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## **Ngai Shun Holdings Limited**

### **毅信控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01246)**

#### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

The board (the “**Board**”) of directors (the “**Directors**”) of Ngai Shun Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012. These interim condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company.

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 September 2013*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	2012
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>Unaudited</b>	Unaudited
Revenue	6	<b>214,156</b>	175,369
Cost of sales		<b>(148,502)</b>	(118,514)
Gross profit		<b>65,654</b>	56,855
Other income and net gains	6	<b>4</b>	298
Administrative and other operating expenses		<b>(19,276)</b>	(14,512)
Operating profit	7	<b>46,382</b>	42,641
Finance costs		<b>(671)</b>	(234)
Profit before income tax		<b>45,711</b>	42,407
Income tax expense	8	<b>(8,420)</b>	(6,995)
Profit and total comprehensive income for the period attributable to owners of the Company		<b>37,291</b>	35,412
Basic and diluted earnings per share ( <i>HK cents</i> )	9	<b>12.43</b>	11.80
Dividend	10	<b>40,000</b>	–

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	<i>Note</i>	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<u>21,831</u>	<u>22,728</u>
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<u>122,394</u>	63,745
Cash and cash equivalents		<u>54,017</u>	<u>67,210</u>
		<u>176,411</u>	<u>130,955</u>
<b>Total assets</b>		<u><u>198,242</u></u>	<u><u>153,683</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>15</i>	–	10,000
Reserve		<u>93,267</u>	<u>85,976</u>
<b>Total equity</b>		<u>93,267</u>	<u>95,976</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>13</i>	2,432	1,202
Provision for long service payments		4,867	4,630
Deferred taxation		<u>742</u>	<u>998</u>
		<u>8,041</u>	<u>6,830</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	50,019	28,087
Borrowings	<i>13</i>	31,068	15,619
Tax payable		<u>15,847</u>	<u>7,171</u>
		<u>96,934</u>	<u>50,877</u>
<b>Total liabilities</b>		<u>104,975</u>	<u>57,707</u>
<b>Total equity and liabilities</b>		<u><u>198,242</u></u>	<u><u>153,683</u></u>
<b>Net current assets</b>		<u><u>79,477</u></u>	<u><u>80,078</u></u>
<b>Total assets less current liabilities</b>		<u><u>101,308</u></u>	<u><u>102,806</u></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND GROUP REORGANISATION

### (a) General information

The Company is a limited liability company incorporated in the Cayman Islands. The address of the Company's registered office is Clifton House, PO Box 1350, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Group is principally engaged in the foundation business in Hong Kong as a foundation subcontractor.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2013.

### (b) Group reorganisation

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent a group reorganisation (the "Reorganisation").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 3 April 2013. Through the Reorganisation, as more fully explained in the paragraph headed "Corporate reorganisation" in Appendix IV – "Statutory and General Information" to the prospectus (the "Prospectus") in connection with the placing and public offer of the Company's shares dated 30 September 2013, the Company became the holding company of the companies now comprising the Group on 18 September 2013.

## 2. BASIS OF PRESENTATION

This unaudited condensed interim financial information for the six months ended 30 September 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed interim financial information should be read in conjunction with the combined financial information for the three years ended 31 March 2011, 2012 and 2013 as set out in the accountants' report (the "Accountants' Report") included in Appendix I to the Prospectus.

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed interim financial information for the six months ended 30 September 2013 are consistent with those adopted for the preparation of the financial information for the years ended 31 March 2011, 2012 and 2013 as set out in the Accountants' Report of the Prospectus.

The Group has adopted the following amendments to standards for accounting periods beginning on or after 1 April 2013.

HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has assessed the impact of the adoption of these new amendments and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective and which the Group has not early adopted:

		<b>Effective for accounting periods of the Group beginning on or after</b>
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1 April 2014
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets	1 April 2014
HKAS 39 Amendments	Novation of Derivations and Continuation of Hedge Accounting	1 April 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 April 2014
HK (IFRIC) – Int 21	Levies	1 April 2014
HKFRS 9	Financial Instruments	1 April 2015

The Group will adopt these new standards, amendments and interpretations in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

#### **4. FINANCIAL RISK MANAGEMENT**

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the Accountants' Report.

