Ngai Shun Holdings Limited
毅信控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01246)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

The board (the "Board") of directors (the "Directors") of Ngai Shun Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2013 as follows. These audited consolidated financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	3	**486,906**	356,100
Cost of sales	4	**(353,509)**	(248,827)
Gross profit		**133,397**	107,273
Other income and net gains	3	**5,146**	323
Administrative and other operating expenses	4	**(47,293)**	(31,777)
Operating profit		**91,250**	75,819
Finance costs		**(1,227)**	(437)
Profit before income tax		**90,023**	75,382
Income tax expense	5	**(16,644)**	(12,963)
Profit and total comprehensive income for the year attributable to owners of the Company		**73,379**	62,419
Basic and diluted earnings per share *(HK cents)*	6	**20.81**	20.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**44,730**	22,728
Investment properties	9	**37,300**	—
		82,030	22,728
Current assets			
Trade and other receivables	10	**123,492**	63,745
Cash and cash equivalents		**118,642**	67,210
		242,134	130,955
Total assets		**324,164**	153,683
EQUITY			
Capital and reserves			
Share capital	13	**4,150**	10,000
Share premium	13	**95,797**	—
Merger reserve		**10,000**	—
Retained earnings		**119,355**	85,976
Total equity		**229,302**	95,976
LIABILITIES			
Non-current liabilities			
Borrowings	11	**263**	1,202
Provision for long service payments		**4,740**	4,630
Deferred taxation		**4,250**	998
		9,253	6,830
Current liabilities			
Trade and other payables	12	**58,994**	28,087
Borrowings	11	**26,305**	15,619
Tax payable		**310**	7,171
		85,609	50,877
Total liabilities		**94,862**	57,707
Total equity and liabilities		**324,164**	153,683
Net current assets		**156,525**	80,078
Total assets less current liabilities		**238,555**	102,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Ngai Shun Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 16 October 2013. Its parent and ultimate holding company is FABULOUS BUSINESS LIMITED ("Fabulous Business"), a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Lam Wing Sum ("Mr. Lam"), Mr. Wong Sai Chung ("Mr. SC Wong"), Mr. Wong Sai Lai ("Mr. SL Wong") and Mr. Wong Sai Yee ("Mr. SY Wong") (hereinafter collectively referred to as the "Controlling Parties").

The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit 2, 23/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are principally engaged in the foundation business in Hong Kong as a foundation subcontractor.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the group entities were under the control of the Controlling Parties. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 18 September 2013. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Parties prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position as at 31 March 2013 has 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 at that date.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 June 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2013 and are relevant to the Group:

Amendment to HKAS 1, "Presentation of Financial Statements" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKFRS 10, "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 13, "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the board.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. 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 respective years are as follows:

	2014	2013
	HK$'000	*HK$'000*
Turnover		
Contracts income	**486,906**	356,100

	2014	2013
	HK$'000	*HK$'000*
Other income and net gains		
Interest income	**74**	53
Gain on disposal of property, plant and equipment	**2,950**	270
Net gains from fair value adjustment on investment properties *(Note 9)*	**1,900**	—
Rental income	**54**	—
Others	**168**	—
	5,146	323

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews the consolidated financial statements accordingly. Also, the Group only engages in its business in Hong Kong. Therefore, no segment information is presented.

For the years ended 31 March 2014, there were 3 (2013: 2) customers which individually contributed over 10% of the Group's revenue. The aggregate amount of revenue from these customers amounted to 91% (2013: 75%) of the Group's total revenue.

