our Group's safety management system on a half-yearly basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations. In the course of the internal safety audit, our Internal OHS Auditor (i) conducts physical inspection on selected sites to check whether our Group's established safety management system is developed, monitored, organised and implemented in accordance with the Factories and Industrial Undertakings (Safety Management) Regulations and the Code of Practice on Safety Management issued by the Labour Department and whether the statutory safety regulations are complied with; (ii) conducts interview with selected personnel in selected projects; (iii) obtains documents for review to assess the adequacy and effectiveness of our Group's safety management system; and (iv) suggests areas of improvements and recommendations on our safety management system. Upon completion of the safety audit, the internal audit report will be submitted to our safety committee for review and then submitted to the Labour Department and our customers. Our Directors confirmed that no material deficiencies in relation to workplace safety has been identified by the OHS Auditor and our safety management system had continually fulfilled the safety regulations under the Factories and Industrial Undertakings Ordinance in all material respects.

It is also noteworthy that in recognition of our safety policy, we have received a number of awards from the Housing Authority and the Labour Department. Please refer to the paragraph headed "Awards and accreditation" of this section for further details.

ENVIRONMENTAL PROTECTION

We are committed to promoting environmental protection and carrying out our corporate responsibility to our society. We are particularly conscious of the need to satisfy our customers, operate our business efficiently whilst at the same time protect the environment. To this end, we adopt environmental management plan to ensure proper management of environmental protection and statutory compliance as part of our project execution. Our environmental management plan is also modified to suit the specific need and contractual specifications for different projects in accordance with the customers' requirements and our environmental management plan and objectives set by our administration director and project manager. Our environmental management system is certified to be in compliance with the requirements of ISO 14001:2004 since 2007. For daily operation of our project, our safety committee is responsible for monitoring environmental compliance issues in accordance with environmental management plan for each project. Our project manager and site agent work with our safety officer and safety supervisor to monitor and evaluate the degree of the site work's compliance with environmental rules and regulations, review the adequacy of environmental protection measures on site and take immediate steps to remedy any defects or conditions that may cause harm to the environment and nuisance to the general public. We also gather our customers' feedbacks to modify and improve our environmental management practices to enhance our quality of services.

Specifically, we adopt the following measures to ensure proper management of environmental protection and compliance of environmental laws and regulations in the course of project execution:

Waste disposal

We have waste management plan drawn up for individual projects in accordance with the contractual specifications and the standard of our environmental management plan. For each project, in accordance with the Waste Disposal Ordinance and its subsidiary regulations, we apply for billing account for disposal of construction wastes and materials. Where necessary, we apply to the Environmental Protection Department for registration as a chemical waste producer for projects generating chemical wastes (such as surplus painting materials, lubricant oil from diesel plants, etc.). Prior to waste disposal, we operate our own sorting facilities to separate inert construction waste materials from non-inert hazardous chemical waste materials. Such sorting facilities also facilitate re-use, recycling or return so as to reduce the amount of waste materials for disposal. Construction waste materials are then stored in designated temporary dumping area prior to disposal. To ensure proper disposal of construction wastes, we follow the "trip ticket system" which is a recording system maintained by the Environmental Protection Department for orderly disposal of construction waste to disposal facilities by trucks. Our waste disposal programme was monitored by our site agent and foreman under the surveillance of the Environmental Protection Department to ensure the construction wastes are properly sorted and disposed of to authorised public landfills.

Air pollution control

To comply with environmental regulations and to ensure workers' health, we adopt control measures to monitor dust level and debris handling. We maintain dust monitoring equipment at the site entrance or window opening to measure the level of respirable suspended particulates in order to monitor the dust emission level in the neighbourhood. Simple materials, such as a vacuum cleaner, plastic tube, plastic lid, sponge and spray water bottle, are used to make a dust extraction device that helps reduce dust emission when external walls are being polished. Such dust extraction device can be used on both smooth and irregular surfaces, and is economical and effective in reducing air pollution.

Noise control

Sound level meters are utilised on the site boundary to monitor noise emission. Special sound absorption partition is erected to control the sound emission in a reasonable level. In addition, it is our policy to use quieter construction equipment or install powered mechanical equipment with effective noise reduction facilities and properly maintain our equipment to reduce the noise generated from loosen parts or defective components.

Water pollution control

We run a waste water treatment system that adopts a flow regulation, settling, sedimentation and final filtration process to treat construction waste water to an acceptable level before reuse or discharge. Grease traps are used to separate oil and grease from waste water generated from our works. The treated water will then go through the waste water treatment system for further filtration. This system not only fulfils legal requirements for waste water treatment, but also allows the treated water to be reused for dust suppression.

During the Track Record Period, the annual cost of compliance with applicable environmental laws and regulations in Hong Kong were approximately HK$322,000, approximately HK$280,000 and approximately HK$355,000, respectively which was mainly attributable to the levy imposed by the Government on waste disposal. We estimate that such cost of compliance will not be material in the future. During the Track Record Period and as at the Latest Practicable Date, our Directors confirmed that we were in compliance with applicable environmental laws, rules and regulations in all material respects.

INSURANCE

It is a practice in the construction industry of Hong Kong that the main contractor of a project takes out and maintains employees' compensation insurance and third party liabilities insurance in accordance with the applicable laws and regulations. The insurance policy generally covers the entire contract period, including the defects liability period following completion of the project. For details of the relevant statutory requirements in relation to insurance, please refer to the section headed "Laws and Regulations" of this [REDACTED].

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has taken out and maintained insurance policies in respect of employees' compensation and contractors' all risks covering property damage arising from the project works and third party liabilities insurance for the project in accordance with the applicable laws and regulations and the insurance requirements under the contract. Our Directors confirm that our Group's insurance coverage is in line with industry norm in Hong Kong. The insurance policies in respect of employees' compensation maintained by us also cover the employees of our subcontractors in our works sites. In some cases, our subcontractors are required to bear the insurance costs on a case by case basis, subject to the negotiations between our Group and the subcontractors, in which case the insurance costs are deducted from the subcontracting fees payable to the subcontractors.

Although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can claim against our subcontractors for losses attributable to their substandard performance pursuant to the subcontracting agreement. Based on the above and the fact that only those subcontractors who are on our approved list are engaged, our Directors are of the view that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low.

During the Track Record Period, total insurance cost borne by us for projects amounted to approximately HK$2.9 million, HK$5.4 million and HK$4.9 million, respectively. Our Directors confirm that our Group has obtained adequate insurance coverage for the operation of our business.

COMPETITION

According to the Ipsos Report, building maintenance and renovation contracting service industry under the category of "building services installation and maintenance activities" is one of the five major contracting service industries in Hong Kong (among which include construction of buildings, civil engineering, demolition and site preparation, and building finishing and other specialised construction activities) and it plays an important role in the local building and construction industry as it can extend the life and maintain or elevate the value of the target buildings. The demand for maintenance and renovation works are usually originated from the owners of the buildings which include (i) public/Government institutions such as the Housing Authority, and (ii) private/non-government organisation e.g. owners' corporation of residential buildings. As regards the service contracts awarded by the Government, DTCs represented the key building maintenance contracts in the public sector and are awarded by the Housing Authority from time to time. Only the building maintenance contractors who are on the Housing Authority's list of building contractors in building (maintenance) Group M2 category are eligible to tender for DTCs.

The building maintenance and renovation contracting service industry in Hong Kong is quite fragmented. There were about 295 qualified building maintenance and renovation service contractors in Hong Kong in 2013, compared to 255 in 2009. The increasing number of service providers was due to the expected bright outlook in the industry in Hong Kong in view of the growing demand for building maintenance and renovation services driven by the factors set out in the paragraph headed "Industry Overview – Growth drivers for building maintenance and renovation contracting service in Hong Kong" of this [REDACTED]. Top ten contractors in the building maintenance and renovation, details of which are set out in the section headed "Industry Overview – Top ten contractors in building maintenance and renovation contracting service market" of this [REDACTED], represented an aggregate of approximately 10.9% market share in terms of industry revenue in 2013. According to the Ipsos Report, our Group ranked sixth in the industry in terms of industry revenue in 2013.

Building maintenance and renovation contracting service providers are especially interested in capturing large-scale projects such as DTCs to maximise their revenue and profitability. As of September 2014, there were 31 contractors registered under Building (Maintenance) Group M2 category approved by the Housing Authority which are eligible to tender for the DTCs. The competition in the DTC market is highly concentrated, with the top 5 contractors contributing to approximately 65.9% of total contract revenue in 2013. Of the 24 ongoing DTCs in 2013, the top 5 contractors were responsible for 16 of them. According to the Ipsos Report, we ranked third in the DTC market in terms of revenue in DTC market in 2013.

According to the Ipsos Report, specialist knowledge and qualifications, operational experience and capital required for providing building maintenance and renovation services represent the key entry barriers for new building maintenance and renovation contracting service providers. For details, please refer to the section headed "Industry Overview – Competitive landscape – Barriers to entry" of this [REDACTED].

Please also refer to the section headed "Industry Overview – Competitive landscape" of this [REDACTED] for further details of the competitive landscape of the building maintenance and renovation contracting service industry in Hong Kong.

PROPERTY INTERESTS

Our Group's head office and principal place of business in Hong Kong is 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. On 28 May 2014, Sing Fat Construction entered into a sale and purchase agreement with Mega Billion, a 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 which was arrived at after arm's length negotiations between our Company and Mega Billion with reference to the prevailing market rent of the surrounding comparable office premises in the vicinity of the Office Premises based on the opinion of an independent valuer appointed by our Group. Our Board considered that the Lease Agreement is entered into in the ordinary and usual course of business of our Group and the aforesaid rent was arrived at on normal commercial terms which are fair and reasonable, and in the interests of our Company and independent Shareholders as a whole. The arrangement under the Lease Arrangement will constitute exempt continuing connected transactions after the Listing. Please refer to the section headed "Continuing Connected Transactions" of this [REDACTED] for further details.

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. To ensure our continual operation without any undue interruption, pursuant to the Lease Agreement, Mega Billion has undertaken to Sing Fat Construction that it will not take any initiative to require our Group to move out of the Office Premises during the term of the Lease Agreement unless required by law or regulation, order of court or direction of any governmental or regulatory authority or any other incidents outside the control of Mega Billion. In the event of a breach of undertakings on the part of Mega Billion, unless such breach is due to any legal or regulatory requirement or pursuant to court order or direction of any governmental or regulatory authority or otherwise due to any factors beyond the control of Mega Billion, our Controlling Shareholders agree to indemnify our Group against any losses, damages and expenses incurred by our Group as a result of a breach of undertaking on the part of Mega Billion under the Lease Agreement. Our Directors consider that even if the Lease Agreement is terminated for any reason, our Group will be able to identify suitable locations and enter into lease agreement on terms similar to the Lease Agreement at market rent. Our Directors consider that our Group will be able to relocate our head office without incurring substantial relocation costs (which is estimated to be not more than HK$100,000) and any such relocation will not affect our building maintenance and renovation operations which largely take place at work sites.

In addition to the Office Premises, Sing Fat Construction owned an investment property for lease at Workshop No. 1, 2nd Floor, Vogue Centre, No. 696 Castle Peak Road, Kowloon, Hong Kong with a gross floor area of 1,500 square feet. The investment property was for lease. On 31 May 2012, such investment property was sold to an independent third party at a cash consideration of HK$9.2 million. Our Group recorded other income of approximately HK$5.3 million for the year ended 30 June 2012 from the proceeds of the disposal which allowed us to realise the value of the investment property and provided additional financial resources to our Group.

Furthermore, for our maintenance term contract and renovation projects, our project execution team will occupy areas in the vicinity of the works site designated by our customers for site office use and storage of materials and equipment on project basis for a term from the commencement date of the contract to the date of completion of the contract. For the three financial years ended 30 June 2014, the rental expenses for such site offices and storage areas amounted to approximately HK$92,000, HK$189,000 and HK$310,000.

Save as disclosed above, our Group does not have any property interests.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we have applied for registration of our trademark, "" and "", in Hong Kong. We consider our trademark to be important to our business since they foster our corporate image and brand identification. We have also registered a number of domain names. Please also refer to the section headed "Statutory and General Information – B. Further information about our business – 2. Intellectual property rights of our Group" in Appendix IV to this [REDACTED] for further details.

As at the Latest Practicable Date, we were not aware of any dispute or infringements (i) by us of any intellectual property rights owned by third parties, and (ii) we were not aware of any dispute or pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at 30 June 2012, 2013 and 2014 and the Latest Practicable Date, we had a total of approximately 113, 117, 116 and 122 employees, respectively. All our employees are based in Hong Kong.

The following table sets forth an approximate breakdown of our full-time employees by function as at 30 June 2012, 2013 and 2014:

	As at 30 June			Latest Practicable
Function	**2012**	**2013**	**2014**	**Date**
Group Management	8	8	9	9
Accounting and Finance	2	2	3	4
Project Management and Development	61	62	56	61
Safety and Environmental Monitoring	16	15	16	17
Quality Assurance	5	4	4	4
Public Relations and Customer Services	15	20	21	20
Human Resources	–	1	2	2
Administration	6	5	5	5
Total:	113	117	116	122

We recruit our staff mainly through [REDACTED] advertisements on website and Labour Department with reference to factors including their experience, qualifications and expertise required for our operations. They are normally subject to a 3-month probation period at the inception of their employment. We endeavour to establish good employer-employee relationships and have our human resources department promptly handle and address employee complaints and issues. During the Track Record Period, we did not have material difficulty in hiring staff.

Our Directors confirm that except as disclosed under the paragraph headed "Litigation and potential claims" of this section, we do not have any major dispute with our employees during the Track Record Period and up to the Latest Practicable Date and generally we maintain a good working relationship with our employees; and we did not experience any material labour shortages in staffing our projects.

We prohibit the recruitment of illegal workers in our offices or at the sites for which we are responsible by checking the identification documents provided by the candidates. We will report to the police when we come across any candidate with suspicious identity. During the Track Record Period, no illegal workers have been reported by us. We require our subcontractors to check the identification documents of their workers to ensure that no illegal workers are hired to work in the sites for which we are responsible.

Our staff related costs included salaries, wages and other staff benefits, contributions to retirement schemes, provisions for staff long service payment and untaken paid leave. For each of the three financial years ended 30 June 2014, our wages were approximately HK$7.0 million, HK$6.7 million and HK$7.0 million, respectively, which were charged to our administrative expenses. We generally consider potential changes in labour costs (including the labour costs of subcontractors) as early as when we estimate our fees during the tendering process rather than adjusting our fees on an ad hoc basis. Our Directors confirm that wages of our employees and the wages of our subcontractors' employees are higher than the statutory minimum wage.

Our Group operates MPF scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of our Group, in funds under the control of trustees. Our Group contributes 5% of relevant monthly payroll costs to the MPF scheme, whose contribution is matched by employees and subject to a cap of HK$1,000 prior to June 2012, HK$1,250 from June 2012 to May 2014 and HK$1,500 thereafter per employee. During the years ended 30 June 2012, 2013 and 2014, the total expense recognised in the combined statements of profit or loss and other comprehensive income amounted to approximately HK$0.9 million, HK$0.9 million and HK$1.1 million, respectively, which represent contributions payable to the scheme by our Group at rates specified in the rules of the scheme.

Our Group makes provision for probable future long service payments to employees in accordance with the Employment Ordinance. Pursuant to the Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from our Group's contributions made to MPF scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represents the management's best estimate of our Company's liability at the end of the reporting period. Please refer to Note 27 to the Accountant's Report in Appendix I to this [REDACTED].

Staff training

We ensure our staff receive appropriate training to provide consistent quality services to our customers and safeguard work-place safety for our staff. For these reasons, we have induction training and encourage our staff to undergo continuous safety training. We also require our staff to familiarise themselves with our most updated guidelines for the purpose of ensuring compliance with occupational health, safety and environmental laws and regulations. For details of our training provided to our staff, please refer to the paragraph headed "Occupational health and safety – safety training and promotion" of this section above.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and potential claims against our Group. Set out below are the details of (i) the ongoing litigations against our Group as at the Latest Practicable Date, (ii) potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group arising from work-related incidents and injuries as at the Latest Practicable Date; (iii) the litigation against our Group settled (whether by way of court judgment or settlement) and (iv) our criminal convictions during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry.

Ongoing litigations against our Group as at the Latest Practicable Date

Sing Fat Construction has been joined as a defendant as a main contractor or in the course of our business as a contractor in respect of the following seven outstanding claims made by the employees of our subcontractors:

	Name(s) of our Group company(ies)	Particular of the claims	Total amount involved for the ongoing claims *(HK$)*	Status	Insurance coverage
Employees' compensation claims					
1.	Sing Fat Construction *(Note 1)*	In or about August 2012, it was purported that the applicant has sustained bodily injury while he was in the course of work.	To be assessed by the court	Ongoing. Interlocutory judgment on liability entered in favour of the applicant.	To be covered by our Group's insurance policy.
2.	Sing Fat Construction *(Note 1)*	In or about May 2012, it was purported that the applicant has sustained bodily injury while he was in the course of work.	To be assessed by the court	Ongoing. At discovery stage.	To be covered by our Group's insurance policy.
3.	Sing Fat Construction *(Note 2)*	In or about July 2010, it was purported that the applicant has sustained bodily injury while he was in the course of work.	To be assessed by the court	Ongoing. The claim has been adjourned as at the Latest Practicable Date.	To be covered by our Group's insurance policy.

	Name(s) of our Group company(ies)	Particular of the claims	Total amount involved for the ongoing claims *(HK$)*	Status	Insurance coverage
Other personal injury claims					
4.	Sing Fat Construction	In or about July 2011, it was purported that the plaintiff has sustained bodily injury while he was in the course of work.	HK$2,391,423.17 plus interest	Ongoing. At discovery stage.	To be covered by our Group' s insurance policy
5.	Sing Fat Construction	In or about December 2008, it was purported that the plaintiff has sustained bodily injury while he was in the course of work.	HK$427,763 (plus interest) was awarded to the plaintiff pursuant to a High Court judgment.	Ongoing. Plaintiff is appealing against the judgment.	To be covered by our Group's insurance policy.
6.	Sing Fat Construction	In or about April 2013, it was purported that the plaintiff has sustained bodily injury while he was in the course of work.	HK$982,900 plus interest	Ongoing. At pleadings stage.	To be covered by our Group's insurance policy.
Miscellaneous claim					
7.	Sing Fat Construction	The Plaintiff claimed against Sing Fat Construction for the damages purportedly caused to the plaintiff's property in the course of works.	HK$159,240	Ongoing. At pleading stage.	To be covered by our Group's insurance policy or our subcontractors' indemnity

Notes:

1. Our Company was advised by Messrs. Adrian Yeung & Cheng Solicitors, our Hong Kong legal adviser as to litigation, that the time for the applicants of these employees' compensation cases to commence common law claims for personal injuries against Sing Fat Construction has not expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). It is therefore probable for these applicants to commence common law claims against Sing Fat Construction before the time is barred.

2. Our Company was advised by Messrs. Adrian Yeung & Cheng Solicitors, our Hong Kong legal adviser as to litigation, that the time to commence common law claim for personal injury against Sing Fat Construction has expired and it is therefore not probable for the applicant to commence common law claim against Sing Fat Construction unless the applicant applies to the court to override the time limit under section 30 of Limitation Ordinance (Chapter 347 of the Laws of Hong Kong).

Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group arising from work-related incidents and injuries as at the Latest Practicable Date

Our Group's liabilities in a case of a work-related accident and injury include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance is a no fault system and gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

As confirmed by our Directors, as at the Latest Practicable Date, there were three employees' compensation cases which has been or will be settled by our employees' compensation insurance but as the limitation period for personal injury claims (which is generally three years from the date of the relevant incidents) have not lapsed, it is still possible for the subject persons to commence common law personal injury legal actions against our Group. In addition, there are 20 employee compensation cases which have been reported to the Labour Department and 27 reported cases on minor property damage and personal injury arising during usual and ordinary course of our business but no further action has commenced in respect of such cases after the reporting. These potential claims are within the limitation period of three years (in respect of personal injury cases) and six years (in respect of property damage cases) from the date of the relevant incidents. As such claims have not commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims. In any event, our Group has insurance cover and subcontractors' indemnity for our liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date and notices of all the accidents had been given to the insurers. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation.

Litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we have settled the following claims which were fully covered by our insurance and subcontractor's indemnity.

	Name(s) of our Group company(ies)	Particulars of the claims	Approximate amount settled	Settlement date
Employees' compensation claims				
1.	Sing Fat Construction *(Note 1)*	On 12 April 2013, the applicant sustained injury to his left index finger while he was instructed to chisel on the surface of external wall on top of a scaffold.	HK$351,000	17 June 2014
2.	Sing Fat Construction *(Note 2)*	On 29 March 2012, the applicant sustained injury to his right elbow after he fell in the course of painting works at external wall of a building.	HK$426,000	17 June 2014
3.	Sing Fat Construction *(Note 3)*	On 4 November 2013, the applicant sustained a second to third degree burn over his left forearm as a result of an explosion that occurred in the course of dismantling a metal handrail attached to a wall at a works site.	HK$269,000 (costs to be confirmed and settled by insurer)	16 April 2014
4.	Sing Fat Construction *(Note 4)*	On 9 August 2011, the applicant sustained injury to his left shoulder and back after he slipped and fell from a suspended working platform.	HK$537,000	15 November 2013
5.	Sing Fat Construction *(Note 5)*	On 13 September 2012, the applicant sustained injury to his left thumb after he fell from a scaffold at a works site.	HK$1,406,000	25 February 2013
6.	Sing Fat Construction *(Note 6)*	On 6 January 2012, the applicant suffered bone fracture after he slipped and fell from a wooden ladder at a works site.	HK$291,000	7 May 2013
7.	Sing Fat Construction *(Note 7)*	On 14 June 2011, the applicant sustained injury to his back and left wrist while he moved cement bags at a works site.	HK$253,000	4 February 2013

Name(s) of our Group company(ies)		Particulars of the claims	Approximate amount settled	Settlement date
8.	Sing Fat Construction *(Note 8)*	On 23 December 2008, the applicant sustained injury to his left ankle after he fell from a height in the course of scaffolding works.	HK$621,000	before 31 October 2013 (PI case ongoing)
9.	Sing Fat Construction *(Note 9)*	On 12 December 2008, the applicant sustained back injury while he was uplifting metal frame at a works site.	HK$265,000	before 11 August 2011
10.	Sing Fat Construction *(Note 10)*	On 24 September 2009, the applicant sustained blast injury while he was working at a works site.	HK$520,000	25 February 2013
Other personal injuries claims				
11.	Sing Fat Construction	On 4 November 2013, the plaintiff sustained a second to third degree burn over his left forearm as a result of an explosion that occurred in the course of dismantling a metal handrail attached to a wall at a works site.	HK$860,000 (costs to be confirmed and settled by insurer)	11 June 2014
12.	Sing Fat Construction	On 9 August 2011, the plaintiff sustained injury to his left shoulder and back after he slipped and fell from a suspended working platform.	HK$730,000	29 January 2014
13.	Sing Fat Construction	On 6 January 2012, the plaintiff sustained bone fracture after he slipped and fell from a wooden ladder at a works site.	HK$270,000	8 October 2013 and 6 February 2014
14.	Sing Fat Construction	On 14 June 2011, the plaintiff sustained injury to his back and left wrist while he moved cement bags at a works site.	HK$953,000	25 October 2013
15.	Sing Fat Construction	On 27 July 2010, the plaintiff sustained injury to his right hand when he came into contact with the sharp edge of a metal frame at a works site.	HK$470,000	3 July 2014

Name(s) of our Group company(ies)		Particulars of the claims	Approximate amount settled	Settlement date
16.	Sing Fat Construction	On 27 March 2010, the plaintiff sustained personal injuries caused by falling residues of arc welding during the performance of welding work.	HK$100,000	6 February 2012
17.	Sing Fat Construction	On 25 June 2009, the plaintiff sustained back injury while the plaintiff was lifting a bag of cement from the ground at a works site.	HK$400,000	18 June 2012
18.	Sing Fat Construction	On 12 December 2008, the plaintiff sustained back injury while he was uplifting metal frame at a works site.	HK$110,000	22 August 2011
19.	Sing Fat Construction	On 25 April 2009, the plaintiff sustained back injury in the course of employment.	HK$310,000	30 November 2011
Miscellaneous claims				
20.	Sing Fat Construction	On or about 19 January 2012, loss and damage was occasioned to the plaintiff arising from water influx to his premises purportedly caused by the defendants.	HK$150,000	20 May 2014

Notes:

1. The applicant has commenced personal injury claims against Sing Fat Construction, details of which are set out in item 6 in the paragraph headed "Ongoing litigation claims against our Group as at the Latest Practicable Date" above.

2. Our Company was advised by Messrs. Adrian Yeung & Cheng Solicitors, our Hong Kong legal adviser as to litigation, that the time for the applicant of this employees' compensation case to commence common law claim for personal injury against Sing Fat Construction has not expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). It is therefore probable for this applicant to commence common law claim against Sing Fat Construction before the time is barred.

3. The applicant has commenced personal injury claim against Sing Fat Construction which has been settled, details of which are set out in item no. 11 above.

4. The applicant has commenced personal injury claim against Sing Fat Construction which has been settled, details of which are set out in item no. 12 above.

5. Our Company was advised by Messrs. Adrian Yeung & Cheng Solicitors, our Hong Kong legal adviser as to litigation, that notwithstanding that the applicant did not commence a separate action for his common law claim, both his employees' compensation claim and intended common law claim for personal injuries arising out of this accident has been settled.

6. The applicant has commenced personal injury claim against Sing Fat Construction which has been settled, details of which are set out in item no. 13 above.

7. The applicant has commenced personal injury claim against Sing Fat Construction which has been settled, details of which are set out in item no. 14 above.

8. The applicant has commenced personal injury claims against Sing Fat Construction, details of which are set out in item 5 in the paragraph headed "Ongoing litigation claims against our Group as at the Latest Practicable Date" above.

9. The applicant has commenced personal injury claim against Sing Fat Construction which has been settled, details of which are set out in item no. 18 above.

10. Our Company was advised by Messrs. Adrian Yeung & Cheng Solicitors, our Hong Kong legal adviser as to litigation, that the time to commence common law claim for personal injury against Sing Fat Construction has expired and it is therefore not probable for the applicant to commence common law claim against Sing Fat Construction unless the applicant applies to the court to override the time limit under section 30 of Limitation Ordinance (Chapter 347 of the Laws of Hong Kong).

No provision for litigation claims

For the three employees' compensation cases that have been or will be settled by our employees' compensation insurance but the limitation period for personal injury claims (which is generally three years from the date of the relevant incidents) have not lapsed and the 20 employee compensation cases that have been reported to the Labour Department during the past three years and 27 reported cases on minor property damage and personal injury arising during usual and ordinary course of our business but no further action has commenced in respect of such cases after the reporting, having considered, among other things, (i) the nature and the degree of injuries of each incident; (ii) any payments made so far for settlement for each incident; (iii) the status of the injured employees (whether they are on leave, resigned or whether they have resumed duty); (iv) the estimated total cost of treatment and potential claim against our Group of each incidents as assessed based on the experience of our management; (v) the coverage of our insurance policy; (vi) our subcontractors' indemnity in favour of our Group; (vii) the legal advice from Messrs. Adrian Yeung & Cheng Solicitors, our Hong Kong legal adviser as to litigation, on the likely outcome of these cases; and (viii) our Group's historical litigation records, our Directors consider that no provision for contingent liabilities in respect of current and pending litigations is necessary.

Indemnity from our Controlling Shareholders

Our Controlling Shareholders have entered into a deed of indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlements payments costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the section headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this [REDACTED] for details of the deed of indemnity. The Sponsor is satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claims against our Group under the deed of indemnity.

Save as disclosed above, our Directors, to the best of their knowledge information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

Criminal convictions

During the Track Record Period and up to the Latest Practicable Date, Sing Fat Construction was convicted for 11 criminal litigations, which include, among other things, failure to take adequate steps to prevent any person on the site from falling from a height of two metres or more, failure to ensure that, so far as is reasonably practicable, suitable and adequate safe access to and egress from every place of work on the site is provided and properly maintained, failure to take all reasonable steps to ensure that no workman remains on the site unless he is wearing a suitable safety helmet and failure to ensure that suitable goggles, eye protectors, effective screens, shield or fixed shield were provided for the protection of the workman. The criminal convictions were all monetary penalty and such convictions were made against our Group but not against our Directors or the senior management of our Group personally. Our Group was subject to fines which were recovered by our Group from the subcontractors. For details of the fines imposed on our Group, please refer to the paragraph headed "Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period up to the Latest Practicable Date – Operational non-compliance matters" of this section below. Our Directors confirm that all these convictions were made against our Group in our capacity as a main contractor and our subcontractors are required to indemnify our Group for the fines settled by us.

LEGAL AND REGULATORY COMPLIANCE

As at the Latest Practicable Date, we have obtained all necessary approvals, permits, licences and certificates that are material to our business operations from the relevant Government authorities. For details of the requisite approvals, permits, licences and certificates required for our business operation, please refer to the section headed "Laws and Regulations – Contractor licensing regime and operation" of this [REDACTED]. Save as disclosed in the paragraph headed "Legal and regulatory compliance – Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date" of this section, we had been in compliance in all material aspects with the applicable laws and regulations in Hong Kong.

Licence and qualifications

As at the Latest Practicable Date, our Group has the following approvals, permits, licences and certificates that are material to our business operations in Hong Kong:

Relevant authority/ organisation	Relevant List/ Category	Licence	Holder	Date of first grant/ registration	Authorised contract value
1. Housing Authority	Housing Authority List of Building Contractors -Maintenance Works Category	Group M2 (confirmed status) *(Note 1)*	Sing Fat Construction	22/02/1996	maintenance and improvement contracts of unlimited value
2. Housing Authority	Quality Maintenance Contractor *(Note 2)*	–	Sing Fat Construction	01/03/2001	N/A
3. Building Authority	General Building Contractor *(Note 3)*	–	Sing Fat Construction	07/11/1999	N/A
4. Building Authority	Specialist Contractor (Sub-register of Demolition Works Category) *(Note 4)*	–	Sing Fat Construction	05/05/2000	N/A
5. Building Authority	Minor Works Contractor (Company) *(Note 5)*	Classes I, II and III; II and III *(Note 6)*	Sing Fat Construction	25/10/2012	N/A
6. WBDB *(Note 7)*	Approved Contractor for Public Works – Buildings Category	Group B (on probation) *(Note 8)*	Sing Fat Construction	24/10/1968	contracts value up to HK$185 million

Notes:

1. A Maintenance Works Category – Group M2 (confirmed status) contractor is eligible to tender for maintenance and improvement contracts of Housing Authority of unlimited value.

2. The current certificate was valid from January 2014 to December 2014. Our Directors do not expect any impediment to renewal of the certificate.

3. The current licence was renewed in December 2013 and will expire on 21 December 2016. Our Group is interested in providing services in the removal of unauthorised building works and carrying out necessary consequential reinstatement works and services in services in maintenance and repair of buildings and drainage. Our Directors do not expect any impediment to renewal of the licence.

4. The current licence was renewed in August 2013 and will expire on 24 May 2016. Our Directors do not expect any impediment to renewal of the licence.

5. Under the minor works control system implemented by the Buildings Department since 31 December 2010, a Minor Works Contractor (Company) is registered in the name of a company for carrying out various classes and types of minor works. The current licence was renewed in October 2012 and will expire on 25 October 2015. Our Directors do not expect any impediment to renewal of the licence.

6. Minor works are classified into three classes (Class I, II and III) according to their scale, complexity and risk to safety and are subject to different degrees of control. Class I (total of 44 items) includes mainly those relatively more complicated minor works. Class II (total of 40 items) comprises those of comparatively lower complexity and risk to safety. Class III (total of 42 items) mainly includes common household minor works. Minor works are also grouped into seven types (i.e. Type A, B, C, D, E, F and G) according to their nature. Sing Fat Construction is registered for carrying out Type A (Alteration and Addition Works) minor works under Classes I, II and III, Type B (Repair Works) minor works under Classes I, II and III, Type D (Drainage Works) minor works under Classes II and III, Type E (Works relating to Structures for Amenities) minor works under Classes I, II and III, Type F (Finishes Works) minor works under Classes I, II and III and Type G (Demolition Works) minor works under Classes I, II and III.

7. WBDB refers to the Works Branch Development Bureau（發展局工務科）of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for public works.

8. A Group B (probationary status) contractor is eligible to tender or for award of (i) any number of Group A contracts (i.e. contracts of value up to HK$75 million) in the same category; and (ii) any number of Group B contracts (i.e. contracts of value up to HK$185 million) in the same category, provided that total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed $185 million.

Under the current regulatory regime, a qualified or licensed contractor could be prohibited from tendering for public works of the relevant category during the suspension period if the safety performance of the contractor is not up to satisfaction. We have not experienced any difficulties in renewing any of the licences and have not encountered any disruption or revocation of the above licences. Our Directors confirmed that no obstacle is expected when we renew our licences. Further details of the regulatory regime are set out in the section headed "Law and Regulations – Contractor licensing regime and operation" of this [REDACTED].

To ensure that we are able to timely obtain and maintain all necessary licences for our operations in Hong Kong, Mr. Liu Winson Wing Sun, our executive Director, is responsible for keeping track of the expiry dates of all relevant licences and apply for timely renewal. We carry out our business activities strictly within the scope of the relevant licences and/or permits obtained by us.

Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date

Our subsidiary, Sing Fat Construction, has on occasions not complied with certain statutory requirements during the Track Record Period and up to the Latest Practicable Date, as described below.

Operational non-compliance matters

The table below summarises certain non-compliance of/convictions against Sing Fat Construction during the Track Record Period in relation to its business operation:

Offence(s)	Date of summons	Penalty	Personnel involved in the breach
Failing to ensure that suitable and adequate safe access to and egress from a place of work was provided and properly maintained contrary to Regulations 38A(2), 68(1)(a) and 68(2)(g) of Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	4 January 2012	$10,000	Former safety officers of Sing Fat Construction at the relevant time
	6 November 2013	$13,000	
	9 July 2014	Hearing to be held in October 2014 (maximum potential penalty is HK$200,000)	
Failing to take adequate steps to prevent person from falling contrary to Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	4 January 2012	$15,000	Former safety officers of Sing Fat Construction at the relevant time
	5 January 2012	$16,000	
	11 December 2012	$16,000	
	20 December 2012	$15,000	
	3 September 2013	$18,000	
	9 July 2014	Hearing to be held in October 2014 (maximum potential penalty is HK$200,000)	
Failing to take all reasonable steps to ensure that workmen who were not wearing suitable safety helmets did not remain on the site contrary to Regulations 48(1)(b), 68(1)(a) and 68(2)(b) of Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	20 December 2012	$8,000	Former safety officers of Sing Fat Construction at the relevant time
	19 September 2014	Hearing to be held on 23 October 2014 (maximum potential penalty is HK$50,000)	
Failing to provide for the use of every person employed in the breaking of concrete or stone carried on approved eye protectors for the protection of their eyes, having regard to the specified process in which those persons were employed and the risk of injury to their eyes from the carrying on of that process contrary to Regulations 5 and 9(1) of the Factories and Industrial Undertakings (Protection of Eyes) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	4 September 2013	$3,000	Former safety officers of Sing Fat Construction at the relevant time

Offence(s)	Date of summons	Penalty	Personnel involved in the breach
Failing to ensure that suitable goggles or effective screens were provided for the protection of the workman contrary to Regulations 43(a), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	4 September 2013	$3,000	Former safety officers of Sing Fat Construction at the relevant time
Failing to ensure workman used the suitable goggles which were provided for the protection of the workman contrary to Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	19 June 2014 19 September 2014	$4,500 Hearing to be held on 23 October 2014 (maximum potential penalty is HK$50,000)	Former safety officers of Sing Fat Construction at the relevant time
Failing to ensure a scaffold was not used unless certain conditions have been satisfied contrary to Regulations 38F(1)(a)(ii), 38F(1)(b), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	9 July 2014	Hearing to be held in October 2014 (maximum potential penalty is HK$200,000)	Former safety officers of Sing Fat Construction at the relevant time
Failing to produce scaffold examination report for inspection by Occupational Safety Officer contrary to Regulations 38F(4)(b)(i), 68(1)(a) and 68(2)(d) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59	9 July 2014	Hearing to be held in October 2014 (maximum potential penalty is HK$10,000)	Former safety officers of Sing Fat Construction at the relevant time

As confirmed by our Directors, the criminal convictions against our Group generally arose because the relevant workers of subcontractors did not follow the safety guidelines issued by our Group.

Our Directors consider that the legal consequence of our criminal convictions resulting from the above non-compliance incidents only involved imposition of fines of immaterial amount without any impact on our financial position. The aforesaid non-compliance incidents did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group. We adopt rectification and preventative measures under our occupational health and safety management system to ensure ongoing compliance, reduce the number of non-compliance incidents and manage our risk exposure to such non-compliance incidents. Details of such rectification and preventative measures are set out in the paragraph headed "Legal and Regulatory Compliance – Our Group's internal control and risk management measures to tackle risk of personal injuries and employees' compensation claims against our Group" of this section below. On the basis of the above, our Directors are of the view, and the Sponsor concurs, that (i) our suitability of listing is not affected by such non-compliance incidents; and (ii) these non-compliance incidents do not reflect a material defect in the character, integrity or experience of the Directors and that our Directors are suitable to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules.

Our Group's internal control and risk management measures to tackle risk of personal injuries and employees' compensation claims against our Group

During the Track Record Period and up to the Latest Practicable Date, (i) there were seven on-going litigation cases against our Group of which three cases are employees' compensations cases and three cases are personal injury cases and one case relates to property damage claim. Our Group had settled an aggregate of 19 employees' compensation case and personal injury claims during the Track Record Period; and (ii) Sing Fat Construction was convicted of 11 criminal charges resulting from non-compliance of construction safety regulations under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong). For details of such litigation cases and instances of non-compliance of the statutory safety regulations, please refer to the paragraphs headed "Litigation and potential claim" and "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 section. Notwithstanding the above, our Directors believe that the internal control measures as detailed below are adequate and effective to tackle the risk of personal injuries and employees' compensation claims against our Group and the risk of non-compliance for the following reasons:

(a) Legal landscape of the construction industry in Hong Kong

As a main contractor, it is not uncommon for a main contractor in the construction industry in Hong Kong to face a relatively large number of employees' compensation cases and personal injury claims and minor non-compliance of safety regulations. During the Track Record Period, the legal consequence of our criminal convictions resulting from such non-compliance only involved imposition of fines of immaterial amount without causing any impact on our financial position.