During the six months ended 30 September 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and liabilities.

There were no reclassifications of financial assets.

#### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the unaudited condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the unaudited condensed interim financial information, the critical accounting estimates and judgements applied are consistent with those described in the Accountants' Report.

## 6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents contract receipts on construction contracts in the ordinary course of business. Revenue and other income and net gains recognised during the six months ended 30 September 2013 and 2012 respectively are as follows:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
<b>Turnover</b>		
Contracts income	<b>214,156</b>	175,369
<b>Other income and net gains</b>		
Interest income	–	33
Gain on disposal of property, plant and equipment	–	265
Others	<b>4</b>	–
	<b>4</b>	298

The chief operating decision-maker has been identified as the Board. The Board regards the Group's business as a single operating segment and reviews financial statements accordingly. Also, the Group generated revenue only in Hong Kong during the reporting period. Therefore, no segment information is presented.

## 7. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Machinery rental cost	<b>14,867</b>	8,985
Transportation expenses	<b>5,934</b>	4,956
Construction materials costs	<b>58,664</b>	49,692
Subcontracting charges	<b>27,124</b>	20,148
Staff costs, including directors' emoluments	<b>40,526</b>	37,033
Depreciation of owned assets ( <i>Note 11</i> )	<b>4,810</b>	3,688
Depreciation of assets under finance leases ( <i>Note 11</i> )	<b>1,246</b>	1,221
Operating lease rental on premises	<b>510</b>	348

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 September 2012 and 2013 on the estimated assessable profit arising in or derived from Hong Kong for the period.

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Hong Kong profits tax		
– Current year	8,676	7,445
Deferred income tax	(256)	(450)
Income tax expense	<u>8,420</u>	<u>6,995</u>

## 9. EARNINGS PER SHARE

For the purpose of this financial statement, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company; and (ii) the weighted average number of 300,000,000 shares (comprising 10,000 shares then in issue as at 30 September 2013 and 299,990,000 shares issued under the capitalisation issue as described in Appendix IV–“Statutory and General Information” to the Prospectus) as if these 300,000,000 shares had been outstanding since 1 April 2012.

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
Profit attributable to owners of the Company (HK\$'000)	<u>37,291</u>	<u>35,412</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>300,000</u>	<u>300,000</u>
Basic earnings per share (HK cents)	<u>12.43</u>	<u>11.80</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the respective periods.

## 10. DIVIDEND

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Dividend paid	<u>40,000</u>	<u>–</u>

During the six months ended 30 September 2013, the Group declared and paid a dividend of HK\$40,000,000 to its then shareholders.

## 11. PROPERTY, PLANT AND EQUIPMENT

**Property, plant  
and equipment**  
*HK\$'000*

Six months ended 30 September 2013 (Unaudited)

Net book value

<b>Opening amount as at 1 April 2013</b>	<b>22,728</b>
Additions	5,159
Disposals	–
Depreciation ( <i>Note</i> )	<b>(6,056)</b>
	<b>21,831</b>
<b>Closing amount as at 30 September 2013</b>	<b>21,831</b>

Six months ended 30 September 2012 (Unaudited)

Net book value

<b>Opening amount as at 1 April 2012</b>	<b>20,737</b>
Additions	1,244
Disposals	–
Depreciation	<b>(4,909)</b>
	<b>17,072</b>
<b>Closing amount as at 30 September 2012</b>	<b>17,072</b>

*Note:* It includes depreciation in aggregate of motor vehicles, office equipment and furniture & fixtures amounting to approximately HK\$269,000 in administrative and other operating expenses and approximately HK\$5,787,000 depreciation of plant and machinery in cost of sales for the six months ended 30 September 2013.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
Contract receivables	<b>92,381</b>	35,244
Retention receivables	<b>28,644</b>	27,031
	<b>121,025</b>	62,275
Total trade receivables	<b>1,369</b>	1,470
Other receivables, deposits and prepayments	<b>1,369</b>	1,470
	<b>122,394</b>	63,745
	<b>122,394</b>	63,745

*Notes:*

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 30 days. Trade receivables are denominated in Hong Kong dollars.