4. EXPENSES BY NATURE

	2014	2013
	HK$'000	*HK$'000*
Cost of sales		
Construction materials costs	**132,378**	95,073
Subcontracting charges	**77,847**	51,320
Staff costs	**73,932**	55,696
Transportation expenses	**13,011**	8,693
Machinery rental cost	**35,531**	20,657
Repair and maintenance	**5,698**	3,355
Depreciation of owned assets *(Note 8)*	**11,280**	8,732
Depreciation of assets under finance leases *(Note 8)*	**2,494**	3,135
Other expenses	**1,338**	2,166
	353,509	248,827
Administrative and other operating expenses		
Auditors' remuneration	**700**	300
Building management fee	**48**	40
Staff costs, including directors' emoluments	**22,433**	16,553
Depreciation *(Note 8)*	**513**	556
Operating lease rental on premises	**830**	852
Travelling	**3,219**	2,812
Insurance	**882**	587
Listing expenses	**9,023**	3,327
Provision for long service payments	**110**	849
Other expenses	**9,535**	5,901
	47,293	31,777

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 16.5%) for the year ended 31 March 2014 on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2014	2013
	HK$'000	*HK$'000*
Hong Kong profits tax:		
— Current year	**13,392**	13,072
— Over-provision in prior year	**—**	(12)
Deferred income tax	**3,252**	(97)
Income tax expense	**16,644**	12,963

6. EARNINGS PER SHARE

	2014	2013
Profit attributable to owners of the Company *(HK$'000)*	**73,379**	62,419
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(in thousand)*	**352,616**	300,000
Basic earnings per share *(HK cents)*	**20.81**	20.81

For the year ended 31 March 2014, 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 ordinary shares issued during the year.

For the year ended 31 March 2013, 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 in issue and 299,990,000 shares to be issued under the capitalisation issue), as if these 300,000,000 shares were outstanding throughout the year.

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 year ended 31 March 2014 (2013: Nil).

7. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim dividends paid	**40,000**	20,000

The directors do not recommend the payment of final dividend for the year ended 31 March 2014. No dividend has been paid or declared by the Company since its incorporation.

The interim dividends of HK$40,000,000 paid for the year ended 31 March 2014 (2013: HK$20,000,000) represented the dividends paid by a subsidiary of the Company to its then shareholders prior to the Reorganisation.

The rate of dividends and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 April 2012	87,221	126	256	2,335	89,938
Additions	13,651	36	99	628	14,414
Disposals	(660)	—	—	(180)	(840)
At 31 March 2013	100,212	162	355	2,783	103,512
Accumulated depreciation					
At 1 April 2012	66,970	124	168	1,939	69,201
Charge for the year *(Note 4)*	11,867	10	67	479	12,423
Disposals	(660)	—	—	(180)	(840)
At 31 March 2013	78,177	134	235	2,238	80,784
Net book value					
At 31 March 2013	22,035	28	120	545	22,728
Cost					
At 1 April 2013	100,212	162	355	2,783	103,512
Additions	34,308	10	86	1,885	36,289
Disposals	(4,600)	—	—	—	(4,600)
At 31 March 2014	129,920	172	441	4,668	135,201
Accumulated depreciation					
At 1 April 2013	78,177	134	235	2,238	80,784
Charge for the year *(Note 4)*	13,774	11	70	432	14,287
Disposals	(4,600)	—	—	—	(4,600)
At 31 March 2014	87,351	145	305	2,670	90,471
Net book value					
At 31 March 2014	**42,569**	**27**	**136**	**1,998**	**44,730**

Plant and machinery includes the following amounts where the Group is a lessee under finance leases:

	2014 ***HK$'000***	2013 *HK$'000*
Cost — capitalised finance leases	**9,972**	12,539
Accumulated depreciation	**(3,947)**	(6,387)
Net book value	**6,025**	6,152

9. INVESTMENT PROPERTIES

	2014	2013
	HK$'000	*HK$'000*
At fair value		
Opening balance at 1 April	**—**	—
Acquisition of subsidiaries	**35,400**	—
Net gains from fair value adjustment	**1,900**	—
Closing balance at 31 March	**37,300**	—

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Contract receivables	**87,165**	35,244
Retention receivables	**35,834**	27,031
Total trade receivables	**122,999**	62,275
Other receivables, deposits and prepayments	**493**	1,470
	123,492	63,745

Notes:

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

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**48,373**	17,953
31–60 days	**38,385**	15,021
61–90 days	**407**	2,270
	87,165	35,244

11. BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Non-current		
Finance lease liabilities *(Note b)*	**263**	1,202
Current		
Bank borrowings *(Note a)*	**22,002**	13,349
Finance lease liabilities *(Note b)*	**4,303**	2,270
	26,305	15,619
Total borrowings	**26,568**	16,821

Notes:

(a) Bank borrowings

Bank borrowings 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 HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

	2014	2013
	HK$'000	*HK$'000*
Within a period not exceeding one year	**9,932**	12,344
Within a period of more than one year but not exceeding two years	**10,310**	1,005
Within a period of more than two years but not exceeding five years	**1,760**	—
	22,002	13,349

(b) Finance lease liabilities

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

	2014	2013
	HK$'000	*HK$'000*
Gross finance lease liabilities		
— minimum lease payments		
Within a period not exceeding one year	**4,388**	2,337
Within a period of more than one year but not exceeding two years	**264**	1,224
	4,652	3,561
Future finance charges on finance leases	**(86)**	(89)
Present value of finance lease liabilities	**4,566**	3,472

The present value of finance lease liabilities is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within a period not exceeding one year	**4,303**	2,270
Within a period of more than one year but not exceeding two years	**263**	1,202
	4,566	3,472

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

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**42,255**	17,955
Accruals	**16,739**	10,132
	58,994	28,087

Notes:

(a) The carrying amounts of trade payables 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:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**36,809**	11,979
31–60 days	**5,446**	5,976
	42,255	17,955

13. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	**Ordinary shares**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
On 3 April 2013 (date of incorporation) *(Note (b))*	38,000,000	380
Increase in authorised share capital *(Note (d))*	962,000,000	9,620
As at 31 March 2014	**1,000,000,000**	**10,000**

	Number of ordinary shares	**Ordinary shares**	**Share premium**
		HK$'000	*HK$'000*
Issued and fully paid:			
On 3 April 2013 (date of incorporation) *(Note (b))*	1	—	—
Issuance of shares upon Reorganisation *(Note (c))*	9,999	—	—
Shares issued pursuant to the capitalisation issue *(Note (e))*	299,990,000	3,000	(3,000)
Shares issued pursuant to the placing and public offer *(Note (f))*	115,000,000	1,150	98,797
As at 31 March 2014	**415,000,000**	**4,150**	**95,797**

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 on 3 April 2013.

(c) On 18 September 2013, Fabulous Business as vendor, the Company as purchaser and Mr. SC Wong, Mr. SY Wong, Mr. Lam 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 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.

(e) 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 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.

(f) On 16 October 2013, the Company issued 115,000,000 ordinary shares with a par value of HK$0.01 each pursuant to its placing and public offer at an offer price of HK$0.93 per ordinary share. As a result, after capitalising approximately HK$7,003,000 share issuance costs, approximately HK$99,947,000 were recognised in equity of the consolidated statement of financial position including a credit of approximately HK$98,797,000 to the share premium account.

14. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at statement of financial position date not provided for in the consolidated financial statements were as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for:		
Property, plant and equipment	**—**	300

(b) Operating lease commitments — Group company as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
	HK$'000	*HK$'000*
No later than one year	**609**	917
Later than one year and no later than five years	**349**	435
	958	1,352

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 to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Operating lease rental receivables — Group company as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2014	2013
	HK$'000	*HK$'000*
No later than one year	**996**	—
Later than one year and no later than five years	**125**	—
	1,121	—

The Group leases office units under various agreements which terminate between 2014 and 2015. None of the leases includes contingent rentals.

15. CONTINGENT LIABILITIES

(a) The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

(b) Pending litigation

As at 31 March 2014, 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 consolidated financial statements.