(b) Control over subcontractors

A principal contractor is liable to pay compensation to subcontractors' employees who are injured in the course of their employment with the subcontractor pursuant to section 24 of the Employees' Compensation Ordinance. We are involved in civil litigation cases relating to personal injuries and employee' compensation simply because we are joined as defendants by virtue of our capacity as a main contractor. In order to reduce the number of personal injuries and employees' compensation cases against us, we closely supervise and monitor the performance of our subcontractors to ensure that they comply with the statutory safety requirements by regular inspection and constant training. For details of our control measures over our subcontractors on compliance of safety requirements, please refer to the paragraph headed "Control over subcontractors – Control over subcontractors' compliance of occupational health, safety, environmental rules and regulations" of this section.

(c) Insurance policies taken out by us and subcontractors' indemnity

As a main contractor, we have taken out and maintained employees' compensation insurance and contractors' all risks insurance covering property damage arising from the project works and third party liabilities insurance for the project in accordance with the statutory requirements and relevant contractual terms. Our Group's insurance coverage is in line with the industry practice. Also, the subcontracting agreements in general contain, among other things, undertaking by subcontractors to indemnify us against any loss, expense or claim arising from negligence, misconduct, or failure to comply with subcontracting agreement by the subcontractors and/or their employees. All those employees' compensation claims and personal injuries claims, both already settled during the Track Record Period and up to the Latest Practicable Date and those still outstanding as at the Latest Practicable Date, were/are covered by insurance or recoverable from subcontractors.

(d) Our measures and systems in place for compliance of occupational health, safety and environmental laws and regulations

Our Group has put in place measures and systems for our work safety, quality control, environmental protection. Mr. Liu Winson Wing Sun, our executive Director and our safety director, is responsible for ensuring compliance of safety rules and regulations by our Group, our staff and the site workers. We believe that such measures and systems are adequate on the following grounds:

(i) Occupational health and safety

We are committed to providing a safe and healthy working environment. Our system follows international standards and is certified to be in compliance with the requirements of OSHAS 18001:2007 and ISO 14001:2004 since 2008 and 2007, respectively. Our work safety measures include, amongst other things, establishment of a safety, health and environmental management committee, regular safety inspection by our project execution team, regular external audit on the safety management system by HKQAA auditor and regular safety training provided to our staff and subcontractors' employees. We hold safety committee meeting on a monthly basis to set strategic guidelines for our safety department to manage occupational health and safety measures relating to our operation and monitor the implementation of safety management for our Group. Our safety managers will continue to provide internal safety training programmes relating to the latest safety laws, rules and regulations to our management and staff. For details of our safety management control measures, please refer to the paragraph headed "Occupational health and safety" of this section. In recognition of our Group's safety policy, we have been awarded a number of awards from the Housing Authority and the Labour Department. For details of our Group's awards relating to our safety practice, please refer to the paragraph headed "Awards and accreditations" of this section.

As a result of our safety measures, we have zero fatality rate and the accident rate of our Group is lower than the industry average as shown below:

	Calendar year 2011	Calendar year 2012	Calendar year 2013
Accident rate per 1,000 workers of construction industry in Hong Kong*(Note 1)*	49.7	44.3	40.8
Accident rate per 1,000 workers undertaking maintenance works of the Housing Authority*(Note 2)*	7.3	4.8	4.1
Accident rate per 1,000 workers of our Group*(Note 3)*	0.040	0.032	0.043
Fatality rate per 1,000 workers of construction industry in Hong Kong*(Note 1)*	0.367	0.337	0.277
Fatality rate per 1,000 workers of our Group*(Note 4)*	0	0	0

Notes:

1. Occupational Safety and Health Statistics Bulletin Issue No. 14 (July 2014) published by Occupational Safety and Health Branch, Labour Department.

2. Performance statistics as shown in the Site Safety website of the Housing Authority.

3. The accident rate per 1,000 workers of our Group is calculated by dividing the number of industrial accidents involving our Group by the number of workers involved in our projects during the calendar year times 1,000.

4. The fatality rate per 1,000 workers of our Group is calculated by dividing the number of industrial fatalities involving our Group by the number of workers involved in our projects during the calendar year times 1,000.

(ii) Quality assurance

We have put in place a quality management system which has been certified to be in compliance with the requirements of ISO 9001:2008 and ISO 14001: 2004 since 1993 and 2007 respectively. Our quality assurance measures have enabled us to provide a quality service that meets both contractual and statutory requirements and we are able to utilise our resources in a planned, systematic, efficient, safe and cost effective manner. We closely monitor and regularly inspect the quality of purchased materials and our subcontractors' workmanship standard. We offer customer services to our customers to handle and resolve complaints and non-conformities and consider corrective and preventive actions. We constantly seek to improve our quality management system through annual evaluation and assessment by our management. For details of our quality assurance measures, please refer to the paragraph headed "Quality assurance" of this section. In recognition of our Group's quality service, we have received awards from the Housing Authority for ten years. For details of our awards relating to our quality service, please refer to the paragraph headed "Awards and accreditation" of this section.

(iii) Environmental protection

Our Group's environmental management system currently in place has been certified to be in compliance of the requirements of ISO 14001:2004 since 2007. We adopt environmental management plan to ensure proper management of environmental protection and compliance of environmental laws and regulations in the course of project execution in respect of waste management, dust and noise control and sewage control. Our project/construction manager and site agents work with the safety officer and safety supervisors to monitor and evaluate the degree of the site work's compliance with environmental rules and regulations, review the adequacy of environmental protection measures on site and take immediate steps to remedy any defects or conditions that may cause harm to the environment and nuisance to the general public. Our environmental management plan meets the requirements of our customers who take environmental protection very seriously as a major criteria to select their service providers. For details of our Group's environmental management system, please refer to the paragraph headed "Environmental protection" of this section.

(e) Successful renewal of licences of our Group

Our Group holds all requisite licences and approval for carrying out our business in Hong Kong, details of which are set out in the paragraph headed "Legal and regulatory compliance – Licences and qualifications" of this section. The validity of such licences has never been affected by the litigations and convictions to which our Group was subject. Our renewal of licences has never been refused by regulatory authorities and we are never subject to any regulatory actions or investigations brought by the Housing Authority, the Building Authority and WBDB. Based on the above, our Directors believe that the regulators including the Housing Authority, the Building Authority and WBDB are in general satisfied with our quality of works and safety measures implemented by our Group.

(f) Indemnity from our Controlling Shareholders

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the Listing Date. This would further protect our Group from any material adverse consequence due to any claims incurred on or before the date on which the [REDACTED] becomes unconditional. Please refer to the section headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this [REDACTED] for details of the deed of indemnity. The Sponsor is satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claims against our Group under the deed of indemnity.

On the basis of the foregoing, having considered that:

(i) it is not uncommon for a main contractor in the construction industry in Hong Kong to face a relatively large number of employee's compensation cases and personal injury claims and minor non-compliance of safety regulation;

(ii) we closely supervise the performance of our subcontractors;

(iii) we have effective measures in place for compliance of occupational health, safety and environmental laws and regulations;

(iv) we have taken out sufficient insurance policies in line with the industry practice and statutory requirements;

(v) we have successfully renewed our licences without experiencing any obstacles and refusal by the Housing Authority, Building Authority and WBDB;

(vi) we are never subject to any regulatory actions and investigations by the Housing Authority, Building Authority and WBDB;

(vii) the accident rate and fatality rate of Sing Fat Construction are lower than that of the industry average, and in particular our Group has not encountered any fatal construction accidents during the Track Record Period and up to the Latest Practicable Date; and

(viii) the work safety control, quality control and environmental management system of our Group are currently in place and satisfactory by our customers,

our Directors are of the view, and the Sponsor concur, that the internal control measures adopted by our Group are adequate and effective to tackle risk of personal injuries and employees' compensation claims against our Group.

Non-compliance of the Predecessor Companies Ordinance and the Companies Ordinance

Sing Fat Construction has inadvertently breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance. The table below summarises the non-compliance with the requirements of the Predecessor Companies Ordinance and the Companies Ordinance by Sing Fat Construction during the Track Record Period:

Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Personnel involved in the non-compliance	Remedial actions	Potential maximum penalty/fine
Non-compliance with section 117 of the Predecessor Companies Ordinance and section 622 of the Companies Ordinance	Late filing of special resolution dated 8 July 2013	As confirmed by our Directors, Sing Fat Construction had been relying on its then external company secretary for the preparation of its filings with the Companies Registry, who had inadvertently delayed the filings	Former internal accountants of Sing Fat Construction at the relevant time	Filing was subsequently made on 24 July 2013	Sing Fat Construction and every officer of Sing Fat Construction who is in default (or responsible person under the Companies Ordinance) shall be liable on summary conviction to a potential maximum fine of HK$10,000 and daily default fine of HK$300 for continued default
Non-compliance with section 349 of the Predecessor Companies Ordinance and section 895 of the Companies Ordinance	Various incorrect dates of share transfers, name of director, address of director, and addresses of shareholders in Form D2A and annual returns from 21 December 1991 to 8 February 2014	As confirmed by our Directors, Sing Fat Construction had been relying on its then external company secretary for the preparation of its Forms D2A and annual returns, who had inadvertently filled in incorrect information in the relevant Form D2A and annual returns	Former internal accountants of Sing Fat Construction at the relevant time	Amended Form D2A and annual returns were filed on 6 October 2014	Sing Fat Construction, its relevant shareholders, directors and/or officers who willfully made the relevant incorrect information in such annual returns, knowing it to be false, shall be liable on summary conviction to a potential maximum fine of HK$100,000 and imprisonment of 6 months, or on conviction on indictment under the Companies Ordinance to a potential maximum fine of HK$300,000 and imprisonment for 2 years.
Non-compliance with section 158 of the Predecessor Companies Ordinance and section 652(2) of the Companies Ordinance	No filing in relation to resignation of Mr. Lai Kwan Yim as company secretary on 1 August 1984	As confirmed by our Directors, Sing Fat Construction had been relying on its then external company secretary for the preparation of its filings with the Companies Registry, who had either inadvertently omitted the filing	Former internal accountants of Sing Fat Construction at the relevant time	Filing was subsequently made on 6 October 2014	Sing Fat Construction and every officer who is in default shall be liable on summary conviction to a potential maximum fine of HK$10,000 and daily default fine of HK$300 for continued default, or a potential maximum fine of HK$25,000 and daily default fine of HK$700 under the Companies Ordinance.

As confirmed by our Directors, Sing Fat Construction did not receive any notices for any fines or penalties in relation to the above Companies Ordinance-related non-compliance as at the Latest Practicable Date.

Upon identification of the above non-compliances, the Company has engaged Mr. Chan Chung (the “Counsel”), barrister-at-law, to issue a legal opinion on the above non-compliances with the Predecessor Companies Ordinance and Companies Ordinance. The Counsel has advised us as follows:–

(A) the likelihood of the imposition of a maximum aggregate penalties/fines and custodial sentence on Sing Fat Construction and its directors/officer for late filing is highly remote given that breach is very minor in terms of gravity and the breach was committed inadvertently due to an oversight by the external company secretary engaged by Sing Fat Construction;

(B) for wrong information in various filings with the Companies Registry, there cannot be any allegation of making a false statement in corporate documents under section 895 of the Companies Ordinance or section 349 of the Predecessor Companies Ordinance given that these breaches were committed inadvertently due to an oversight by the external company secretaries engaged by Sing Fat Construction; and

(C) if Sing Fat Construction is prosecuted and convicted in relation to the non–compliance with section 158 of the Predecessor Companies Ordinance and section 652(2) of the Companies Ordinance, it is estimated that a fine in the range of HK$35,000 to HK$60,000 would be imposed.

Based on the above, our Directors are of the view that there would be no material impact on our Group’s operation or financial positions as a result of the above instances of non-compliance.

Our Controlling Shareholders, collectively as the indemnifiers, have entered into a deed of indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Company to indemnify our Group against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to these non-compliance matters at any time prior to the Listing Date. More details of the deed of indemnity are set out in “E. Other information – 1. Tax and other indemnities” in Appendix IV to this [REDACTED].

Our Directors consider the potential maximum penalties of the abovementioned Companies Ordinance-related non-compliance incidents to be immaterial. Accordingly, no provision for the penalties has been made by our Directors for the preparation of the financial statements.

Taking into account (i) the aforesaid non-compliances were mainly due to over-sight or misunderstanding of certain provisions of the Predecessor Companies Ordinance; (ii) the aforesaid non-compliances did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) our Directors have adopted the rectification and preventative measures as set out in the paragraph headed “Legal and regulatory compliance – Non-compliance of the Predecessor Companies Ordinance and the Companies Ordinance – Our Group’s internal control and risk management measures to tackle the risk of non-compliance of the Companies Ordinance and other legal compliance” below, our

Directors are of the view, and the Sponsor concurs, that these non-compliances do not reflect a material defect in the character, integrity or experience of our Directors. Furthermore, our Directors have been given training on the new Companies Ordinance. Our Directors are therefore of the view, and the Sponsor concurs, that our Directors are suitable to act as our Company's Directors under Rules 3.08 and 3.09 of the Listing Rules. Furthermore, given the rectification status of the non-compliances identified as well as the deed of indemnity given in favour of us by the Controlling Shareholders, our Directors are of the view, and the Sponsor concurs, that the abovementioned Companies Ordinance-related non-compliances do not affect our suitability of listing under Rule 8.04 of the Listing Rules.

Our Group's internal control and risk management measures to tackle the risk of non-compliance of the Companies Ordinance and other legal compliance

In order to prevent the reoccurrence of non-compliance of the Companies Ordinance and to ensure the ongoing compliance with the Companies Ordinance and other relevant legal and regulatory requirements, we have adopted and implemented the following specific measures prior to Listing:

(a) We will adopt the following measures concerning on-going compliance of the Companies Ordinance:

(i) We have appointed Ms. So Hau Kit as company secretary of our Company. Our Directors believe she is suitable for this role based on her experience and her secretarial background. Ms. So will report to our compliance officers, Mr. Liu Winson Wing Sun. For the experience and qualifications of Ms. So, please refer to the section headed "Directors, senior management and staff" of this [REDACTED].

(ii) To assist our company secretary in ensuring relevant documents are filed with the Companies Registry in a timely manner, Ms. So will maintain a list recording the status, further work to be done and deadline for filing with the Companies Registry of Hong Kong in respect of each of the companies within our Group which are subject to the requirements under the Companies Ordinance, and she will regularly update the list and report to Mr. Liu Winson Wing Sun for the progress.

(iii) Our company secretary will keep herself updated with the latest compliance and regulatory requirement development relating to the Companies Ordinance.

(iv) Our company secretary will make recommendations to our Board and assist them in developing new company policies and procedures with any latest update of the Companies Ordinance.

(v) We will further implement training programmes, including training conducted by our external legal advisers from time to time to update our management and staff on relevant Hong Kong laws and regulations, including the Companies Ordinance.

(vi) Our Directors has been provided training on the new Companies Ordinance prepared by our Hong Kong legal advisers on 18 September 2014 to get themselves familiarised with the requirements under the new Companies Ordinance.

(b) We appointed Mr. Liu Winson Wing Sun, our executive Director, as our compliance officer. From time to time, he will attend training relating to matters such as the latest compliance and regulatory requirement development on the Companies Ordinance, the Listing Rules and other laws, rules and regulations relevant to our Group. In case of potential non-compliance identified, he will report such matters to the Board in a timely manner. Furthermore, he will assist in the development, implementation and maintenance of our internal control policies and procedures. For further details concerning the qualifications of Mr. Liu Winson Wing Sun, please refer to the section headed "Directors, senior management and staff" of this [REDACTED];

(c) We have established an audit committee which comprises three independent non-executive Directors, two of whom are independent non-executive director of other companies listed on the Stock Exchange (for the experience and qualifications of our independent non-executive Directors, please refer to the section headed "Directors, senior management and staff" of this [REDACTED]), to oversee the internal control procedures and accounting and financial reporting matters. The audit committee has also adopted its terms of references which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements.

(d) We have appointed TC Capital as our compliance adviser upon Listing to advise our Group on compliance matters in accordance with Rule 3A.19 of the Listing Rules; and

(e) Our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Listing Rules.

Our Group will also engage external legal advisers and other advisers to render professional advice as to compliances with the statutory requirements as applicable to our Group from time to time to advise our compliance officer, compliance adviser and our Directors and senior management when considered necessary.

Independent internal control assessment

Our Director are responsible for formulation and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance as a whole. In order to manage our external and internal risks and to ensure the smooth running of our business following the Listing, we have engaged an independent internal control adviser (the "IC Consultant") in July 2014 to perform review procedures on our key procedures, systems and controls and to assist the Sponsor in assessing the adequacy of the internal controls of our Group for amongst others, compliance with relevant legal and regulatory requirements. The IC Consultant is in the business of, amongst others, providing risk management, internal control and corporate governance advisory services to listed companies and listing candidates in Hong Kong. The IC Consultant has performed walkthrough and necessary control testing and, on that basis, made a number of recommendations to strengthen our Group's corporate internal control, financial reporting and disclosure control and internal control over business processes. The IC Consultant performed a follow-up review in September 2014 and was satisfied that our Group has implemented the internal control measures according to their recommendations.

Having considered the enhanced internal control measures as set out above, our Directors are of the view that, and the Sponsor concurs, that the internal control measures adopted by our Group are adequate and effective to tackle the risk of future non-compliance with the relevant legal and regulatory requirements in Hong Kong (including without limitation the requirements under the Companies Ordinance).

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in notes 25 and 34(a) to the accountants' report set out in appendix I to this [REDACTED]. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described in this section below, these related party transactions have discontinued before the [REDACTED].

Following the listing of our Shares on the Stock Exchange, the following transaction will continue between our Group and Mega Billion, which will constitute continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transaction

The following transaction, which constitutes continuing connected transaction exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 14A of the Listing Rules, is expected to continue following the Listing.

Lease Agreement with Mega Billion

On 27 June 2014, Sing Fat Construction, as tenant, entered into the Lease Agreement with Mega Billion, as landlord, for a term commencing from 1 July 2014 and ending on 30 June 2016 in respect of the Office Premises locate at Workshops 1, 2, 3, 5, 6 and 7, 23/F, China United Plaza, 1008 Tai Nan West Street, Kowloon, Hong Kong with a total gross floor area of approximately 4,400 square feet for use by our Group as office at a monthly rental of HK$75,000 (which was arrived at after arm's length negotiations between Sing Fat Construction and Mega Billion with reference to the prevailing market rent of the surrounding comparable office premises in the vicinity of the office premises based on the valuation of an independent valuer appointed by our Group). Please also refer to the section headed "Business – Property interests" for further details of the Lease Agreement.

Mega Billion is 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. Each of Mr. Chan Lo Kin, Mr. Liu Su Ke, Mr. Liu Winson Wing Sun and Mr. Kan Yiu Keung is also a director of Mega Billion. As confirmed by our Directors, except for holding of the Office Premises, Mega Billion has no other substantial operations.