(b) The ageing analysis of the contract receivables based on invoice date is as follows:

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
0–30 days	44,144	17,953
31–60 days	42,978	15,021
Over 60 days	5,259	2,270
	<u>92,381</u>	<u>35,244</u>

Contract receivables of approximately HK\$44,144,000 and approximately HK\$17,953,000 as at 30 September 2013 and 31 March 2013 were not yet past due and approximately HK\$48,237,000 and approximately HK\$17,291,000 as at 30 September 2013 and 31 March 2013 were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Retention receivables were not yet past due as at 30 September 2013 and were settled in accordance with the terms of respective contracts.

(c) The other classes of assets within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

### 13. BORROWINGS

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
Non-current		
Finance lease liabilities ( <i>Note (b)</i> )	<u>2,432</u>	<u>1,202</u>
Current		
Bank borrowings ( <i>Note (a)</i> )	26,835	13,349
Finance lease liabilities ( <i>Note (b)</i> )	4,233	2,270
	<u>31,068</u>	<u>15,619</u>
Total borrowings	<u>33,500</u>	<u>16,821</u>



Notes:

**(a) Bank borrowings**

Bank borrowings as at 30 September 2013 mature until 2016 and bear interest at 1.25% below the current prime rate per annum.

The bank borrowings are denominated in Hong Kong dollars.

The bank borrowings are classified as current liabilities according to the HK Interpretation-5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants. According to the repayment schedule the bank borrowings are repayable as follows:

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
Within 1 year	9,750	12,344
Between 1 and 2 years	10,121	1,005
Between 2 and 5 years	6,964	–
	<u>26,835</u>	<u>13,349</u>

**(b) Finance lease liabilities**

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
Gross finance lease liabilities – minimum lease payments		
Within 1 year	4,387	2,337
Later than 1 year and no later than 2 years	2,457	1,224
	<u>6,844</u>	3,561
Future finance charges on finance leases	(179)	(89)
Present value of finance lease liabilities	<u>6,665</u>	<u>3,472</u>

The present value of finance lease liabilities is as follows:

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
Within 1 year	4,233	2,270
Later than 1 year and no later than 2 years	2,432	1,202
	<u>6,665</u>	<u>3,472</u>

The carrying amounts of all finance lease liabilities are denominated in Hong Kong dollars.

- (c) As at 31 March 2013, the Group had committed banking facilities (including the finance lease facilities) of approximately HK\$36,157,000 which bore interest at 0.25% to 2% below the current prime rate per annum.

As at 30 September 2013, the Group had committed banking facilities (including the finance lease facilities) of approximately HK\$50,684,000 which bore interest at 1.25% to 2% below the current prime rate per annum.

As at 31 March 2013 and 30 September 2013, the undrawn banking facilities amounted to approximately HK\$4,200,000 and HK\$12,200,000 respectively.

These banking facilities are secured by:

- (i) The Group's plant and machinery with an aggregate net book value of approximately HK\$7,272,000 and HK\$6,152,000 as at 30 September 2013 and 31 March 2013 respectively;
- (ii) Personal guarantees given by certain directors as at 30 September 2013 and 31 March 2013 had been released and the Company became the guarantor subsequent to the listing date (i.e. 16 October 2013); and
- (iii) Guarantee by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme as at 31 March 2013.