On 6 June 2013, summonses have been issued to Group in relation to eight offences arising from the incident occurred on 7 December 2012 which involved a piece of lifting appliance located in a construction site. No injury has been involved in this incident. The case is adjourned to 24 July 2014 for part heard. In the event the Group is convicted, the Group may be subject to an aggregated amount of the maximum possible fines of HK$1,000,000, which will not be covered by the Group's insurance policies. The directors of the Company are of the view that this case will not cause any material adverse impact on the Group. Based on their past experience from the similar cases occurred before, provision of HK$200,000 has been made as at 31 March 2014 as the Group has taken a conservative and prudent approach.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Reporting Period, the construction industry in Hong Kong continued to grow steadily. In addition to the infrastructure development, the industry has been well supported by the land policy addressing the undersupply of housing units and the overheating of the property market by the Hong Kong government. Benefited from the favorable operating environment, infrastructure construction as well as residential construction are expected to see continuous growth in the coming years. As a result, our foundation business also benefited from the overall positive atmosphere in the construction industry.

FINANCIAL REVIEW

Revenue

During the Reporting Period, our Group's revenue generated from foundation business represented a vast majority of the Group's turnover, which was all derived in Hong Kong. The Group's revenue for the Reporting Period was approximately HK$486.9 million, representing an increase of approximately 36.7% from the previous year (2013: HK$356.1 million). The increase was mainly attributable to the growth of the foundation business, i.e. (i) the rise in our general subcontract fee as a result of the shortage of foundation work service providers in the construction industry of Hong Kong; and (ii) the increase in the amount of foundation works completed by our Group during the year ended 31 March 2014.

Gross Profit and Gross Profit Margin

Our Group's gross profit increased from approximately HK$107.3 million for the year ended 31 March 2013 to approximately HK$133.4 million for the year ended 31 March 2014. Such increase was mainly due to the growth of our revenue. Although our Group's gross profit margin decreased to approximately 27.4% for the year ended 31 March 2014 from approximately 30.1% for the year ended 31 March 2013, we consider that it was at a healthy level as it represented a significant improvement as compared to that in the years ended 31 March 2012 and 2011, which were 22.6% and 10.3%, respectively.

General and Administrative Expenses

Our Group's general and administrative expenses increased to approximately HK$47.3 million for the year ended 31 March 2014 from approximately HK$31.8 million for the year ended 31 March 2013, which represented an increase of approximately 48.8%. Such increase was mainly due to the increase in listing expenses, professional fees, staff costs as well as Directors' emoluments.

Net Profit and Net Profit Margin

Our Group's net profit for the Reporting Period was approximately HK$73.4 million, representing a growth of approximately 17.6% on a year-on-year basis, mainly due to the growth of our revenue of approximately 36.7% which was partially off-set by the increase of listing expenses, professional fees, staff costs as well as Directors' emoluments. Set aside the listing expense, the Group's net profit for the reporting period would be HK$82.4 million and the net profit margin would be approximately 16.9% (2013: 17.5%).

BUSINESS REVIEW

Review — Foundation Piling

Our group is principally engaged in the foundation business in Hong Kong as a foundation subcontractor. In particular, approximately 99.0% of total revenue generated during the Reporting Period was derived from our foundation projects as compared to 99.9% for the previous year.

During the Reporting Period, 12 foundation projects were completed, 28 projects were in progress, and our Group acquired 17 new contracts that worth HK$458.2 million. The total contract sum in hand was HK$1.2 billion and the outstanding contract sum was HK$631.5 million.

According to the 2013/14 Hong Kong government's Budget, the government proposes to invest approximately HK$76.1 billion in infrastructure construction projects in 2013 to 2014. Our Group was involved in public projects including the South Island Line (East), Shatin to Central Link, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge Hong Kong Link, Kai Tak Child Hospital, Anderson Road Formation, Shatin Public Sports Centre, Community Hall and District Library and Public Rental Housing Development at Tung Chung, etc. In addition, it is expected that the total number of public rental housing produced will hover at about 14,000–21,000 units in each of the next four years to cope with the long queue for public rental housing.