As Mega Billion is owned by our Controlling Shareholders and Mr. Chan Lo Kin, Mr. Liu Su Ke, Mr. Liu Winson Wing Sun, Mr. Kan Yiu Keung and Mr. Kan Yiu Kwok are our Directors, Mega Billion is a connected person of our Company under the Listing Rules. Accordingly, the transaction under the Lease Agreement constitutes continuing connected transactions of our Company under the Listing Rules following the Listing.

Our Directors (including our independent non-executive Directors) are of the view that the Lease Agreement has been entered into on normal commercial terms, on arm's length basis, in the ordinary and usual course of business of our Group and that the terms of the Lease Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

It is expected that the rental payable by our Group on an annual basis under the Lease Agreement will be HK$900,000 for each of the two years ending 30 June 2016.

Since each of the applicable percentage ratios (other than the profits ratio) on an annual basis is less than 5% and the annual consideration payable under the Lease Agreement is less than HK$3,000,000, the Lease Agreement is fully exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED], Profound will control more than [REDACTED] of our issued share capital. The entire issued share capital of Profound is legally and beneficially owned as to approximately [REDACTED] by Mr. Liu Su Ke, approximately [REDACTED] by Mr. Lai Kwan Hin, approximately [REDACTED] by Mr. Kan Yiu Keung, approximately [REDACTED] by Mr. Kan Yiu Kwok, approximately [REDACTED] by Mr. Kan Man Hoo, approximately [REDACTED] by Mr. Yau Shik Fan, Eddy, approximately [REDACTED] by Mr. Liu Winson Wing Sun and approximately [REDACTED] by Mr. Chan Lo Kin. Since 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 conducted all material management affairs of the members of our Group collectively during the Track Record Period, in the context of this [REDACTED], our Controlling Shareholders refer to 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. Profound is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. Each of 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 confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, our Group has certain amounts due to/from our Controlling Shareholders and/or companies controlled by our Controlling Shareholders, please refer to the sections headed "Financial Information – Analysis of various items from the statements of financial position – Amounts due from related companies", "Financial Information – Related Party Transactions" and "Financial Information – Amounts due to our Directors/related party" in this [REDACTED] and Notes 21 (Amounts due from related companies), 24 (Amounts due to directors/a related party), 25 (Bank borrowings/secured bank overdrafts) and 34 (Related party transactions) of the Accountant's Report set out in Appendix I to this [REDACTED] for further details. All amounts due to/from our Controlling Shareholders and/or companies controlled by our Controlling Shareholders were fully settled by cash or setting-off. During the Track Record Period, certain bank borrowings and overdraft were guaranteed by personal guarantees of our Controlling Shareholders and properties held by a company controlled by our Controlling Shareholder, please refer to the sections headed "Financial Information – Analysis of various items from the statements of financial position – Bank borrowings and overdrafts" and "Financial Information – Statement of indebtedness" in this

[REDACTED] and Note 25 (Bank borrowings/secured bank overdrafts) of the Accountant's Report set out in Appendix I to this [REDACTED] for further details. Our Group has procured the release of all these guarantees provided to our Group before Listing save for certain personal guarantees of our Controlling Shareholders which will be released upon Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources (save for the rental of office premises from Mega Billion, a company controlled by our Controlling Shareholders, details of which are set out in the section headed "Continuing Connected Transactions" in this [REDACTED]) with our Controlling Shareholders and/or their associates.

During the Track Record Period, our Group entered into certain transactions in relation to provision of management services by companies controlled by our Controlling Shareholders, rental of motor vehicles from a company controlled by our Controlling Shareholders and provision of subcontracting services by a company controlled by our Controlling Shareholders, details of which are set out in the sections headed "Financial Information – Principal components of our income statement – Administrative expenses" and "Financial Information – Related Party Transactions" and Note 34(a) (Related party transactions) of the Accountants' Report set out in Appendix I to this [REDACTED]. As at the Latest Practicable Date, all the said transactions had been completed and ceased. During the Track Record Period, we engaged Chung Tat, a company controlled by our Controlling Shareholders, as a subcontractor in a building maintenance project which has been substantially completed in June 2014. As at the Latest Practicable Date, Chung Tat has ceased its principal business as a subcontractor.

(iii) Independence of management

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Liu Su Ke, our Controlling Shareholder, is a non-executive Director. Mr. Kan Yiu Kwok, a non-executive Director, and Mr. Kan Yiu Keung, an executive Director, are siblings. Mr. Liu Winson Wing Sun, the son of Mr. Liu Su Ke, is an executive Director. Mr. Liu Winson Wing Sun, Mr. Liu Su Ke, Mr. Chan Lo Kin and Mr. Kan Yiu Keung are also the directors of Profound, our Controlling Shareholder. No other Directors nor members of senior management of our Group hold any directorship or position in our Controlling Shareholder.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

(iv) Independence of five largest subcontractors

Our Directors confirm that, save for Chung Tat, a company owned as to 60% by Faithful Construction Company Limited, which is in turn 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% by Mr. Kan Man Hoo, none of our Controlling Shareholders has any relationship with the five largest subcontractors of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of five largest customers

Our Directors confirm that none of our Controlling Shareholders has any relationship with the five largest customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Mr. Liu Su Ke, Mr. Lai Kwan Hin, Mr. Kan Yiu Kwok, Mr. Kan Yiu Keung, Mr. Kan Man Hoo, Mr. Yan Shik Fan, Eddy, Mr. Liu Winson Wing Sun, Mr. Chan Lo Kin and Profound (the "Covenantors"), each of the Covenantors has executed a deed of non-competition (collectively, the "Deeds") on [●] in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deeds, during the period that the Deeds remain effective, each of the Covenantors irrevocably and unconditionally undertakes to our Company (for itself and for the benefit of each other member of our Group) that he/it shall not, and shall procure his or its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give our Company notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within 30 days after receipt of written notice concerning offer of such business opportunities from the Covenantor(s) or his/its associate(s), we shall notify the Covenantor(s) whether we intend to accept the offer. If we decline any such offer, the Covenantor(s) and/or his/its associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favourable than those offered to us.

The Deeds are conditional upon the fulfilment of the following conditions:

(i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and

(ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deeds shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds.

The Deeds shall terminate when (i) a Covenantor whether individually or taken together with his or its associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

(i) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deeds for inclusion in the annual report of our Company;

(ii) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors, senior management and staff" in this [REDACTED];

(iii) our Company has appointed TC Capital as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal controls;

(iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deeds; and

(v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deeds; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deeds. Findings of such review will be disclosed in our annual report after the Listing.

OVERVIEW

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out information regarding our Directors and our senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with other Directors and senior management
Mr. LIU Winson Wing Sun	38	Executive Director, Chairman	March 2002	Appointed as a Director on 17 September 2014 and re-designated as an executive Director on 6 October 2014	Responsible for overall business strategy and major business decisions of our Group and the chairman of the nomination committee	Son of Mr. LIU Su Ke
Mr. KAN Yiu Keung	47	Executive Director, Chief Executive	September 2000	6 October 2014	Responsible for general management and day-to-day operation of the Group	Brother of Mr. KAN Yiu Kwok
Mr. CHAN Lo Kin	61	Executive Director	March 1992	6 October 2014	Responsible for the day-to-day operation of our Group and a member of the remuneration committee	N/A
Mr. LIU Su Ke	78	Non-Executive Director	November 1972	6 October 2014	Performing his duties as a Director through the Board	Father of Mr. LIU Winson Wing Sun
Mr. KAN Yiu Kwok	49	Non-Executive Director	September 2000	6 October 2014	Performing his duties as a Director through the Board	Brother of Mr. KAN Yiu Keung

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Responsibilities	Relationship with other Directors and senior management
Ms. TONG Sze Wan	41	Independent Non-Executive Director	[●]	[●]	Performing her duties as a Director through the Board, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee	N/A
Mr. LAM Yiu Por	38	Independent Non-Executive Director	[●]	[●]	Performing his duties as a Director through the Board, the chairman of the remuneration committee and a member of the audit committee	N/A
Mr. KWONG Ping Man	49	Independent Non-Executive Director	[●]	[●]	Performing his duties as a Director through the Board, a member of the nomination committee and a member of the audit committee	N/A

Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities	Relationship with other Directors and senior management
Mr. CHEUNG Yat Ming	50	Technical Director, Construction Engineer	August 1999	August 1999	Responsible for overseeing the engineering operations and the technical aspect of various projects	N/A

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities	Relationship with other Directors and senior management
Mr. NG Derek Sau Lai	47	Financial Controller	May 2014	May 2014	Responsible for overseeing the financial operations of our Group	N/A
Mr. LEE Yiu Hung	51	Safety Manager	May 2008	May 2009	Responsible for monitoring compliance of occupational health, safety and environmental compliance	N/A

DIRECTORS

Executive Directors

Mr. LIU Winson Wing Sun (廖永燊先生), aged 38, is an executive Director and our Chairman. Mr. Liu is one of our Controlling Shareholders. Mr. Liu is also a director of Sing Fat Construction and ABO. He has over 12 years of experience in building maintenance and renovation contracting services industry in Hong Kong. Mr. Liu is primarily responsible for the overall management, strategic planning and business development of our Group. He is also our safety director who is responsible for overseeing all occupational health, safety and environmental matters of our Group. Mr. Liu also acts as one of our construction managers for project execution in respect of some of our DTCs. Mr. Liu joined our Group as a works coordinator in March 2002 and has been promoted to safety director in November 2005 and construction manager in January 2009. Prior to joining our Group in March 2002, he worked as an assistant valuer at the Associated Surveyors and Auctioneers Limited, a company principally engaged in property valuation and auctioneering services where he was responsible for providing assistance in property valuation and preparation of valuation reports.

Mr. Liu graduated from the University of Technology, Sydney in Australia in May 1999 with a Bachelor of Land Economic. He further obtained his diploma in construction, a distance learning course organised by the College of Estate Management in England in February 2004 and a profession diploma in corporate governance and directors from the Hong Kong Institute of Directors in November 2008. Mr. Liu was admitted as an incorporate member of the Charter Institute of Building in June 2004 and a member of the Australian Institute of Building in September 2007. He was admitted as a member of the Hong Kong Institute of Construction Manager in January 2009 and an associate of the Australian Property Institute in February 2011.

Mr. Liu is a non-executive director of Jiangsu Nandasoft Technology Company Limited (a H-share company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8045), primarily engaged in the development, manufacturing and marketing of network security software, internet application software, educational software and business application software) since November 2008 and was re-designated as an executive director of Jiangsu Nandasoft Technology Company Limited during the period between May 2013 and March 2014. Mr. Liu has been re-designated as a non-executive director of Jiangsu Nandasoft Technology Company Limited since March 2014.

Mr. Liu was a director of Commsecure.com Limited (a company primarily engaging in information technology), which was incorporated in Hong Kong, prior to its dissolution on 12 December 2003. This company was dissolved by way of deregistration under section 291AA the Predecessor Companies Ordinance because it ceased to carry on any business or operation. Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Liu confirmed that there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

Mr. Liu is the son of Mr. Liu Su Ke who is one of our Controlling Shareholders and a non-executive Director.

Mr. KAN Yiu Keung (**簡耀強先生**), aged 47, is an executive Director and our Chief Executive Officer. Mr. Kan is one of our Controlling Shareholders. He has over 29 years of experience in building maintenance and renovation contracting services industry in Hong Kong. Mr. Kan is primarily responsible for general management and day-to-day operation of our Group. He is a director of Sing Fat Construction and also our project director who is responsible for overseeing all projects with public sector customers, project management and monitoring the progress of all projects for public sector customers. Mr. Kan is also a director of ABO. Mr. Kan joined our Group as a project director in September 2000. Prior to joining our Group, he worked as a director of Rich China Engineering Limited (a subcontractor of building maintenance projects) from April 1998 to August 2000. From May 1994 to March 1998, he worked as a director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance projects. From March 1991 to April 1994, he worked in Shing Kai Engineering Company (成基工程公司) as a site agent where he was mainly responsible for on-site management of building maintenance projects. From August 1985 to February 1991 he worked as a forman for Shing Kai Engineering Company (成基工程公司). Mr. Kan completed his secondary education and graduated from Sham Shui Po Secondary School in July 1985. He completed Site Safety Management Course and Accident Prevention Course organised by the University of Hong Kong in October and November 2004. Mr. Kan was admitted as a corporate member of the Asia Institute of Building in April 2009.

Mr. Kan was a director of Jetkind Construction Engineering Limited (a company primarily engaged in subcontracting works for building maintenance projects), Rich China Engineering Limited (a company primarily engaging in subcontracting works on building maintenance) and Moral Time Investment Limited (a property holding company), all of which were incorporated in Hong Kong, prior to their dissolutions on 28 May 2004, 23 September 2011 and 1 February 2013, respectively. These companies were dissolved by way of deregistration under section 291AA of the Predecessor Companies Ordinance because they ceased to carry on any business or operation. Mr. Kan confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolution of these companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Kan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Kan is the brother of Mr. Kan Yiu Kwok, who is one of our Controlling Shareholders and a non-executive Director. He is the son of Mr. Kan Man Hoo who is one of our Controlling Shareholders.

Mr. CHAN Lo Kin (陳勞健先生), aged 61, is an executive Director. Mr. Chan is one of our Controlling Shareholders. He has over 36 years of experience in building maintenance and renovation contracting services industry in Hong Kong. Mr. Chan is primarily responsible for day-to-day operation of our Group. He is a director of Sing Fat Construction and also our administration director who is our management representative responsible for managing our management system in accordance with ISO9001:2008 standards and requirements. Mr. Chan joined our Group as a director of Sing Fat Construction in March 1992. He is also a director of ABO. Prior to joining our Group, he worked as a director of Chuen Shing Construction Company Limited from February 1991 to until August 2007. From October 1978 to January 1991, he worked as a general manager responsible for accounting matters of Chuen Sheng Ho, a sole proprietorship established in Hong Kong which was principally engaged in metal works engineering. Mr. Chan graduated from Yuet Wah College in (Macao) in June 1976.

Mr. Chan was a director of Chuen Shing Construction Company Limited (a company primarily engaged in subcontracting works in building maintenance and renovation, a company incorporated in Hong Kong, prior to its dissolution on 10 August 2007. This company was dissolved by way of deregistration under section 291AA of the Predecessor Companies Ordinance because it ceased to carry on any business or operation. Mr. Chan confirmed that there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

During the three years immediately preceding the Latest Practicable Date, Mr. Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Non-Executive Directors

Mr. LIU Su Ke (廖澍基先生), aged 78, is a non-executive Director. Mr. Liu is one of our Controlling Shareholders. He has over 53 years of experience in building construction industry and over 20 years of experience in building maintenance and renovation contracting services industry in Hong Kong and his views and insights are invaluable to our Group. Mr. Liu has assumed a non-executive role in the Board and did not participate in the day-to-day operation and management of our Group during the Track Record Period. Mr. Liu joined our Group as a construction manager and a director of Sing Fat Construction in November 1972. Mr. Liu is also a director of ABO. Prior to joining our Group, he worked as a subcontractor of building construction projects from 1962 to 1972. He worked as a foreman at a Hong Kong company engaged in building construction projects between 1961 and 1962. Mr. Liu completed a High Certificate of Apprentice Foreman Course organised by Hong Kong Technical College in July 1959 and passed the intermediate examination in builder's quantities of the city & guilds of London Institute in 1958. Mr. Liu was admitted as a fellow class member of Hong Kong Institute of Construction Managers in May 1997.

Mr. Liu was a director of the following companies prior to their respective dissolutions:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Brilliant Star Limited	Hong Kong	Property holding	21 February 2003	Striking off under section 291 of the Predecessor Companies Ordinance	Cessation of business
Century Hero Corporation Limited	Hong Kong	Property holding	18 June 2010	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Chuen Shing Construction Company Limited	Hong Kong	Building maintenance and renovation	10 August 2007	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Commsecure. com Limited	Hong Kong	Information technology	12 December 2003	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Full Chance Corporation Limited	Hong Kong	Property holding	30 December 2011	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Gold Hero Limited	Hong Kong	Property holding	26 September 2008	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Ka Lok Kitchen Restaurant Limited	Hong Kong	Restaurant business	19 November 2004	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Kahor Properties Limited	Hong Kong	Property holding	7 August 2009	Striking off under section 291 of the Predecessor Companies Ordinance	Cessation of business
Landcause Development Limited	Hong Kong	Property holding	7 January 2011	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Liao Ching Hing Shanghai Restaurant Limited	Hong Kong	Restaurant business	29 August 2003	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Macho Company Limited	Hong Kong	Property holding	7 August 2009	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Manwo Engineering Limited	Hong Kong	Building maintenance and renovation	29 February 2008	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Master Data Company Limited	Hong Kong	Investment holding of property development project company	29 August 2003	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Master Kingdom Company Limited	Hong Kong	Investment holding of property development project company	24 July 2006	Voluntary winding-up under section 239 of the Predecessor Companies Ordinance	Cessation of business
Rich China Engineering Limited	Hong Kong	Construction/ maintenance	23 September 2011	Deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Speed Trade Limited	Hong Kong	Seafood trading	18 September 2009	Striking off under section 291 of the Predecessor Companies Ordinance	Cessation of business
Shanghai Donggao Real Estate Development Company Limited	PRC	Property development	March 2004	Dissolution under PRC law	Cessation of business

Mr. Liu confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Liu has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Liu is the father of Mr. Liu Winson Wing Sun who is one of our Controlling Shareholders and an executive Director.

In June 2009, Mr. Liu was convicted of two summons in respect of his failure to make disclosure of notifiable interests in Warderly International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 607) ("Warderly") to the Stock Exchange and Warderly as required under sections 310(a)(a), 313(a)(a), 324, 325(1)(b) and 328(a)(ii) of the SFO in connection with his security interests over 231,800,000 shares of Warderly as security for a loan facility granted by Mr. Liu's controlled company to a subsidiary of Warderly. Mr. Liu was fined for HK$5,000 for the convictions. Mr. Liu later appealed to the High Court and the Court of Final Appeal against those convictions and such appeals were dismissed by the High Court in November 2009 and later dismissed by the Court of Final Appeal in January 2010. Mr. Liu confirmed that the aforesaid non-compliance is due to his oversight and misunderstanding of the provisions under Part XV of the SFO. In view of the fact that (i) the aforesaid non-compliance is due to Mr. Liu's oversight and misunderstanding of the provisions under Part XV of the SFO; (ii) Mr. Liu has been given training by our Company's legal advisers to enable him to familiarise himself with, among other things, the disclosure requirements under Part XV of the SFO and other continuing obligations applicable to a director and substantial shareholder of a listed company; (iii) the aforesaid non-compliance did not involve intentional misconduct, fraud, dishonesty or corruption on the part of Mr. Liu; and (iv) the nature and amount of penalty imposed on Mr. Liu for such non-compliance is not significant, our Directors are of the view, and the Sponsor concurs, that such non-compliance does not reflect a material defect in Mr. Liu's character, integrity or experience and does not affect his suitability to act as our Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. KAN Yiu Kwok (簡耀國先生), aged 49, was appointed as a non-executive Director on 6 October 2014. Mr. Kan is one of our Controlling Shareholders. He has served as a director of Sing Fat Construction since September 2000. Mr. Kan has assumed a non-executive role in the board of Sing Fat Construction and did not participate in the day-to-day management and operation of our Group. Since March 2000, he has been the managing director of Ying Wah Securities Company Limited, a licenced corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO.