#### 14. TRADE AND OTHER PAYABLES

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
Trade payables	36,757	17,955
Accruals	13,262	10,132
	<u>50,019</u>	<u>28,087</u>

*Notes:*

- (a) The carrying amounts of trade payables approximate their fair values and are denominated in Hong Kong dollars.
- (b) Payment terms granted by suppliers are 30 to 45 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	<b>30 September 2013 HK\$'000 Unaudited</b>	31 March 2013 HK\$'000 Audited
0–30 days	20,589	11,979
31–60 days	16,168	5,976
	<u>36,757</u>	<u>17,955</u>

## 15. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each as at 30 September 2013 ( <i>Note (b)</i> )	1,000,000,000	10,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each as at 3 April 2013 (date of incorporation) ( <i>Note (b)</i> )	1	0.01
Issue of ordinary shares ( <i>Note (c)</i> )	9,999	99.99
Ordinary shares of HK\$0.01 each as at 30 September 2013	<u>10,000</u>	<u>100</u>

### Notes:

- (a) The balance of share capital at 31 March 2013 represents the aggregate of paid up share capital of the subsidiaries comprising the Group prior to Reorganisation.
- (b) On 3 April 2013, the Company was incorporated in the Cayman Islands with an initial 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 the Company, which was later transferred to Fabulous Business Limited (“Fabulous Business”) on 3 April 2013. On 22 September 2013, pursuant to the written resolutions of the sole shareholder of the Company, the authorised share capital of the Company was increased to HK\$10,000,000 divided into 1,000,000,000 ordinary shares of a par value of HK\$0.01 each.
- (c) On 18 September 2013, Fabulous Business as vendor, the Company as purchaser and Mr. Wong Sai Chung, Mr. Wong Sai Yee, Mr. Lam Wing Sum and Fabulous Business as warrantors entered into a sale and purchase agreement, pursuant to which the Company acquired the entire issued share capital of Pearl Swirls Limited, and as consideration for which (i) the one nil paid share held by Fabulous Business was credited as fully paid, and (ii) 9,999 shares were allotted and issued to Fabulous Business, all credited as fully paid.
- (d) On 16 October 2013, the Company issued and allotted a total of 299,990,000 ordinary shares of the Company credited as fully paid at par to the then sole shareholder of the Company’s shares on the register of members at the close of business on 19 September 2013 by way of capitalisation issue of the sum of HK\$2,999,900 standing to the credit of the share premium account of the Company, pursuant to the written resolutions of the sole shareholder of the Company passed on 22 September 2013.

## 16. COMMITMENTS

### (a) Capital commitments

Capital commitments outstanding as at each statement of financial position date not provided for were as follows:

	30 September 2013 HK\$’000 Unaudited	31 March 2013 HK\$’000 Audited
Contracted but not provided for:		
Property, plant and equipment	<u>4,914</u>	<u>300</u>

**(b) Operating lease commitments – Group as lessee**

At each statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>30 September</b>	31 March
	<b>2013</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Audited
Within 1 year	<b>675</b>	917
1–5 years	<b>104</b>	435
	<hr/> <b>779</b> <hr/>	<hr/> 1,352 <hr/>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two years. None of the leases includes contingent rentals.

**(c) Operating lease commitments – Group as lessor**

As at each statement of financial position date, there is no future minimum lease payments receivable under non-cancellable operating leases were receivable.

**17. RELATED PARTY TRANSACTIONS**

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

**(a)** Save as disclosed in Note 13(c) to this financial statements, the Group did not have any significant related party transaction with related parties during the reporting period.

**(b) Key management compensation**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited
Salaries, wages and allowances	<b>2,383</b>	5,694
Retirement benefits expenses	<b>36</b>	28
	<hr/> <b>2,419</b> <hr/>	<hr/> 5,722 <hr/>

**18. CONTINGENT LIABILITIES**

**(a)** Save as disclosed in Note 18(b) below, as at each statement of financial position date, the Group had no significant contingent liabilities.