Furthermore, according to the 2013 Policy Address, land supply has been secured for the development of a total of about 67,000 new private residential units for the next 3 to 4 years starting from 2012–13. Our Group was involved in private residential projects at Stubbs Road, Chai Wan Road, Babington Path, and So Kwun Wat, as well as hotel developments at Hung Hom Bay and North Point Estate Lane, and private hospital development at Nam Fung Path, etc.

In view of the increasing public expenditure on infrastructure and our registration status within the Development Bureau and Buildings Department and the current growth prospects for private development projects, our Group expects that there will be more opportunities for our foundation business in both the public and private sectors and our revenue will grow steadily in future.

Use of Net Proceeds from the share offer

The net proceeds from the share offer of the Company in connection with its listing on 16 October 2013 was approximately HK$99.9 million. According to the section "Future Plans and Use of Proceeds" set out in the prospectus of the Company dated 30 September 2013 (the "Prospectus"), the Group has used the net proceeds as follows:

	Estimated Net Proceeds as per the Prospectus *(approximately HK$' million)*	**Actual Net Proceeds** *(approximately HK$' million)*	**Used amount** *(approximately HK$' million)* (as at 31 March 2014)	**Unused amount** *(approximately HK$' million)* (as at 31 March 2014)
Acquisition of machinery and equipment	51.9	64.9	29.8	35.1
Hiring additional staff	12.0	15.0	3.5	11.5
Partial bank loan repayment	8.0	10.0	6.8	3.2
General working capital	8.0	10.0	10.0	—
Total	79.9	99.9	50.1	49.8

Sales and Marketing

The Group maintains active and long term relationship with customers in the construction industry to explore potential business opportunities. The foundation projects are usually awarded by way of quotation requested by customers in both private and public sectors. The Group will continue to leverage its strong network in the industry and reinforce marketing efforts to secure more foundation projects and maximise investor's return.

Prospects

Over the Reporting Period, the Hong Kong government has been allocating more and more resources on the development of infrastructure. According to the Hong Kong 2014–15 Budget, HK$77.9 billion will be allocated to infrastructure. In addition, the Hong Kong government reiterated its commitment to increase land supply, with a focus on commercial use. The Hong Kong government estimated that 71,000 private residential units will be available for sale over the next 3–4 years and some 210,000 private/public units will be supplied over the next five years from 150 sites identified for residential use. The favorable government policies set favorable conditions for the development of the construction industry.

Going forward, the Hong Kong government will implement projects to increase development intensity and reduce restrictions such as uplifting the development moratorium at South of Pok Fu Lam, i.e. the area close to Wah Fu Estate, aiming to increase additional 11,900 residential units. Other key developments including "East Lantau Metropolis", the three-runway system by 2023, and the development project in the North Commercial District of Airport by the Hong Kong Airport Authority. Moreover, there are 3 main railway property developments in Kam Sheung and Pat Heung, Kwu Tong and Hung Shui Kiu. As such, the number of new projects and foundation related projects and construction is expected to rise continuously.

In order to increase profit margin, the Group will continue to leverage its expertise and focus on undertaking foundation projects using socketed H-piles and mini-piles. At the same time, the Group will maintain a long term relationship with cement and diesel fuel suppliers so as to better control operating costs. In addition, the Group will continue to actively seek opportunities in foundation works from both private and public sectors in Hong Kong and achieve further revenue growth.

Debts and Charge on Assets

The total interest-bearing bank borrowings of the Group consisted of bank loans and finance leases in a sum of approximately HK$26.6 million as at 31 March 2014 as compared to HK$16.8 million as at 31 March 2013. As at 31 March 2014, bank loans and finance leases facilities were approximately HK$22.0 and HK$4.6 respectively (2013: HK$13.3 million and HK$3.5 million). Finance leases facilities were secured by the Group's plant and machinery with an aggregated net book value of approximately HK$ 6.0 million and HK$6.2 million as at 31 March 2014 and 2013 respectively.