Mr. Kan worked as a director of Rich China Engineering Limited (a subcontractor for building maintenance projects) from April 1998 to August 2000. From May 1994 to March 1998 he worked as director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance and renovation services. From March 1991 to April

1994 he worked as a partner at Kai Shing Construction Company (佳盛建築公司) (a company primarily engaged in subcontracting works on building maintenance). From 1982 to 1990 he worked as foreman for Chuen Shing Metal Company.

Mr. Kan has been the vice-chairman of Guangzhou Haizhu Overseas Friendship Liaison Association since October 2009 which is an association for liaison with overseas Chinese. Mr. Kan studied in Lui Ming Choi Lutheran College from 1979 to 1981.

Mr. Kan was a director of Jetkind Construction Engineering Limited (a company primarily engaged in subcontracting works on building maintenance) and Rich China Engineering Limited (a company primarily engaging in subcontracting works on building maintenance projects), both of which were incorporated in Hong Kong, prior to their dissolutions on 28 May 2004 and 23 September 2011, respectively. These companies were dissolved by way of deregistration under section 291AA of the Predecessor Companies Ordinance because they ceased to carry on any business or operation. Mr. Kan confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolution of these companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Kan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Kan is the brother of Mr. Kan Yiu Keung, who is one of our Controlling Shareholders and an executive Director. He is the son of Mr. Kan Man Hoo who is one of our Controlling Shareholders.

Independent Non-Executive Directors

Ms. TONG Sze Wan (唐詩韻女士), aged 41, is an independent non-executive Director. Ms. Tong has over 18 years of experience in auditing and accounting. From November 2002 to March 2014, Ms. Tong was the company secretary of Jiangsu Nandasoft Technology Company Limited (a H-share company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8045) and is primarily engaged in the development, manufacturing and marketing of network security software, internet application software, educational software and business application software). Ms. Tong was an accounting manager from September 1998 to May 2000 in Dong-Jun Holdings Limited (now known as Heritage International Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 412) and is principally engaged in property development). She had also worked at Ernst & Young as an auditor during the period from August 1995 to October 1998. Ms. Tong graduated from Hong Kong Baptist University with a Bachelor in Accounting in November 1995. She is also an associate member of the Hong Kong Institute of Certified Public Accountants since February 2001 and a fellow member of Association of Chartered Certified Accountants since November 2003. During the three years immediately preceding the Latest Practicable Date, Ms. Tong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Tong was a director of Anson Consulting Company Limited（安譽顧問有限公司）(a company primarily engaged in provision of secretarial services), a company incorporated in Hong Kong, prior to its dissolution on 31 July 2009. This company was dissolved by way of striking off under section 291 of the Predecessor Companies Ordinance because it ceased to carry on any business or operation. Ms. Tong confirmed that there is no wrongful act on her part leading to the dissolution and is not aware of any actual or potential claim has been or will be made against her as a result of the dissolution, and that her involvement in the above company was part and parcel of her services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

Mr. LAM Yiu Por（林曉波先生）, aged 38, is an independent non-executive Director of our Company. Mr. Lam has more than 15 years of experience in the field of finance and accounting. He has been the vice president and chief financial officer of L'sea Resources International Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 195), primarily engaged in mining and sales of tin metal) since November 2013 where he was responsible for functions of accounting, corporate finance and corporate communications.

Mr. Lam's primary working experience also includes:

Name of Organisation	Principal business activity	Position and roles and responsibilities	Period of service
Globalwide Assets Management Limited	Investment holding, provision of digital environmental monitoring services and products in China	Chief financial officer and company secretary	May 2010 – December 2013
Lijun International Pharmaceutical (Holding) Co. (a company listed on the Main Board of the Stock Exchange (stock code: 2005))	Research, development, manufacture and sale of wide range of finished medicines and bulk pharmaceutical through a network independent retailers	Chief financial officer and company secretary	December 2005 – May 2008
Zhongtian International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2379))	Property holding and sale of intelligent electronics products	Qualified accountant and financial controller	July 2004 – December 2005

Mr. Lam graduated from the Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in November 1997. He is also a fellow member of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

From June 2012 to February 2014, Mr. Lam was an independent non-executive director of GR Properties Limited (formerly known as "Buildmore International Company Limited"), a company listed on the Main Board of the Stock Exchange (stock code: 108) and primarily engaged in property investment and hotel management.

Mr. Lam was a director of Yiu Seng International Company Limited (彥生國際有限公司) (a company primarily engaged in trading business), a company incorporated in Hong Kong, prior to its dissolution on 23 March 2007. This company was dissolved by way of deregistration under section 291AA of the Predecessor Companies Ordinance because it ceased to carry on any business or operation. Mr. Lam confirmed that there is no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of this company.

Mr. KWONG Ping Man (鄺炳文先生), aged 49, is an independent non-executive Director. He has over 17 years of experience in accounting and administration. He is the managing director of O'park Corporate Services Ltd., a company primarily engaged in corporate consulting service such as providing accounting and company secretary services, since May 2007.

Mr. Kwong's primary working experience also includes:

Name of Organisation	**Principal business activity**	**Position and roles and responsibilities**	**Period of service**
China Agroforestry Low-Carbon Holdings Limited (formerly known as "Jiangchen International Holdings Limited") *(a company listed on the Main Board of the Stock Exchange (stock code: 1069))*	Manufacturing and wholesaling of OEM products and manufacturing and sales of branded products	Company secretary	July 2009 – March 2013
Sinogreen Energy International Group Limited (formerly known as "Karce International Holdings Company Limited") *(a company listed on the Main Board of the Stock Exchange (stock code: 1159))*	Trading of conductive silicon rubber keypads	Financial controller and company secretary	April 2008 – January 2009

Name of Organisation	Principal business activity	Position and roles and responsibilities	Period of service
Polyard Petroleum International Group (formerly known as "Kanstar Environmental Paper Products Holdings Limited" until 2003) *(a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8011))*	Exploration, exploitation and development of oil, natural gas and coal, and trading of petroleum-related products	Financial controller and company secretary	March 2006 – July 2007
Nanjing Intelligent Apparatus Company Limited	Research, development, manufacturing and system integration engineering in the field of power automation system, industrial automation system and enterprise energy management system; and services in system consulting and project design	Chief financial officer	May 2003 – June 2005
Sinobest Technology Holdings Limited	Investment holding, provides computer and network system integration, building integration, application software development, and technical services in the People's Republic of China	Chief financial officer	September 2000 – April 2003
The World Enterprise (Holdings) Limited	Manufacturing and retailing business of jewelry, optical and fashion	Accountant	February 1997 – November 1998
Utilux (Asia) Limited	Manufacturing and trading of electronic connector	Accountant	October 1992 – November 1994

Mr. Kwong graduated from Curtin University of Technology in Australia with a Bachelor of Commerce Accounting in August 1996. He obtained a Postgraduate Diploma in Corporate Administration and a master's degree of Professional Accounting from the Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He is also a certified practising accountant of the Australian Society of Certified Practising

Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.

He has currently served as an independent non-executive director of three listed companies including Elegance Optical International Holdings Limited (a company listed on the Main Board (stock code: 907) and primarily engaged in manufacturing and trading of optical frames, sunglasses and optical cases) since May 2014; Tang Palace (China) Holdings Limited (a company listed on the Main Board (stock code: 1181) and primarily engaged in restaurant operations and food productions) since March 2011; and Century Sunshine Ecological Technology Holdings Limited (a company listed on the Main Board (stock code: 509) and primarily engaged in fertiliser business, magnesium product business and metallurgical flux) since September 2004. From March 2009 to December 2012, Mr. Kwong also served as an independent non-executive director of Jiu Rong Holdings Limited (formerly known as "Mitsumaru East Kit (Holdings) Limited"), a company listed on the Main Board (stock code: 2358) and primarily engaged in design, assembly and installation of water meter and TV business.

SENIOR MANAGEMENT

Mr. CHEUNG Yat Ming (張日銘先生), aged 51, is the technical director and construction engineer of our Group. Mr. Cheung joined our Group as a technical director and construction engineer in August 1999. He has over 15 years of experience in construction engineering. Mr. Cheung is overseeing for overseeing the engineering operations and the technical aspect of various projects. Prior to joining our Group, he worked as an engineer at Wong & Ouyang (civil-structural engineering) Limited where he was responsible for engineering design work for various projects undertaken from September 1994 to December 1998. Mr. Cheung graduated from the University of Sheffield in England in July 1994 with a Bachelor of Engineering. Mr. Cheung is a registered professional engineer of the Hong Kong Engineers Registration Board. He is also a member of the Hong Kong Institution of Engineers. During the three years immediately preceding the Latest Practicable Date, Mr. Cheung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. NG Derek Sau Lai (伍守禮先生), aged 47, is the financial controller of our Group. Mr. Ng joined our Group in May 2014. He is responsible for overseeing the financial operations of our Group. Since January 2012, Mr. Ng has been the financial consultant of Remark Media, Inc, a global digital media company which is listed on The NASDAQ Capital Market (NASDAQ code: Mark) with focus on compelling content, trusted brands and valuable resources for customers.

Mr. Ng's primary working experience also includes:

Name of Organisation	Principal Business activities	Position and roles and responsibilities	Period of Services
TMF Services Ltd.	Engage in financial outsources (bookkeeping, company secretarial, tax compliance and payroll services)	Director of Beijing office	April 2012 – March 2014
Fergas Asia Pacific HK Limited	Engage in trading of blowers and machines for the manufacturing of blowers	Financial consultant (Hong Kong and China)	January 2010 – December 2013

Name of Organisation	Principal Business activities	Position and roles and responsibilities	Period of Services
HSW International, Inc.	Online publishing company that develops and operates internet businesses with the focus on providing digital economies with locally relevant, high quality information in the U.S., China and Brazil	Vice president of finance (China)	February 2008 – December 2011
Intac International, Inc.	U.S. holding company focus on the exploitation of strategic business opportunities available in China	Group financial controller (China)	July 2004 – February 2008
Guangdong Fund (Hong Kong) Limited	Investment holding in enterprises primarily in Guangdong Province of China by taking significant minority interests in unlisted equity and contractual joint venture	Senior investment manager	July 2001– May 2004

Mr. Ng obtained a Bachelor of Business Administration degree in February 1990 from the University of Massachusetts with a major in accounting and a minor in economics.

Mr. Ng was an independent non-executive director of Jiangsu Nandasoft Technology Company Limited (a H-share company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8045), primarily engaged in the development, manufacturing and marketing of network security software, internet application software, educational software and business application software) between March 2013 and May 2014. Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Ng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. LEE Yiu Hung (李耀雄先生), aged 51, is the safety manager of our Group. He has over 15 years of experience in safety management in construction projects. Mr. Lee is responsible for implementing and developing our safety and environmental management system and monitoring compliance of occupational health, safety and environmental compliance. Mr. Lee joined our Group as a safety supervisor in May 2008 and was promoted to safety officer in May 2009. He was further promoted to safety manager in 2013. Prior to joining our Group in May 2008, he worked as a safety supervisor at Jet Consultant Limited where he was responsible for assisting safety officer to implement site safety measures and monitor day-to-day site safety management from August 2002 to May 2008. Mr. Lee graduated from China University of Geoscience, Wuhan in April 2004 with a diploma in safety engineering and completed the Professional Auditing Safety Scheme (Safety Auditor Training Scheme) organised by the Hong Kong Safety Management Association in November 2010. Mr. Lee is a safety officer and safety auditor registered with the Labour Department. During the three years immediately preceding the Latest Practicable Date, Mr. Lee has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. SO Hau Kit (蘇巧潔), aged 36, was appointed as the company secretary of our Company on [●] 2014. Ms. So is a director of Wonder World Corporate Services Limited with over 9 years of experience in company secretarial services and commercial solutions. Ms. So is an associate member of The Hong Kong Institute of Chartered Secretaries since October 2011 and also an associate member of The Institute of Chartered Secretaries and Administrators since August 2011. She obtained a Master of Corporate Governance in June 2011 and a Bachelor of Business Administration in December 2008 from the Open University, Hong Kong. Ms. So is also the company secretary of King Force Security Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8315) and is principally engaged in provision of security guarding services. During the three years immediately preceding the Latest Practicable Date, Ms. So has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely the nomination committee, remuneration committee and the audit committee.

Audit Committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our audit committee consists of Ms. Tong Sze Wan, Mr. Kwong Ping Man and Mr. Lam Yiu Por. Currently, Ms. Tong Sze Wan is the chairman of the audit committee.

The principal responsibilities of the audit committee include:

- reviewing our Company's annual financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors; and

- advising on the appointment of external auditors: and. reviewing the effectiveness of our Company's internal audit activities, internal controls and risk management systems.

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of Mr. Liu Winson Wing Sun, Ms. Tong Sze Wan and Mr. Kwong Ping Man. Currently, Mr. Liu Winson Wing Sun is the chairman of the nomination committee.

The principal responsibilities of the nomination committee include:

- assisting the Board in discharging its responsibilities relating to the composition of the Board;
- evaluating the balance of skills, knowledge and experience on the Board;
- evaluating the size, structure and composition of the Board; and
- evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to the Board on such matters.

Remuneration Committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our remuneration committee consists of Mr. Lam Yiu Por, Ms. Tong Sze Wan and Mr. Chan Lo Kin. Currently, Mr. Lam Yiu Por is the chairman of the remuneration committee.

The principal responsibilities of the remuneration committee include:

- making recommendations to the Board on our Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of the executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive remuneration in the form of Directors fees, salaries, allowances and other benefits as well as contributions to retirement benefit scheme. The total compensation accrued, to our Directors for the years ended 30 June 2012, 2013 and 2014 was HK$1,168,000, HK$1,188,000 and HK$1,243,000, respectively.

The aggregate compensation (including Directors fees, salaries, contributions to retirement benefit scheme, allowances and other benefits) paid to our five highest paid individuals during the three years ended 30 June 2012, 2013 and 2014 were HK$2,489,000, HK$2,656,000 and HK$3,105,000, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 30 June 2015 to be HK$3,247,000.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended 30 June 2012, 2013 and 2014. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended 30 June 2012, 2013 and 2014 by us or any of our subsidiaries to our Directors.

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of the Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV of this [REDACTED].

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the aggregate nominal amount of the share capital of our Company in issue as of the date of Listing; and the Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

DIRECTORS' INTEREST

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional, information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

We have agreed to appoint TC Capital to be our compliance advisor upon Listing on the Stock Exchange in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with the compliance advisor prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance advisor will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 30 June 2016), or until the agreement is terminated, whichever is earlier;

- the compliance advisor will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;

- our Company will consult with and, if necessary, seek advice from TC Capital as our compliance adviser in the following circumstances:

  (a) before the publication of any regulator announcement, circular or financial report;

(b) where a transaction which might be notifiable or connected transaction, is contemplated including shares issues and share repurchases;

(c) where our Company intends to use the proceeds of the [REDACTED] in a manner different from that detailed in this [REDACTED] or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this [REDACTED]; and

(d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and

- the compliance advisor will serve as a channel of communication with the Stock Exchange.

STAFF

Please refer to the section headed "Business – Employees, management and staff training" of this [REDACTED] for details relating to number of staff, staff benefits, training and recruitment policy of our Group.

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the [REDACTED] will be as follows:

		HK$
Authorised share capital		
2,000,000,000	Shares	20,000,000
		HK$
Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED]:		
[REDACTED]	Shares in issue at the date of this [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]

RANKING

The [REDACTED] will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this [REDACTED], and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure of the [REDACTED] – Conditions of the [REDACTED]" in this [REDACTED], our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED]; and

(b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase shares" in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "Further Information about Our Company – Written resolutions of our Shareholders passed on [●]" in Appendix IV to this [REDACTED].

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure of the [REDACTED] – Conditions of the [REDACTED]" in this [REDACTED], our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Further Information about Our Company – Repurchase of our Shares by our Company" in Appendix IV to this [REDACTED].

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed "Further Information about Our Company – Written resolutions of our Shareholders passed on [●]" and headed "Further information about our Company – Repurchase of our Shares by our Company" in Appendix IV to this [REDACTED].

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – Share Option Scheme" in Appendix IV to this [REDACTED].

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and the Cayman Islands Company Law" set out in Appendix III to this [REDACTED].

So far as our Directors are aware, immediately following completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	**Capacity/Nature of interest**	**Number of Shares held/ interested as at 13 October 2014** *(Note 3)*	**Percentage of shareholding as at 13 October 2014** *(Note 3)*	**Number of Shares held/ Interested immediately following completion of the [REDACTED]**	**Percentage of Shareholding immediately following completion of the [REDACTED]**
Profound	Beneficial owner	1	100%	[REDACTED]	[REDACTED]
Liu Su Ke	Interest of a controlled corporation *(Note 1)*	1	100%	[REDACTED]	[REDACTED]
Ho Fung Chun	Interest of spouse *(Note 2)*	1	100%	[REDACTED]	[REDACTED]

Note:

1. These Shares are held by Profound, the entire issued share capital of which is legally and beneficially owned as to approximately [REDACTED] by Liu Su Ke, approximately [REDACTED] by Lai Kwan Hin, approximately [REDACTED] by Kan Yiu Keung, approximately [REDACTED] by Kan Yiu Kwok, approximately [REDACTED] by Kan Man Hoo, approximately [REDACTED] by Yau Shik Fan, Eddy, approximately [REDACTED] by Liu Winson Wing Sun and approximately [REDACTED] by Chan Lo Kin. Therefore, Liu Su Ke is deemed, or taken to be, interested in [REDACTED] Shares held by Profound for the purpose of the SFO. Each of Liu Winson Wing Sun, Liu Su Ke, Chan Lo Kin and Kan Yiu Keung is a director of Profound.

2. Ho Fung Chun is the spouse of Liu Su Ke. Accordingly, Ho Fung Chun is deemed, or taken to be, interested in all Shares and underlying Shares in which Liu Su Ke is interested for the purpose of the SFO.

3. The date of filing of the application proof.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

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	**Obligation under finance leases**	**Amount due to a director – unsecured**
	HK$'million	*HK$'million*	*HK$'million*
	(note (i))	*(note (ii))*	
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.

FUTURE PLANS

Please see the section headed "Business – Corporate strategies" of this [REDACTED] for a detailed description of our future plans.