**(b) Pending litigation**

As at 30 September 2013, there were two outstanding cases for employees' compensation and personal injuries claims, respectively against the Group by the employees of the Group. The claims were related to employees of the Group who alleged to have suffered from bodily injuries during their course of employment in the Group's construction sites. The claims are dealt with and handled by the insurers and are covered by mandatory

insurance. The directors of the Company assessed the cases and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the cases in the condensed financial statements.

Further, as at 30 September 2013, there were 8 potential claims under which the injured employees of the Group had not yet commenced their claims for employee's compensation and/or personal injuries. These cases were within the limitation period of 3 years from the date of the relevant incidents. The claims, when filed, will be handled by solicitors appointed by their insurers. Whilst the directors of the Company are not in a position to assess the likely quantum of such potential claims, they confirmed that the Group has insurance covered for its liabilities of all these incidents should the claims arise.

In 2013, an aggregate of nine charges were brought against Ngai Shun Construction & Drilling Company Limited ("Ngai Shun") by the Government of the Hong Kong Special Administrative Region in relation to two incidents occurred in August and December 2012.

For the first charge, summons has been issued to the Group on 7 February 2013. It was alleged that Ngai Shun, being the owner of a power-driven lifting appliance, failed to ensure that the lifting appliance was not used for raising, lowering or carrying persons other than in accordance with Regulation 18B(1) of Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Cap. 59J, the Laws of Hong Kong), which was in breach of Regulations 18B(2) and 19 of Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations made under Factories and Industrial Undertakings Ordinance (Cap. 59, the Laws of Hong Kong). If convicted, the maximum penalty will be a fine up to HK\$200,000 and an imprisonment for 12 months where the offence was committed without reasonable excuse, and in any other case a fine of HK\$200,000. It is expected that the judgement will be given on 11 December 2013.

For the remaining eight charges, summonses have been issued to the Group on 6 June 2013 in relation to eight offences arising from the incident which involved a piece of lifting appliance located in a construction site. No injury has been involved in this incident. If convicted, the maximum penalty for all the eight charges is a fine up to HK\$1,000,000. The pre-trial review will be held on 20 December 2013.

All the above nine charges are not covered by the Group's insurance policies.

Although the Directors are of the view that these cases will not cause any material adverse impact on the Group, full provision for the maximum potential fine in the sum of HK\$200,000 for the first charge and HK\$1,000,000 for the remaining eight charges has been made as the Group has taken a conservative and prudent approach.

## **19. SUBSEQUENT EVENT**

Subsequent to the end of the reporting period, the shares of the Company were listed on the Main Board of the Stock Exchange on 16 October 2013.

## **20. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board on 26 November 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in the foundation business in Hong Kong as a foundation subcontractor.

#### Foundation business

During the six months ended 30 September 2013 (the “**Reporting Period**”), the principal source of income of the Group was derived from its foundation business in Hong Kong. The foundation works undertaken by the Group mainly include socketed H-piling, mini-piling and other relevant construction works such as soldier piles and king posts. The Group undertakes foundation projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects. Income from foundation works represented all of the Group’s revenue, which were derived in Hong Kong.

#### Geographical information

During the Reporting Period, all of the Group’s income was derived from Hong Kong, accounting for 100% of the Group’s total revenue.

### FINANCIAL REVIEW

#### Turnover

The Group’s turnover for the Reporting Period was approximately HK\$214,156,000, representing an increase of approximately 22.1% from approximately HK\$175,369,000 of the corresponding period last year. This was mainly attributable to the growth in revenue as a result of the increase in price and workload of foundation projects. During the Reporting Period, there were 21 foundation projects contributed revenue to the Group as compared with 16 foundation projects for the corresponding period last year.

#### Cost of Sales

The Group’s cost of sales for the Reporting Period were approximately HK\$148,502,000 (six months ended 30 September 2012: approximately HK\$118,514,000), representing an increase of approximately 25.3% on a period-to-period basis. This was mainly attributable to the increase in turnover since the cost of sales remained at level of approximately 69.3% and approximately 67.6% for the Reporting Period and the six months ended 30 September 2012 respectively.