Liquidity and Financial Resources

As at 31 March 2014, the Group had cash and bank deposits of approximately HK$118.6 million (2013: HK$67.2 million). The net increase was mainly due to net cash inflow from operating activities and issue of new shares upon listing.

The gearing ratio of the Group as at 31 March 2014 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 11.6% (2013: approximately 17.5%).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions, revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, our Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if it arises. Therefore, the Group has not engaged in any derivative to hedge its exposure to foreign exchange risk.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

On 22 January 2014, the Group entered into a sales and purchase agreement with, among others, Rosy Lane Investments Limited to acquire the entire issued share capital of Achieved Success Company Limited ("Achieved Success") for a consideration of HK$35.4 million, subject to adjustment. Achieved Success and its subsidiary have upon completion become subsidiaries of the Company. The main assets of Achieved Success and its subsidiary are two rental properties which are office premises located in Champion Building, Hong Kong with a market value of HK$37.3 million as at 31 March 2014. The consideration of approximately HK$35.4 million was fully funded by cash generated from operating profit and reserves. This acquisition constituted a discloseable transaction of the Company under the Listing Rules subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. For further details of this transaction, please refer to the announcement of the Company dated 22 January 2014.

Saved as disclosed above and reorganisation in connection with the Listing of the Company, the Group has no other material acquisition and disposal of subsidiaries during the Reporting Period.

Capital Commitments

Save as disclosed in note 14, the Group had no other capital commitments as at 31 March 2014.

Significant Investments

Save as disclosed above, the Company did not hold any significant investment during the Reporting Period.

Contingent Liabilities

Save as disclosed in note 15, the Group had no significant contingent liabilities as at 31 March 2014.

Events after the Reporting Period

On 22 May 2014, the Group entered into a sales and purchase agreement with, among others, Absolutely Talent Technology Limited to acquire the entire issued share capital of Funa Assets Limited ("Funa Assets") for a consideration of HK$39.0 million, subject to adjustment. The main asset of Funa Assets is a rental property which comprises shops located at Hip Wo Street, Hong Kong with a market value of HK$39.0 million as at 19 May 2014. The consideration of HK$39.0 million will be fully funded by cash generated from operating profit and reserves. As at the date of this announcement, this transaction has not been completed. This acquisition constituted a discloseable transaction of the Company under the Listing Rules subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. For further details of this transaction, please refer to the announcement of the Company dated 22 May 2014.

Saved as disclosed above, the Group has no material acquisition and disposal of subsidiaries from 1 April 2014 up to the date of this announcement.

Employee and Remuneration Policies

As at 31 March 2014, the Group employed 265 staff. Total employee costs for the Reporting Period including directors' emoluments, amounted to approximately HK$96.4 million (2013: HK$72.2 million).

The salary and benefit levels of employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group provides adequate job training to employees to equip them with practical knowledge and skills.

Final Dividend

The Board did not recommend payment of final dividend to shareholders of the Company for the Reporting Period.

Purchase, Sale and Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Compliance with the Corporate Governance Code

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term and continuing success of the Group. During the period from 16 October 2013 (the date of Listing) to 31 March 2014, the Company had complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the Model Code and its code of conduct during the period from 16 October 2013 (the date of Listing) to 31 March 2014.

Directors' Interests in Competing Business

Having made specific enquiry of all Directors, all Directors have confirmed that neither themselves nor their respective associates (as defined in the Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

Audit Committee and Review of Financial Information

The Board established an audit committee on 22 September 2013 with written terms of reference in compliance with the Listing Rules, particularly the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee of the Company which comprises three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond (Chairman), Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas, has reviewed and discussed with the management of the Company regarding the Company's financial statements for the year ended 31 March 2014, the auditing, the accounting principles and practices adopted by the Group, as well as internal control and financial reporting matters.

By order of the Board
Ngai Shun Holdings Limited
Wong Sai Chung
Chairman

Hong Kong, 24 June 2014

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.