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] million, 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] million, will be used to fund the renovation works of a renovation term contract with an education institution that our Company is aiming to secure. As with every project, the Company would need to acquire insurance coverage for the project, materials or parts to commence the renovation work, provide initial funding for certain subcontractors (if required), and other preliminary cost incurred to initiate the project. Furthermore, this customer will only settle their last 20% payment after 3 to 6 months from work completion;

- approximately [REDACTED]% of the net proceeds, or approximately HK$[REDACTED] million, will be used to meet the funding requirement of DTC that our Company will bid for. For DTC, the Government will only pay us the last 30% of the value of the works done after final completion and upon certification by representative of the Government, which typically takes 3 to 6 months. Also, our Company will utilise the net proceeds to purchase sufficient insurance coverage, maintenance parts and materials depending on the nature of repair or maintenance, financial support to subcontractors (if required), and other initial expense in relation to the project;

- approximately [REDACTED]% of the net proceeds, or approximately HK$[REDACTED] million, will be allocated to fund a new renovation project of a private residential estate that out Company will bid for. In view of our track record and our established reputation in renovation sector, we expect to secure additional contracts from our private customers that would require us to purchase performance bonds, insurance and materials required to implement these renovation projects;

- approximately [REDACTED]% of the net proceeds, or approximately HK$[REDACTED] million, 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] million, 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. This project with an estimated contract value of HK$360 million will require substantial cash outlay to purchase lifts, sanitary fittings, air conditioning systems, window cladding, fire service fittings, partition walls, furnishing, carpet and other renovation materials, before any stage payment is collected;

- approximately [REDACTED]% of the net proceeds, or approximately HK$[REDACTED] million, will be used to enhance our operational efficiency and quality of service by upgrading our information technology applications;

- approximately [REDACTED]% of the net proceeds, or approximately HK$[REDACTED] million, will be used for repayment of our bank loans that were used for tax payment and general working capital. In particular, the SME tax loans provided to Sing Fat Construction is required to be settled upon Listing as Sing Fat Construction will no longer be qualified as an SME under the terms of the loans. Such loans currently bear interests rates ranging from approximately 2.5% to 4% per annum and the maturity dates are 10 July 2015, 31 October 2015 and 25 September 2017; and

- approximately [REDACTED]% of the net proceeds, or approximately HK$[REDACTED] million, will be used for our Group's general working capital.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range stated in this [REDACTED].

If the [REDACTED] is fixed at the high-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds we receive from the [REDACTED] will increase by approximately HK$[REDACTED] million. If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds we receive from the [REDACTED] will decrease by approximately HK$[REDACTED] million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

[REDACTED] UNDERWRITERS

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

The [REDACTED]

[REDACTED] Underwriting Agreement

The [REDACTED] Underwriting Agreement was entered into on [REDACTED] 2014 among our Company, the Controlling Shareholders, the Sponsor, the Lead Manager and the abovementioned [REDACTED] Underwriters. Pursuant to the [REDACTED] Underwriting Agreement, we are [REDACTED] the [REDACTED] for [REDACTED] in Hong Kong on the terms and subject to the conditions in this [REDACTED] and the [REDACTED] at the [REDACTED]. Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the [REDACTED] as mentioned herein and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and to certain other conditions set out in the [REDACTED] Underwriting Agreement, the [REDACTED] Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the [REDACTED] which are [REDACTED] but are not taken up under the [REDACTED] on the terms and subject to the conditions in this [REDACTED], the [REDACTED] and the [REDACTED] Underwriting Agreement.

The [REDACTED] Underwriting Agreement is conditional upon and subject to the [REDACTED] Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Underwriters' Interests in our Company

Except for its obligations under the [REDACTED] Underwriting Agreement, none of the [REDACTED] Underwriters has any shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the [REDACTED], the [REDACTED] Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the [REDACTED] Underwriting Agreement.

The [REDACTED]

[REDACTED] Underwriting Agreement

In connection with the [REDACTED], it is expected that we and the Controlling Shareholders will enter into the [REDACTED] Underwriting Agreement with, among others, the Lead Manager, the Bookrunner and the [REDACTED] Underwriters on or about [REDACTED] 2014. Under the [REDACTED] Underwriting Agreement, the [REDACTED] Underwriters would, subject to certain conditions, severally agree to procure subscribers to subscribe for the [REDACTED] being [REDACTED] pursuant to the [REDACTED], or failing which to subscribe for themselves, their respective applicable proportions of such

[REDACTED] which are not taken up under the [REDACTED]. The [REDACTED] Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the [REDACTED] Underwriting Agreement. Potential investors are reminded that in the event that the [REDACTED] Underwriting Agreement is not entered into, the [REDACTED] will not proceed.

It is expected that, pursuant to the [REDACTED] Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the [REDACTED] Underwriting Agreement, as described in the paragraph headed "Underwriting Arrangements and Expenses – The [REDACTED] – Undertakings pursuant to the [REDACTED] Underwriting Agreement" in this section.

[REDACTED]

Commission and Expenses and the Sponsor's Fee

According to the terms and conditions of the [REDACTED] Underwriting Agreement, the [REDACTED] Underwriters will receive an underwriting commission of [REDACTED]% of the aggregate [REDACTED] payable for the [REDACTED] under the [REDACTED]. For unsubscribed [REDACTED] reallocated to the [REDACTED], an underwriting commission at the rate applicable to the [REDACTED] will be paid to the relevant [REDACTED] Underwriters (but not the [REDACTED] Underwriters). Underwriting commission will be payable by our Company for the number of [REDACTED] for subscription in the [REDACTED]. [In addition, we may pay, in our discretion, an incentive fee to any or all of the Underwriters of up to an aggregate of no more than [REDACTED]% of the [REDACTED] for each [REDACTED].]

Based on an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range stated in this [REDACTED]), the aggregate commissions and the maximum incentive fee (if any), together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the [REDACTED] to be borne by our Company are estimated to amount to approximately HK$[REDACTED] million in aggregate.

An aggregate amount of HK$[4.2] million is payable by our Company as sponsor fees to the Sponsor for acting as the sole sponsor in the [REDACTED].

Other Services provided by Underwriters

Certain of the Lead Manager, the Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future, investment banking and other services to you, other potential investors, our Company and our respective affiliates, for which the Lead Manager, the Underwriters or their respective affiliates have received or will receive customary fees and commissions. The Lead Manager and the Underwriters may in their ordinary course of business provide financing to investors secured by the [REDACTED] this [REDACTED]. Such Lead Manager and the Underwriters may enter into hedges and/or dispose of such [REDACTED] in relation to the financing which may have a negative impact on the trading price of the Shares.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report received from our reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, for the purpose of incorporation in this [REDACTED].

[Date]

The Directors
Yat Sing Holdings Limited

TC Capital Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Yat Sing Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 30 June 2014 (the "Track Record Period") for inclusion in the [REDACTED] of the Company dated [●] (the "[REDACTED]") in connection with the initial listing of shares of the Company ("Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 17 September 2014. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "Corporate reorganisation" in Appendix IV to the [REDACTED], the Company became the holding company of the Group on [●].

As of the end of the respective reporting period and the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place and date of incorporation/ operation	Issued and fully paid share capital at the date of this report	Percentage of equity interest attributable to the Group as at				Principal activities
			30 June 2012	30 June 2013	30 June 2014	Date of this report	
ABO Group Limited ("ABO")	British Virgin Islands ("BVI") 7 September 2006	Ordinary shares – United States dollars ("US$") 89,600	100%	100%	100%	100%	Investment holding

Name of Company	Place and date of incorporation/ operation	Issued and fully paid share capital at the date of this report	Percentage of equity interest attributable to the Group as at				Principal activities
			30 June 2012	30 June 2013	30 June 2014	Date of this report	
Sing Fat Construction Company Limited ("Sing Fat Construction")	Hong Kong 18 February 1960	Ordinary shares – Hong Kong dollars ("HK$") 9,000,000	99.56%	99.56%	99.56%	99.56%	Provision of building maintenance and renovation services

ABO and Sing Fat Construction are directly and indirectly held by the Company respectively.

All companies now comprising the Group have adopted 30 June as the financial year end date.

The statutory financial statements of Sing Fat Construction were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Poon & Co. for the year ended 30 June 2012 and by SHINEWING (HK) CPA Limited for the year ended 30 June 2013. The statutory financial statements of Sing Fat Construction for the year ended 30 June 2014 have not been available as of the date of this report.

No audited statutory financial statements have been prepared for the Company and ABO since their respective dates of incorporation as they were incorporated in jurisdictions where there is no statutory audit requirement. They have not carried on any business other than investment holding.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements and carried out such additional audit procedures which we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared by the directors of the Company from the Underlying Financial Statements on the basis set out in note 1 of Section A of the Financial Information. No adjustments are considered necessary by us to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the [REDACTED].

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issuance. The directors of the Company are also responsible for the contents of the [REDACTED] in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 of section A of the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June 2012, 2013 and 2014, and of the combined results and combined cash flows for the Group for the Track Record Period.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 30 June**		
		2012	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
Turnover	*7*	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	*8*	5,351	24	14,194
Administrative expenses		(16,332)	(16,948)	(15,898)
Finance costs	*9*	(1,280)	(1,016)	(820)
Profit before taxation		23,391	27,979	53,239
Taxation	*10*	(3,216)	(4,643)	(7,060)
Profit and total comprehensive income for the year	*11*	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
Earnings per share				
Basic and diluted	*15*	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	At 30 June		
		2012	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*16*	12,746	13,430	3,184
Investment property	*17*	–	–	–
Available-for-sale investments	*18*	1,974	1,974	1,974
		14,720	15,404	5,158
Current assets				
Amounts due from customers for contract work	*19*	5,205	–	–
Trade and other receivables	*20*	256,222	299,660	259,575
Amounts due from related companies	*21*	64,250	75,698	–
Pledged bank deposits	*22*	5,000	5,005	5,006
Bank balances and cash	*22*	19,307	7,430	66,808
		349,984	387,793	331,389
Current liabilities				
Trade and other payables	*23*	163,425	173,358	156,881
Amounts due to directors	*24*	2,260	5,790	140
Amount due to a related party	*24*	2,000	2,000	–
Bank borrowings	*25*	19,477	18,923	12,646
Obligations under finance leases				
– due within one year	*26*	1,090	1,722	831
Tax payable		4,837	7,007	9,164
Secured bank overdrafts	*25*	–	1,053	–
		193,089	209,853	179,662
Net current assets		156,895	177,940	151,727
Total assets less current liabilities		171,615	193,344	156,885
Non-current liabilities				
Obligations under finance leases – due after one year	*26*	627	409	495
Long service payment obligations	*27*	319	334	218
Deferred tax liabilities	*28*	570	516	258
		1,516	1,259	971
Net assets		170,099	192,085	155,914
Capital and reserves				
Share capital	*29*	9,310	9,310	9,310
Reserves		160,041	181,931	145,923
Equity attributable to owners of the Company		169,351	191,241	155,233
Non-controlling interests		748	844	681
Total equity		170,099	192,085	155,914

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2011	9,310	141,299	150,609	665	151,274
Profit and total comprehensive income for the year	–	20,086	20,086	89	20,175
Dividend recognised as distribution *(note 14)*	–	(1,344)	(1,344)	(6)	(1,350)
At 30 June 2012 and 1 July 2012	9,310	160,041	169,351	748	170,099
Profit and total comprehensive income for the year	–	23,234	23,234	102	23,336
Dividend recognised as distribution *(note 14)*	–	(1,344)	(1,344)	(6)	(1,350)
At 30 June 2013 and 1 July 2013	9,310	181,931	191,241	844	192,085
Profit and total comprehensive income for the year	–	45,976	45,976	203	46,179
Dividend recognised as distribution *(note 14)*	–	(81,984)	(81,984)	(366)	(82,350)
At 30 June 2014	9,310	145,923	155,233	681	155,914

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	23,391	27,979	53,239
Adjustments for:			
Bank interest income	(3)	(5)	(46)
Cost related to (reversal of) long service payments	182	15	(116)
Finance costs	1,280	1,016	820
Gain on disposal of investment property	(5,276)	–	–
Gain on disposal of property, plant and equipment	(42)	(15)	(14,026)
Write-back of unclaimed dividends included in other payable	(4)	(4)	(6)
Depreciation of property, plant and equipment	947	1,294	947
Operating cash flows before movements in working capital	20,475	30,280	40,812
(Increase) decrease in amount due from contract customers	(5,205)	5,205	–
(Increase) decrease in trade and other receivables	(32,793)	(43,438)	40,085
Increase (decrease) in trade and other payables	15,586	9,931	(17,380)
Cash (used in) generated from operations	(1,937)	1,978	63,517
Hong Kong Profits Tax paid	(2,025)	(2,527)	(5,161)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(3,962)	(549)	58,356

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(18)	(142)	(17)
Proceeds from disposal of an investment property	9,100	–	–
Proceeds from disposal of property, plant and equipment	609	612	24,259
Interest received	3	5	46
Repayment from a related company	–	–	785
Advance to related companies	(11,200)	(11,448)	(5,184)
Placement of pledged bank deposits	(5,000)	(5)	(1)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(6,506)	(10,978)	19,888
FINANCING ACTIVITIES			
Repayment of bank borrowings	(15,398)	(10,554)	(24,037)
New bank borrowings raised	4,020	10,000	17,760
Interest paid	(1,280)	(1,016)	(820)
Advances from directors	2,260	3,530	–
Advance from a related party	1,970	–	–
Repayment of obligations under finance lease	(1,276)	(2,019)	(1,722)
Dividend paid	(1,344)	(1,344)	(1,344)
Repayment to directors	–	–	(5,650)
Repayment to a related party	–	–	(2,000)
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
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	19,307	7,430	66,808
Secured bank overdrafts	–	(1,053)	–
	19,307	6,377	66,808

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 17 September 2014. Its ultimate holding company and immediate holding company is Profound Union Limited, incorporated in the BVI. The registered office of the Company is located at Appleby Trust (Cayman) Ltd., Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands, and its principal place of business is located at 23/F, China United Plaza, 1008 Tai Nan West Street, Kowloon, Hong Kong. The Company is an investment holding company.

Prior to the Reorganisation, the provision of (a) building maintenance services and (b) 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, the Company was incorporated in the Cayman Islands on 17 September 2014 and the Group underwent the Reorganisation, as detailed in the paragraph headed "Corporate reorganisation" in Appendix IV to the [REDACTED]. Upon completion of the Reorganisation, the 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 (collectively referred to as "the Controlling Shareholders") 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 the 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 the Group for the Track Record Period includes the results of operations and cash flows of the companies now comprising the Group as if the 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 the Group as at 30 June 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the 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 ("HK$"), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted and consistently applied all of the new and revised HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by the HKICPA which are effective for the Group's financial year beginning on 1 July 2013 throughout the Track Record Period.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]

Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets 1
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC*) – Interpretations 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

* IFRIC represents the International Financial Reporting Interpretations Committee.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation / amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010 – 2012 Cycle will have a material effect on the Group's combined financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011 – 2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011 – 2013 Cycle will have a material effect on the Group's combined financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contact.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenario. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's combined financial statements as the Company is not an investment entity.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's combined financial statements as the employees are not required to make contributions in respect of the Group's long service payment obligation, which is accounted for in accordance with HKAS 19.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's combined financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Financial Information of the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") come into operation as from the Group's first financial year commencing on or after 3 March 2014 in accordance with section 358 of the Companies Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the combined financial statements in the period of initial application of Part 9 of the Companies Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the combined financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by the Companies Ordinance, which for the Financial Information continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Companies Ordinance, "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to the Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information are determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders.

The net assets of the combining entities or businesses are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from building maintenance and renovation services are recognised when services are provided.

The Group's policy for recognition of revenue from construction services is described in the accounting policy headed "Construction contracts" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the 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 through 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost and termination benefits

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method for land and building and using diminishing balance method for the other property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over the estimated useful lives using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Cash and cash equivalents

Bank balances and cash in the combined statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above, net of outstanding secured bank overdrafts.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units (CGUs), or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated as available-for-sale or is not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets. objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, amount due to a related party, bank borrowings and overdraft and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The followings are the critical judgements, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Contingent liabilities in respect of litigation claims

Contingent liabilities arising from litigation claims have been assessed by the management with reference to legal advice and historical records. The directors of the Company consider 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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 the 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 equipments are depreciated using diminishing method. The determination of the depreciation methods and rates involves management's estimation. The Group assesses annually the depreciation methods and rates 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.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 30 June 2012, 2013 and 2014, the directors of the Company considered that there is no impairment indication and the carrying values of property, plant and equipment are approximately HK$12,746,000, HK$13,430,000, and HK$3,184,000 respectively.

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. During the Track Record Period, no impairment loss on trade and other receivables is made. As at 30 June 2012, 2013 and 2014, the carrying value of trade and other receivables are approximately HK$256,222,000, HK$299,660,000, and HK$259,575,000 respectively.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings and secured bank overdrafts disclosed in note 25, obligations under finance leases disclosed in note 26, pledged bank deposits and bank balances and cash disclosed in note 22, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale financial assets	1,974	1,974	1,974
Loans and receivables (including pledged bank deposits and bank balances and cash)	327,338	365,313	314,656
Other financial liabilities			
At amortised cost	188,810	196,684	170,422

Financial risk management objectives and policies

The 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 disclosed in respective notes. 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The 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 the 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, the 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, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management 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, the Group has concentration of credit risk as 68%, 67% and 57% of the total trade receivables was due from the Group's largest customer while 97%, 98% and 95% of the total trade receivables was due from the 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

The 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. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and Prime Rate arising from the Group’s HK$ denominated borrowings and overdrafts. However, the directors of the Company consider that the 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, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings as a significant source of liquidity and the management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the 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 the 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 the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company 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 the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company 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 the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company 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.

Fair value measurement objective and policies

The directors of the Company consider that the carrying amounts of current portion of financial assets and financial liabilities recorded at amortised cost in the Financial Information not materially differ from their fair values due to their immediate or short-term maturities. The fair value of non-current portion of finance lease equals its carrying amount, as the impact of discounting is not significant.

7. TURNOVER AND SEGMENT INFORMATION

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from building maintenance services	415,248	414,026	401,910
Revenue from renovation services	187,393	187,400	198,482
	602,641	601,426	600,392

The directors of the Company are identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

(1) Building maintenance; and

(2) Renovation.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 30 June 2012

	Building maintenance	Renovation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	415,248	187,393	602,641
Segment profit	31,155	4,539	35,694
Unallocated corporate income			5,309
Central administration costs			(16,332)
Finance costs			(1,280)
Profit before taxation			23,391

For the year ended 30 June 2013

	Building maintenance	Renovation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	414,026	187,400	601,426
Segment profit	39,282	6,652	45,934
Unallocated corporate income			9
Central administration costs			(16,948)
Finance costs			(1,016)
Profit before taxation			27,979

For the year ended 30 June 2014

	Building maintenance	Renovation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	401,910	198,482	600,392
Segment profit	46,031	9,669	55,700
Unallocated corporate income			14,257
Central administration costs			(15,898)
Finance costs			(820)
Profit before taxation			53,239

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Building maintenance	188,232	232,327	169,824
Renovation	75,217	70,414	89,428
Total segment assets	263,449	302,741	259,252
Unallocated corporate assets	101,255	100,456	77,295
Total assets	364,704	403,197	336,547
Segment liabilities			
Building maintenance	99,936	98,512	71,525
Renovation	62,958	74,593	83,226
Total segment liabilities	162,894	173,105	154,751
Unallocated corporate liabilities	31,711	38,007	25,882
Total liabilities	194,605	211,112	180,633

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, available-for-sale investments, certain prepayment and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to reportable segments other than certain other payables, tax payable, bank borrowings and overdrafts, obligations under finance leases, amounts due to directors, amount due to a related party, long service payment obligations and deferred tax liabilities as these liabilities are managed on a group basis.