#### Gross Profit Margin

The gross profit margin kept steady with a slight decrease of approximately 1.7 percentage points from approximately 32.4% for the six months ended 30 September 2012 to approximately 30.7% for the Reporting Period.

#### Other Income and Net Gains

The other income and net gains are approximately HK\$4,000 and HK\$298,000 for the Reporting Period and the six months ended 30 September 2012 respectively. The former was the award granted from the main contractor to appreciate the Group’s effort on environment protection and safety implementation while the latter was the money received from asset disposal.

## **Administrative and Other Operating Expenses**

The Group's administrative and other operating expenses for the Reporting Period were approximately HK\$19,276,000 (six months ended 30 September 2012: approximately HK\$14,512,000), representing an increase of approximately 32.8% over the corresponding period in 2012. This was mainly attributable to the inclusion of listing expenses of approximately HK\$4,115,000 and penalty provision of HK\$1,200,000.

## **Operating Profit**

The Group's operating profit for the Reporting Period were approximately HK\$46,382,000 (six months ended 30 September 2012: approximately HK\$42,641,000), representing an increase of approximately HK\$3,741,000 over the corresponding period in 2012. This difference was mainly attributable to the aggregate effect of the increase of the gross profit increased by approximately HK\$8,799,000 (Reporting Period: approximately HK\$65,654,000; six months ended 30 September 2012: approximately HK\$56,855,000), and the increase of administrative and other operating expenses increased by approximately HK\$4,764,000 (Reporting Period: approximately HK\$19,276,000; six months ended 30 September 2012: approximately HK\$14,512,000).

## **Finance Costs**

The Group's finance costs for the Reporting Period were approximately HK\$671,000 (six months ended 30 September 2012: approximately HK\$234,000), representing an increase of approximately 186.8% over the corresponding period in 2012. This was mainly attributable to the inclusion of a newly acquired commercial bank loan in amount of HK\$30,000,000 starting from 28 May 2013.

## **Income Tax Expense**

The income tax expense were approximately HK\$8,420,000 and approximately HK\$6,995,000 for the Reporting Period and the six months ended 30 September 2012 respectively. The difference was mainly attributable to the non-deductible expenses of penalty provision of HK\$1,200,000 and listing expenses of approximately HK\$4,115,000.

## **Net Profit**

For the Reporting Period, the Group recorded a net profit of approximately HK\$37,291,000, representing an increase of approximately 5.3% as compared to the net profit of approximately HK\$35,412,000 for the corresponding period last year. The increase was mainly attributable to the increase of the amount in both revenue and gross profit from foundation business.

## **PROSPECTS**

With the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2013 and the receipt of proceeds, net of listing expenses according to the latest estimation of approximately HK\$103.3 million from the placing and public offer of 115,000,000 shares of the Company, the Company has the resources to increase its operating capacity and to bring value to its shareholders. Details of the application of such net proceeds were set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 30 September 2013 (the "Prospectus").

The Board believes that the foundation business will continue to be prosperous next year and the Company will keep on submitting quotation in public and private sectors in Hong Kong. To cope with the future development, the Company also plans to purchase additional machines and to recruit more staff including frontline and administrative staff.

## **DEBTS AND CHARGE ON ASSETS**

The total interest-bearing bank borrowings of the Group, including bank loans and finance leases, increased from approximately HK\$16,821,000 as at 31 March 2013 to approximately HK\$33,500,000 as at 30 September 2013. All borrowings were denominated in Hong Kong dollar. Interests on borrowings are charged at floating rates ranging from 3.25% per annum to 3.75% per annum. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. As at 30 September 2013, the amount of banking facilities of approximately HK\$12,200,000 (31 March 2013: approximately HK\$4,200,000) remained unutilized. The maturity profile of borrowings is set out in note 13 to the unaudited condensed consolidated financial statements.

These banking facilities are secured by the Group's plant and machinery with an aggregate net book value of HK\$7,272,000 and HK\$6,152,000 as at 30 September 2013 and 31 March 2013 respectively.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from the operating activities and proceeds received from the listing of the Company on 16 October 2013.