Other segment information

For the year ended 30 June 2012

	Building maintenance *HK$'000*	Renovation *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	1,069	–	–	1,069
Depreciation of property, plant and equipment	524	–	423	947
Gain on disposal of property, plant and equipment	(42)	–	–	(42)
Gain on disposal of investment property	–	–	(5,276)	(5,276)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Bank interest income	–	–	(3)	(3)
Finance costs	–	–	1,280	1,280
Income tax expense	–	–	3,216	3,216

For the year ended 30 June 2013

	Building maintenance *HK$'000*	Renovation *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	2,575	–	–	2,575
Depreciation of property, plant and equipment	852	–	442	1,294
Gain on disposal of property, plant and equipment	(15)	–	–	(15)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Bank interest income	–	–	(5)	(5)
Finance costs	–	–	1,016	1,016
Income tax expenses	–	–	4,643	4,643

For the year ended 30 June 2014

	Building maintenance *HK$'000*	Renovation *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	934	–	–	934
Depreciation of property, plant and equipment	525	–	422	947
Loss (gain) on disposal of property, plant and equipment	63	–	(14,089)	(14,026)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Bank interest income	–	–	(46)	(46)
Finance costs	–	–	820	820
Income tax expenses	–	–	7,060	7,060

Geographical information

The Group's revenue from external customers by location of operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group by location of assets are all located in the Hong Kong.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Customer A[1]	372,013	361,315	365,100
Customer B[2]	152,940	108,742	118,285

1 Revenue from building maintenance and renovation services.

2 Revenue from renovation services.

8. OTHER INCOME

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	3	5	46
Gain on disposal of investment property	5,276	–	–
Gain on disposal of property, plant and equipment	42	15	14,026
Reversal of long service payment obligations	–	–	116
Write-back of unclaimed dividends	4	4	6
Others	26	–	–
	5,351	24	14,194

9. FINANCE COSTS

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
– bank overdrafts and borrowings wholly repayable within five years	1,182	920	745
– obligations under finance leases	98	96	75
	1,280	1,016	820

10. TAXATION

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Current year taxation			
Hong Kong Profits Tax	3,363	4,697	7,318
Deferred taxation (note 28)	(147)	(54)	(258)
	3,216	4,643	7,060

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

The tax charge can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	23,391	27,979	53,239
Tax calculated at the domestic income tax rate	3,860	4,616	8,784
Tax effect of income not taxable for tax purposes	(688)	–	(2,186)
Tax effect of expenses not deductible for tax purposes	54	37	462
Effect of tax exemption granted (note)	(10)	(10)	–
Income tax expense for the year	3,216	4,643	7,060

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2012/2013 and 2013/2014 by 75%, subject to a ceiling of HK$10,000.

11. PROFIT FOR THE YEAR

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):			
Staff costs			
– Salaries, allowances and other benefits	22,519	22,965	27,079
– Severance payment	74	141	186
– Long service payment obligations	182	15	(116)
– Contributions to retirement benefits scheme	872	870	1,055
Total staff costs (excluding directors' remuneration (note 12))	23,647	23,991	28,204
Auditor's remuneration	55	100	100
Depreciation of property, plant and equipment			
– owned assets	313	308	301
– assets held under finance leases	634	986	646
Minimum lease payments paid under operating lease	92	189	310
Listing expenses	–	–	2,573

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors [and the chief executive officer ("CEO")] of the Company were as follows:

For the year ended 30 June 2012

Name of director	Fee	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Long service payment obligations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Liu Winson Wing Sun	10	403	12	–	425
Kan Yiu Keung [(CEO)]	10	403	12	–	425
Chan Lo Kin	10	276	12	–	298
Non-executive directors					
Liu Su Ke	10	–	–	–	10
Kan Yiu Kwok	10	–	–	–	10
	50	1,082	36	–	1,168

For the year ended 30 June 2013

Name of director	Fee	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Long service payment obligations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Liu Winson Wing Sun	10	403	15	–	428
Kan Yiu Keung [(CEO)]	10	409	15	–	434
Chan Lo Kin	10	282	14	–	306
Non-executive directors					
Liu Su Ke	10	–	–	–	10
Kan Yiu Kwok	10	–	–	–	10
	50	1,094	44	–	1,188

For the year ended 30 June 2014

Name of director	Fee	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Long service payment obligations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Liu Winson Wing Sun	10	409	15	–	434
Kan Yiu Keung [(CEO)]	10	436	15	–	461
Chan Lo Kin	10	303	15	–	328
Non-executive directors					
Liu Su Ke	10	–	–	–	10
Kan Yiu Kwok	10	–	–	–	10
	50	1,148	45	–	1,243

The emolument shown above represents emolument received from the Group by these directors [and CEO] in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Track Record Period.

Ms. Tong Sze Wan, Mr. Kwong Ping Man and Mr. Lam Yiu Por were appointed as independent non-executive directors of the Company on [●]. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

No director [and CEO] waived or agreed to waive any emoluments during the Track Record Period.

No emoluments were paid by the Group to any directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

13. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them was director of the Company. Details of remuneration paid to the five highest paid individuals of the Group for the years ended 30 June 2012, 2013 and 2014 respectively were as follows:

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	2,428	2,581	3,036
Contributions to retirement benefits scheme	61	75	69
	2,489	2,656	3,105

The emolument of each of the above employees was below HK$1,000,000.

No emoluments were paid by the Group to any five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

14. DIVIDEND

[No dividend has been paid or declared by the Company since the date of incorporation on 17 September 2014.]

The dividend declared by the Company's subsidiary to its then shareholders during the years ended 30 June 2012, 2013 and 2014 amounted to HK$1,350,000, HK$1,350,000 and HK$82,350,000 respectively. The rates of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful for the purpose of this report.

On [●], dividend of HK$[60,000,000] was declared [and paid] by [●] to the then shareholders.

15. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisaiton and the presentation of the results for the Track Record Period on a combined basis as disclosed in note 1 above.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Machinery and equipment *HK$'000*	Furniture, fixture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 July 2011	11,354	371	1,278	5,057	18,060
Additions	–	–	–	1,069	1,069
Disposals	–	–	–	(1,299)	(1,299)
At 30 June 2012 and 1 July 2012	11,354	371	1,278	4,827	17,830
Additions	–	–	–	2,575	2,575
Disposals	–	–	–	(1,196)	(1,196)
At 30 June 2013 and 1 July 2013	11,354	371	1,278	6,206	19,209
Additions	–	–	–	934	934
Disposals	(11,354)	–	–	(2,054)	(13,408)
At 30 June 2014	–	371	1,278	5,086	6,735
ACCUMULATED DEPRECIATION					
At July 2011	1,412	353	1,058	2,046	4,869
Charge for the year	278	2	33	634	947
Eliminated on disposals	–	–	–	(732)	(732)
At 30 June 2012 and 1 July 2012	1,690	355	1,091	1,948	5,084
Charge for the year	277	3	28	986	1,294
Eliminated on disposals	–	–	–	(599)	(599)
At 30 June 2013 and 1 July 2013	1,967	358	1,119	2,335	5,779
Charge for the year	277	1	24	645	947
Eliminated on disposals	(2,244)	–	–	(931)	(3,175)
At 30 June 2014	–	359	1,143	2,049	3,551
NET CARRYING VALUES					
At 30 June 2012	9,664	16	187	2,879	12,746
At 30 June 2013	9,387	13	159	3,871	13,430
At 30 June 2014	–	12	135	3,037	3,184

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 above items of 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 insubsequent years
Furniture, fixture and office equipment	25% in the year of purchase and 15% per annum insubsequent years
Motor vehicles	25% in the year of purchase and 15% per annum insubsequent years

The land and buildings were located in Hong Kong under medium-term lease.

On 28 May 2014, Sing Fat Construction entered into a sale and purchase agreement with a related company, Mega Billion Investment Limited ("Mega Billion"), pursuant to which Sing Fat Construction agreed to sell and Mega Billion agreed to purchase the land and buildings at cash consideration of HK$23,200,000 which was determined with reference to market value. On the date of disposal, the carrying value of the land and buildings amounted to approximately HK$9,110,000. The transaction was completed on 30 June 2014. Certain directors of the Group are the beneficial shareholders and directors of Mega Billion.

Property, plant and equipment include certain motor vehicles held under finance leases. Details are set out in note 33.

At 30 June 2012, 2013 and 2014, certain amounts of property, plant and equipment have been pledged as security for the bank borrowings and banking facilities granted to the Group. Details are set out in notes 25 and 33.

17. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 July 2011	5,262
Disposal	(5,262)
At 30 June 2012, 2013 and 2014	–
ACCUMULATED DEPRECIATION	
At 1 July 2011	1,438
Written back on disposal	(1,438)
At 30 June 2012, 2013 and 2014	–
CARRYING VALUE	
At 30 June 2012, 2013 and 2014	–

The investment property was situated in Hong Kong under medium-term lease and was depreciated on a straight-line basis over the unexpired lease term.

During the year ended 30 June 2012, the Group disposed of the investment property at cash consideration of HK$9,200,000, net of commission and legal fees of approximately HK$100,000, resulting in a gain from disposal of investment property of approximately HK$5,276,000.

18. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity investment in Hong Kong, at cost	1,974	1,974	1,974

The Group held 4.02% equity interest in an unlisted company in Hong Kong. The investment is measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that the management of the Group is of the opinion that its fair value cannot be reliably measured.

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Contracts in progress at the end of each reporting period:			
Contract costs incurred plus recognised profits less recognised losses	46,612	66,759	68,095
Less: progress billings	(41,407)	(66,759)	(68,095)
Amounts due from customers for contract work	5,205	–	–

20. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of each reporting period:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	225,981	260,065	228,306
Retention money receivables (note)	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

Note: At 30 June 2012, 2013 and 2014, retention money of approximately HK$10,544,000, HK$12,413,000 and HK$8,382,000 respectively were expected to be recovered or settled in more than twelve months from the end of the corresponding reporting period.

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the certified report which approximates revenue recognition date at the end of each reporting period, and net of impairment loss recognised:

	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 that were neither past due nor impaired related to customers that have no recent history of default payment.

As at 30 June 2012, 2013 and 2014, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK$3,153,000, HK$1,436,000 and HK$7,518,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	3,136	1,295	6,448
91 to 180 days	–	42	936
181 to 365 days	17	2	87
1-2 years	–	97	47
	3,153	1,436	7,518

The directors of the Company consider that there has not been a significant change in credit quality of the relevant customers and there is no recent history of default, therefore the amounts are considered to be recoverable.

21. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies as at 30 June 2012, 2013 and 2014 were unsecured, interest-free and repayable on demand.

Amounts due from related companies were as follows:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related companies			
General Top Holdings Limited ("General Top") (note a)	64,250	74,980	–
Base Win Engineering Limited ("Base Win") (note b)	–	718	–
	64,250	75,698	–
Maximum amount outstanding from the related companies during the year			
General Top	64,250	74,980	80,097
Base Win	–	718	785

Notes:

(a) Certain directors of the Company are the beneficial shareholders and/ or directors of General Top.

(b) Mr. Chan Lo Kin, the director of the Company, is the beneficial shareholder and director of Base Win.

22. PLEDGED BANK DEPOSITS / BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represented deposits pledged to bank to secure banking facilities granted to the Group and were therefore classified as current assets.

As at 30 June 2012, 2013 and 2014, pledged bank deposits carried fixed interest rate at 0.16%, 0.02% and 0.02% per annum, respectively.

Bank balances and cash

Bank balances earned interest at floating rates based on daily bank deposit rates.

23. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of each reporting period:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	149,764	149,263	140,241
Retention money payables *(note)*	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 payable to non-controlling interests	30	32	392
	163,425	173,358	156,881

Note: As at 30 June 2012, 2013 and 2014, retention money of approximately HK$8,095,000, HK$7,492,000 and HK$8,027,000 respectively were expected to be paid or settled after more than twelve months from the end of the corresponding reporting period.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	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

Trade payables represented payables to subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within seven days after the settlement of corresponding trade receivables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

24. AMOUNTS DUE TO DIRECTORS/A RELATED PARTY

As at 30 June 2012, 2013 and 2014, the amounts due to directors/a related party, were unsecured, interest-free and repayable on demand.

Amounts due to directors:

	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

Amount due to a related party:

	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 is a director of a subsidiary.

The amounts due to Mr. Kan Yiu Keung and Mr. Kan Man Hoo were fully settled during the year ended 30 June 2014. Subsequently, in October 2014, the amount due to Mr. Liu Su Ke has also been fully settled.

25. BANK BORROWINGS/SECURED BANK OVERDRAFTS

Bank borrowings

		At 30 June	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Secured	16,647	12,149	–
Unsecured and guaranteed	2,830	6,774	12,646
	19,477	18,923	12,646

		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, 2013 and 2014, bank borrowings 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.

Secured bank overdrafts

As at 30 June 2013, secured bank overdrafts bore interest at rate of 6.00% per annum.

As at 30 June 2012 and 2013, the bank borrowings and overdraft and general banking facilities were secured and/or guaranteed by:

- the Group's land and buildings situated in Hong Kong and the bank deposits as disclosed in note 33;
- properties held by a related company, Gain Line Engineering Limited ("Gain Line"), of which certain directors of the Company are beneficial shareholders and directors;
- personal guarantee given by the Company's directors, Mr. Liu Su Ke and Mr. Chan Lo Kin and a related party, Mr. Kan Man Hoo; and
- guarantee given by Hong Kong Mortgage Corporation Limited ("HKMCL") under the SME Financing Guarantee Scheme.

As at 30 June 2014 the bank borrowings and general banking facilities were secured and/or guaranteed by:

- the Group's bank deposits as disclosed in note 33;
- properties held by Gain Line;

- personal guarantee given by the 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, a related party, Mr. Kan Man Hoo; and

- guarantee given by HKMCL under the SME Financing Guarantee Scheme.

During the year ended 30 June 2014, security over the Group's land and buildings situated in Hong Kong were released upon the disposal of the properties. Subsequent to 30 June 2014, the security over properties held by Gain Line was also released. The directors of the Company confirmed that personal guarantee given by the Company's directors and the related party will be released upon the Listing.

26. OBLIGATIONS UNDER FINANCE LEASES

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:			
Current liabilities	1,090	1,722	831
Non-current liabilities	627	409	495
	1,717	2,131	1,326

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term ranged from 2 to 5 years for the Track Record Period. During the Track Record Period, the effective interest rate ranged from 1.3% to 3.0% per annum.

	Minimum lease payments at 30 June			Present value of minimum lease payments at 30 June		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases						
Within one year	1,135	1,759	853	1,090	1,722	831
More than one year but less than two years	636	305	433	627	302	429
More than two years but less than five years	–	107	66	–	107	66
	1,771	2,171	1,352	1,717	2,131	1,326
Less: future finance charges	(54)	(40)	(26)	N/A	N/A	N/A
Present value of obligations under finance lease	1,717	2,131	1,326			
Less: amount due for settlement with 12 months (shown under current liabilities)				(1,090)	(1,722)	(831)
Amount due for settlement after 12 months				627	409	495

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

27. LONG SERVICE PAYMENT OBLIGATIONS

Movement in the long service payment obligations is as follows:

	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July	137	319	334
Charged (credited) to profit or loss	182	15	(116)
At 30 June	319	334	218

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further explained in note 3. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represents the management's best estimate of the Group's liability at the end of the reporting period. As at 30 June 2012, 2013 and 2014, the amount is calculated based on the principal assumptions stated as below:

	2012	**2013**	**2014**
Salary inflation rate	4.96%	8.11%	6.40%
Discount rate	1.24%	2.18%	2.07%

28. DEFFERED TAX LIABILITIES

Deferred tax liability arising from accelerated tax depreciation recognised by the Group and movements thereof during the Track Record Period were as follows:

	HK$'000
At 1 July 2011	717
Credited to profit and loss	(147)
At 30 June 2012 and 1 July 2012	570
Credited to profit or loss	(54)
At 30 June 2013 and 1 July 2013	516
Credited to profit or loss	(258)
At 30 June 2014	258

29. SHARE CAPITAL

As the Company was not incorporated prior to 30 June 2014 and the Reorganisation was not completed as at 30 June 2014, the share capital of the Group in the combined statements of financial position as at 30 June 2012, 2013 and 2014 represented the combined share capital of ABO and Sing Fat Construction attributable to owners of the Company.

The Company was incorporated on 17 September 2014 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, one nil-paid share was allotted and issued to the subscriber of the Company.

Pursuant to the resolutions in writing passed by the sole shareholder of the Company on [●], the authorised share capital of the Company was increased from HK$380,000 to HK$[20,000,000] by the creation of an additional of [1,962,000,000] shares of HK$0.01 each, each ranks pari passu with the shares then in issue in all respects.

30. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK$1,000 prior to June 2012, HK$1,250 from June 2012 to May 2014 and HK$1,500 thereafter per employee.

During the years ended 30 June 2012, 2013 and 2014, the total expense recognised in the combined statements of profit or loss and other comprehensive income is approximately HK$908,000, HK$914,000 and HK$1,100,000 respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the 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 represents rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for a term ranging from 2 to 3 years.

32. 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. The directors of the Company 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

At the end of each reporting period, the Group had provided guarantees to banks in respect of the following:

	At 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Performance bonds in favor of its clients	15,449	10,315	6,860

As at 30 June 2012, 2013 and 2014, approximately HK$15,449,000, HK$10,315,000 and HK$6,860,000 of performance bonds were given by banks in favour of some Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

33. PLEDGE OF ASSETS

As at 30 June 2012, 2013 and 2014, assets with the following carrying amounts were pledged to secure the bank borrowings and banking facilities granted to the 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

In addition, the Group's obligations under finance leases were secured by the lessors' title to the leased motor vehicles with carrying value of approximately HK$2,400,000, HK$3,340,000 and HK$1,617,000 as at 30 June 2012, 2013 and 2014 respectively.

34. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group entered into transactions with related parties as follows:

Related party	**Nature of transaction**	Year ended 30 June		
		2012	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
Base Win	Management fee paid to related party	371	–	–
Chung Tat Construction Co., Limited	Subcontracting fee paid to related party	45,070	40,816	46,102
Gain Line	Management fee paid to related party	656	1,486	–
Group Bridge Investment Limited	Management fee paid to related party	243	577	–
Handmade Company Limited	Management fee paid to related party	171	536	–
Long Goal Limited	Management fee paid to related party	637	1,036	–
General Top	Rental of motor vehicle from related party	111	111	111

The above companies are companies of which certain directors of the Company are their beneficial shareholders and/or directors.

(b) As disclosed in note 16, the Group disposed of its land and building to Mega Billion at cash consideration of HK$23,200,000 and then leased back the land and buildings as office premises at monthly rental of HK$75,000 from 1 July 2014 to 30 June 2016. The monthly rental was determined with reference to market value.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the Track Record Period was as follows:

	Year ended 30 June		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	2,128	2,265	2,565
Cost of long service payments	6	10	4
Contributions to retirement benefits scheme	60	74	75
	2,194	2,349	2,644

(d) Under a deed of indemnity dated [●], the Controlling Shareholders have undertaken to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments, costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group on or before the date on which the [REDACTED] of the Company becomes unconditional.

35. MAJOR NON-CASH TRANSACTIONS

(a) During the years ended 30 June 2012, 2013 and 2014, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK$1,051,000, HK$2,433,000 and HK$917,000 respectively.

(b) During the year ended 30 June 2014, the amount due from a related company of approximately HK$80,097,000 was offset against dividend payable by one of the subsidiary to its then shareholders, pursuant to a set-off deed dated 30 June 2014.

B. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2014:

(a) Dividend

On [●], dividend of HK$[60,000,000] was declared [and paid] by [●] to its then shareholders.

(b) Reorganisation

The Company was incorporated on 17 September 2014 and the companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed "Corporate reorganisation" in Appendix IV to the [REDACTED]. As a result of the Reorganisation, the Company became the holding company of the Group on [●].

(c) Share option scheme

Pursuant to the written resolutions of the sole shareholder of the Company passed on [●], the Company has conditionally adopted a share option scheme, details of which are set out in section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the [REDACTED].

C. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or the company comprising the Group have been prepared in respect of any period subsequent to 30 June 2014.]

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
[●]
Practising Certificate Number: [●]
Hong Kong

*The information set out in this Appendix does not form part of the accountant's report on the financial information of our Group for the three years ended 30 June 2014 prepared by SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this [REDACTED] (the "**Accountant's Report**"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this [REDACTED] and the Accountant's Report set out in Appendix I to this [REDACTED].*

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of our Group, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purpose only, and is set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of our Group attributable to the owners of our Company as at 30 June 2014 as if the [REDACTED] has taken place on 30 June 2014.

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group attributable to the owners of our Company had the [REDACTED] been completed as at 30 June 2014 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of our Group is prepared based on the audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2014 as shown in the Accountant's Report as set out in Appendix I to this [REDACTED], and adjusted as follows.

	Audited combined tangible assets of our Group attributable to the owners of our Company as at 30 June 2014	**Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company immediately after the completion of [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 an [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[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].

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 September 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [●]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution – majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such foreitureforfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (c)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 17 September 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2.14 of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 17 September 2014. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] and our principal place of business in Hong Kong is at 23/F, China United Plaza, 1008 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. Loong & Yeung of Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong [has] been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of the Articles is set out in Appendix III to this [REDACTED].

Changes in share capital of our Company

(a) As at the date of incorporation of our Company, the authorised share capital was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One Share was allotted and issued nil paid to the subscriber on 17 September 2014, which was subsequently transferred to Profound on the same date.

(b) On [●], our sole Shareholder resolved to increase the authorised share capital of our Company from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of ABO from 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, on [●], (i) the one nil-paid Share then held by Profound was credited as fully paid at par; and (ii) [REDACTED] Shares, all credited as fully paid at par, were allotted and issued to Profound.

(d) Immediately following completion of the [REDACTED], and taking no account of any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our sole Shareholder passed on [●]" in this appendix and pursuant to the Share Option Scheme, our

Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(f) Save as disclosed in the section headed "Share Capital" in this [REDACTED] and in this paragraph headed "Changes in share capital of our Company", there has been no alteration in our Company's share capital since its incorporation.

2. Written resolutions of our Shareholders passed on [●]

By written resolutions of our sole Shareholder passed on [●]:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 Shares of HK$0.01 each, each ranking pari passu with our Shares then in issue in all respects;

(c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this [REDACTED], including any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this [REDACTED]:

   (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank pari passu with the then existing Shares in all respects; and

   (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the [REDACTED], Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] but excluding any Share which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our

Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

(a) On 17 September 2014, our Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Profound on the same date.

(b) On 8 October 2014, ABO acquired (i) the beneficial interest in 36,116, 13,012, 9,998, 9,998, 5,754, 5,198, 5,000 and 4,518 ordinary shares of Sing Fat Construction from 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, and in consideration, ABO issued and allotted 18,058, 6,506, 4,999, 4,999, 2,877, 2,599, 2,500 and 2,259 shares in ABO, all credited as fully paid, to 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; and (ii) 2, 2 and 2 ordinary shares of Sing Fat Construction from Mr. Chan Lo Kin, Mr. Kan Yiu Kwok and Mr. Kan Yiu Keung, respectively, and in consideration, ABO issued and allotted 2, 2 and 2 shares in ABO, all credited as fully paid, to Mr. Chan Lo Kin, Mr. Kan Yiu Kwok and Mr. Kan Yiu Keung, respectively.

(c) Pursuant to a sale and purchase agreement dated [●] entered into among our Company, Profound, 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 referred to in item (d) of the paragraph headed "Summary of material contracts" in this appendix, our Company acquired a total of 44,797 ordinary share of US$1 each in the share capital of ABO from 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, representing the entire issued share capital of ABO and as consideration for the which, (i) the one nil-paid Share then held by Profound was credited as fully paid at par, and (ii) [REDACTED] Shares, all credited as fully paid at par, were allotted and issued to Profound.

Immediately after completion of the share transfer referred to in item ([c]) above, our Company then [became] the holding company of our Group.

4. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this [REDACTED]. Save for the alterations described in paragraph headed "Corporate reorganisation" above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this [REDACTED].

5. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the [REDACTED] concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on [●], a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the [REDACTED] but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue after completion of the [REDACTED], could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this [REDACTED] and are or may be material:

(a) a sale and purchase agreement dated 28 May 2014 entered into between Sing Fat Construction and Mega Billion, pursuant to which Sing Fat Construction agreed to sell, and Mega Billion agreed to purchase, the property known as Workshop 1, 2, 3, 5, 6 and 7 on 23/F, China United Plaza, 1008 Tai Nan West Street, Kowloon at a consideration of HK$23,200,000;

(b) an assignment dated 30 June 2014 entered into between Sing Fat Construction and Mega Billion, pursuant to which Sing Fat Construction assigned to Mega Billion all its interest in the property known as Workshop 1, 2, 3, 5, 6 and 7 on 23/F, China United Plaza, 1008 Tai Nan West Street, Kowloon at a consideration of HK$23,200,000;

(c) a set-off deed dated 30 June 2014 entered into between Sing Fat Construction, General Top, Lai Kwan Hin, Liu Su Ke, Ho Fung Chun, Liu Winson Wing Sun, Yau Shik Fan, Eddy, Kan Man Hoo, Kan Yiu Kwok, Kan Yiu Keung, Chan Lo Kin and Hui Siu Ling, pursuant to which the parties agreed to set off the amount due from General Top to Sing Fat Construction in the amount of HK$80,097,000 with dividend declared by Sing Fat Construction to Lai Kwan Hin, Liu Su Ke, Ho Fung Chun, Liu Winson Wing Sun, Yau Shik Fan, Eddy, Kan Man Hoo, Kan Yiu Kwok, Kan Yiu Keung, Chan Lo Kin and Hui Siu Ling at nil consideration;

(d) a share sale and purchase agreement dated 8 October 2014 entered into between Liu Su Ke, Lai Kwan Hin, Kan Yiu Keung, Kan Man Hoo, Yau Shik Fan, Eddy, Liu Winson Wing Sun, Chan Lo Kin and ABO, pursuant to which ABO acquired (i) the beneficial interest in 36,116, 13,012, 9,998, 9,998, 5,754, 5,198, 5,000 and 4,518 ordinary shares of Sing Fat Construction from Liu Su Ke, Lai Kwan Hin, Kan Yiu Keung, Kan Man Hoo, Yau Shik Fan, Eddy, Liu Winson Wing Sun and Chan Lo Kin, respectively, and as consideration for which ABO issued and allotted 18,058, 6,506, 4,999, 4,999, 2,877, 2,599, 2,500 and 2,259 shares in ABO, all credited as fully paid, to Liu Su Ke, Lai Kwan Hin, Kan Yiu Keung, Kan Man Hoo, Yau Shik Fan, Eddy, Liu Winson Wing Sun and Chan Lo Kin, respectively; and (ii) 2, 2 and 2 ordinary Shares of Sing Fat Construction from Chan Lo Kin, Kan Yiu Kwok and Kan Yiu Keung, respectively, and in consideration, ABO issued and allotted 2, 2 and 2 shares in ABO, all credited as fully paid, to Chan Lo Kin, Kan Yiu Kwok and Kan Yiu Keung, respectively;

(e) an instrument of transfer dated 8 October 2014 entered into between ABO and Chan Lo Kin for the transfer of 2 ordinary shares of Sing Fat Construction as referred to item (d) above;

(f) bought and sold notes dated 8 October 2014 executed by ABO and Chan Lo Kin for the transfer of 2 ordinary shares of Sing Fat Construction as referred to item (d) above;

(g) an instrument of transfer dated 8 October 2014 entered into between ABO and Kan Yiu Keung for the transfer of 2 ordinary shares of Sing Fat Construction as referred to item (d) above;

(h) bought and sold notes dated 8 October 2014 executed by ABO and Kan Yiu Keung for the transfer of 2 ordinary shares of Sing Fat Construction as referred to item (d) above;

(i) an instrument of transfer dated 8 October 2014 entered into between ABO and Kan Yiu Kwok for the transfer of 2 ordinary shares of Sing Fat Construction as referred to item (d) above;

(j) bought and sold notes dated 8 October 2014 executed by ABO and Kan Yiu Kwok for the transfer of 2 ordinary shares of Sing Fat Construction as referred to item (d) above;

(k) bought and sold notes dated 8 October 2014 entered into between ABO and Liu Su Ke for the transfer of 36,116 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(l) bought and sold notes dated 8 October 2014 entered into between ABO and Lai Kwan Hin for the transfer of 13,012 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(m) bought and sold notes dated 8 October 2014 entered into between ABO and Kan Yiu Kwok for the transfer of 9,998 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(n) bought and sold notes dated 8 October 2014 entered into between ABO and Kan Yiu Keung for the transfer of 9,998 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(o) bought and sold notes dated 8 October 2014 entered into between ABO and Kan Man Hoo for the transfer of 5,754 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(p) bought and sold notes dated 8 October 2014 entered into between ABO and Yau Shik Fan, Eddy for the transfer of 5,198 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(q) bought and sold notes dated 8 October 2014 entered into between ABO and Liu Winson Wing Sun for the transfer of 5,000 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(r) bought and sold notes dated 8 October 2014 entered into between ABO and Chan Lo Kin for the transfer of 4,518 ordinary shares of Sing Fat Construction as referred to in item (d) above;

(s) a sale and purchase agreement dated [●] entered into among our Company, Liu Su Ke, Lai Kwan Han, Kan Yiu Kwok, Kan Yiu Keung, Kan Man Hoo, Yau Shik Fan, Eddy, Liu Winson Wing Sun and Chan Lo Kin, pursuant to which our Company acquired a total of 89,600 shares of US$1 each in the share capital of ABO, representing the entire issued share capital of ABO, from Liu Su Ke, Lai Kwan Han, Kan Yiu Kwok, Kan Yiu Keung, Kan Man Hoo, Yau Shik Fan, Eddy, Liu Winson Wing Sun and Chan Lo Kin, and as consideration, (i) the one nil-paid Share then held by Profound was credited as fully paid at par, and (ii) [REDACTED] Shares, all credited as fully paid at par, were allotted and issued to Profound;

(t) an instrument of transfer dated [●] executed by our Company and Chan Lo Kin for the transfer of 4,520 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(u) an instrument of transfer dated [●] executed by our Company and Kan Man Hoo for the transfer of 5,754 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(v) an instrument of transfer dated [●] executed by our Company and Kan Yiu Keung for the transfer of 10,000 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(w) an instrument of transfer dated [●] executed by our Company and Kan Yiu Kwok for the transfer of 10,000 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(x) an instrument of transfer dated [●] executed by our Company and Lai Kwan Hin for the transfer of 13,012 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(y) an instrument of transfer dated [●] executed by our Company and Liu Su Ke for the transfer of 36,116 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(z) an instrument of transfer dated [●] executed by our Company and Liu Winson Wing Sun for the transfer of 5,000 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(aa) an instrument of transfer dated [●] executed by our Company and Yau Shik Fan, Eddy for the transfer of 5,198 shares of US$1 each in the share capital of ABO as referred to in item (s) above;

(bb) a deed of non-competition in Chinese dated [●] executed among Liu Su Ke and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(cc) a deed of non-competition in Chinese dated [●] executed among Lai Kwan Hin and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(dd) a deed of non-competition in Chinese dated [●] executed among Kan Yiu Kwok and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(ee) a deed of non-competition in Chinese dated [●] executed among Kan Yiu Keung and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(ff) a deed of non-competition in Chinese dated [●] executed among Kan Man Hoo and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(gg) a deed of non-competition in Chinese dated [●] executed among Yau Shik Fan, Eddy and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(hh) a deed of non-competition in Chinese dated [●] executed among Liu Winson Wing Sun and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(ii) a deed of non-competition in Chinese dated [●] executed among Chan Lo Kin and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(jj) a deed of non-competition in Chinese dated [●] executed among Profound and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this [REDACTED];

(kk) a deed of indemnity dated [●] executed by Liu Su Ke, Lai Kwan Hin, Kan Yiu Kwok, Kan Yiu Keung, Kan Man Hoo, Yau Shik Fan Eddy, Liu Winson Wing Sun, Chan Lo Kin and Profound containing the indemnities referred to in the paragraph headed "Tax and other indemnities" in this appendix; and

(ll) the [REDACTED] Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	37	302994166	13 May 2014	Hong Kong	Sing Fat Construction

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Sing Fat Construction	SINGFAT.COM.HK	18 March 2004	27 March 2015
Sing Fat Construction	SINGFAT.HK	18 May 2004	8 June 2015
Sing Fat Construction	YAT-SING.COM.HK	8 October 2014	10 October 2015
Sing Fat Construction	YAT-SING.HK	8 October 2014	8 October 2015

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Immediately following completion of the [REDACTED] but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Liu Su Ke	Interest of a controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature	Number of Shares held/ interested	Percentage of interest (approximate)
Liu Su Ke	Profound	Beneficial owner	[REDACTED]	[REDACTED]
Liu Winson Wing Sun	Profound	Beneficial owner	[REDACTED]	[REDACTED]
Kan Yiu Keung	Profound	Beneficial owner	[REDACTED]	[REDACTED]
Kan Yiu Kwok	Profound	Beneficial owner	[REDACTED]	[REDACTED]

Note:

1. These Shares are held by Profound, the entire issued share capital of which is legally and beneficially owned as to approximately [REDACTED]% by Liu Su Ke, approximately [REDACTED]% by Lai Kwan Hin, approximately [REDACTED]% by Kan Yiu Keung, approximately [REDACTED]% by Kan Yiu Kwok, approximately [REDACTED]% by Kan Man Hoo, approximately [REDACTED]% by Yau Shik Fan, Eddy, approximately [REDACTED]% by Liu Winson Wing Sun and approximately [REDACTED]% by Chan Lo Kin. Therefore, Liu Su Ke is deemed, or taken to be, interested in [REDACTED] Shares held by Profound for the purpose of the SFO. Each of Liu Winson Wing Sun, Liu Su Ke, Chan Lo Kin and Kan Yiu Keung is a director of Profound.

(b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the [REDACTED], and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of interest
Profound	Beneficial owner	[REDACTED]	[REDACTED]%
Ho Fung Chun	Interest of spouse *(Note 1)*	[REDACTED]	[REDACTED]%

Note:

1. Ho Fung Chun is the spouse of Liu Su Ke. Accordingly Ho Fung Chun is deemed, or taken to be, interested in all Shares and underlying Shares in which Liu Su Ke is interested in for the purpose of the SFO.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

(a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK$1,168,000, HK$1,188,000 and HK$1,243,000, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 30 June 2015 will be approximately HK$3,247,000.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK$
Executive Directors	
Liu Winson Wing Sun	1,140,000
Kan Yiu Keung	1,140,000
Chan Lo Kin	1,140,000
Non-executive Director	
Liu Su Ke	1,140,000
Kan Yiu Kwok	120,000
Independent non-executive Directors	
Tong Sze Wan	120,000
Lam Yiu Por	120,000
Kwong Ping Man	120,000

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this [REDACTED], none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this [REDACTED].

5. Related party transactions

Details of the related party transactions are set out under notes 25 and 34 to the Accountant's Report set out in Appendix I to this [REDACTED].

6. Disclaimers

Save as disclosed in this [REDACTED]:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this [REDACTED], acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this [REDACTED] which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of Shares which may be taken up under the [REDACTED], and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

(f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest subcontractors of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	[●], the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealings in securities
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on [●]:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our

Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

(e) Maximum number of Shares

(i) Subject to sub-paragraphs (i) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to [REDACTED] Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such [REDACTED] Shares from time to time) to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

(iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

(i) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(a) representing in aggregate over 0.1% of our Shares in issue; and

(b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by our Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

(i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:

(a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (u) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (u) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

(i) the expiry of the period referred to in paragraph (i) above;

(ii) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);

(iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;

(iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;

(v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

(i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in [REDACTED] Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this [REDACTED], no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

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 (collectively, the "Indemnifiers") have, under a deed of indemnity referred to in paragraph (kk) of the sub-section headed "Summary of material contracts" in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the [REDACTED] becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which [REDACTED] becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the [REDACTED] becomes unconditional; (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortuous of otherwise nature, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the [REDACTED] becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the [REDACTED] becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or

(c) the liability arises in the ordinary course of business of our Group after 30 June 2014.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed "Business – Litigation and potential claims" of this [REDACTED], as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options granted or to be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK$4,200,000 to the Sponsor to act as the sponsor to our Company for purposes of the [REDACTED].

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$38,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this [REDACTED]:

Name	Qualifications
TC Capital Asia Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Adrian Yeung & Cheng Solicitors	Legal advisers of our Company as to litigation in Hong Kong
Chan Chung	Barrister-at-law of Hong Kong, the legal counsel of our Company

7. Consents of experts

Each of TC Capital Asia Limited, SHINEWING (HK) CPA Limited, Adrian Yeung & Cheng Solicitors, Appleby and Mr. Chan Chung [has] given and [has] not withdrawn its written consent to the issue of this [REDACTED] with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This [REDACTED] shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2014 (being the date to which the latest audited combined financial statements of our Group were made up).

11. Miscellaneous

(a) Save as disclosed in this [REDACTED], within the two years immediately preceding the date of this [REDACTED]:

(i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

(iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save as disclosed in the section headed "Underwriting" in this [REDACTED], none of the parties listed in the paragraph headed "Consents of experts" in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this [REDACTED].

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) We have no outstanding convertible debt securities.

(h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.

(i) The English text of this [REDACTED] shall prevail over the Chinese text.

12. Bilingual [REDACTED]

The English language and Chinese language versions of this [REDACTED] are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this [REDACTED] and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE** and **YELLOW** [REDACTED];

(b) copies of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contracts" in Appendix IV to this [REDACTED]; and

(c) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 9. Consent of Experts" in Appendix IV to this [REDACTED].

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung of Suites 2001-2006, 20/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this [REDACTED]:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountant's Report and the report on the unaudited pro forma financial information prepared by SHINEWING (HK) CPA Limited, the texts of which are set out in Appendices I and II to this [REDACTED];

(c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for the three years ended 30 June 2014;

(d) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this [REDACTED];

(e) the material contracts referred to the section headed "Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contracts" in Appendix IV to this [REDACTED];

(f) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 9. Consent of Experts" in Appendix IV to this [REDACTED];

(g) the service contracts and letters of appointment of our Directors;

(h) the Companies Laws; and

(i) the Share Option Scheme.