As at 30 September 2013, the Group had cash and bank balances of approximately HK\$54,017,000 (31 March 2013: approximately HK\$67,210,000), all of which were denominated in Hong Kong dollar. The net decrease was mostly due to the aggregate effect of the drawdown of a new bank loan in an amount of HK\$30,000,000 and dividend payment of HK\$40,000,000 to the then shareholders of the Group, both in May 2013.

The gearing ratio of the Group as at 30 September 2013 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 35.9% (31 March 2013: approximately 17.5%). Such increase in gearing ratio was mainly due to the newly drawn bank loan of HK\$30,000,000 from a commercial bank.

During the Reporting Period, the Group did not employ any financial instrument for hedging purposes.

## **FOREIGN EXCHANGE RISK**

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong dollar, the Directors believe that the Group's risk in foreign exchange is insignificant and the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.



## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the Reporting Period, there was no acquisition or disposal of subsidiaries and associated companies by the Company save as disclosed in the Prospectus.

## **CAPITAL COMMITMENTS**

Save as disclosed in note 16 to the unaudited condensed consolidated financial statements, the Group had no other capital commitments as at 30 September 2013 and 31 March 2013.

## **SIGNIFICANT INVESTMENTS**

During the Reporting Period, the Company did not hold any significant investment.

## **CONTINGENT LIABILITIES**

Save as disclosed in note 18 to the unaudited condensed consolidated financial statements, the Group had no other contingent liabilities as at 30 September 2013 and 31 March 2013.

## **EVENTS AFTER THE REPORTING PERIOD**

The shares of the Company were listed on the Main Board of the Stock Exchange on 16 October 2013. Save as disclosed above, no significant events occurred since the end of the Reporting Period.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2013, the Group had 216 employees (30 September 2012: 182 employees).

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programs, discretionary bonuses may be awarded to employees according to the assessment of individual performance.

In addition, the Company has adopted a share option scheme as incentive to the Directors and eligible employees.

The total remuneration cost incurred by the Group for the Reporting Period was approximately HK\$40,526,000 (six months ended 30 September 2012: approximately HK\$37,033,000).

## **INTERIM DIVIDEND**

During the Reporting Period, the Group declared and paid a dividend of HK\$40,000,000 to its then shareholders (2012: Nil). The Board did not recommend the declaration or payment of any further interim dividend for the Reporting Period.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES**

The Company was not listed on the Stock Exchange as at 30 September 2013. Accordingly, neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

#### **Corporate Governance Code**

As the Company was listed on the Stock Exchange on 16 October 2013 (the “Listing Date”), the Company was not required to comply with the requirements under the code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the Reporting Period. The Company has adopted the Corporate Governance Code upon its listing on the Stock Exchange and has complied with all the applicable code provisions in the Corporate Governance Code since the Listing Date up to the date of this announcement.

#### **CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding directors’ transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the Model Code during the period from the Listing Date up to the date of this announcement.

#### **AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION**

The Board has established an audit committee (the “Audit Committee”) on 22 September 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group’s internal control and financial reporting process and to maintain an appropriate relationship with the Group’s independent auditors.

The Audit Committee comprises of three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas. Mr. Tam Tak Kei, Raymond has been appointed as the chairman of the Audit Committee.

The Audit Committee had reviewed the unaudited interim financial results of the Group for the Reporting Period, this interim results announcement and the interim report. The Audit Committee had confirmed that this interim results announcement complied with all the applicable rules and regulations, including but not limited to the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

By Order of the Board  
**Wong Sai Chung**  
*Chairman*

Hong Kong  
26 November 2013

*As at the date of this announcement, the Company has (i) three executive Directors, namely Mr. Wong Sai Chung, Mr. Lam Wing Sum and Mr. Tao Chi Keung; (ii) one non-executive Director, namely Mr. Wong Sai Yee; and (iii) three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas.*