



SUNLEY HOLDINGS LIMITED

新利控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1240

INTERIM REPORT

2013/2014



CONTENTS

CORPORATE INFORMATION	2
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Unaudited Condensed Consolidated Interim Financial Information	8
MANAGEMENT DISCUSSION AND ANALYSIS	27
DISCLOSURE OF INTEREST	32
SHARE OPTION SCHEME	35
CORPORATE GOVERNANCE AND OTHER INFORMATION	36

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ho Kar Chung (*Chairman*)
Cheng Wing On, Michael (*Chief Executive*)
Ho Chi Ling

Non-executive Director

Leung Chee Hon

Independent Non-executive Directors

Chuck Winston Calptor
Ching Kwok Hoo, Pedro
Tam Tak Kei, Raymond

COMPANY SECRETARY

Tai Man Hin, Tony (CPA)

AUDIT COMMITTEE

Tam Tak Kei, Raymond (*Chairman*)
Chuck Winston Calptor
Ching Kwok Hoo, Pedro

REMUNERATION COMMITTEE

Chuck Winston Calptor (*Chairman*)
Ching Kwok Hoo, Pedro
Ho Chi Ling

NOMINATION COMMITTEE

Ching Kwok Hoo, Pedro (*Chairman*)
Tam Tak Kei, Raymond
Cheng Wing On, Michael

REGISTERED OFFICE

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 201, 2/F, Marina House
68 Hing Man Street, Shau Kei Wan
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung

COMPLIANCE ADVISER

Ample Capital Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

STOCK CODE

1240

WEBSITE

www.sunley-fdn.com.hk

The board (the "Board") of directors (the "Directors") of Sunley 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 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Note	Six months ended 30 September	
		2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Revenue	6	638,266	182,315
Cost of sales		(556,698)	(151,202)
Gross profit		81,568	31,113
Other income and net gains		1,568	122
Administrative expenses		(15,337)	(13,196)
Operating profit	7	67,799	18,039
Finance costs	8	(2,454)	(1,793)
Profit before income tax		65,345	16,246
Income tax expense	9	(8,874)	(2,871)
Profit and total comprehensive income for the period attributable to equity holders of the Company		56,471	13,375
Basic and diluted earnings per share (HK cents)	10	18.8	5.9
Dividend	11	–	20,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Note	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	12	300,913	246,585
Deferred taxation		–	71
Goodwill	12	13,022	13,022
		313,935	259,678
Current assets			
Trade and other receivables	13	227,776	163,836
Amounts due from customers for contract work	14	30,503	21,301
Cash and cash equivalents		148,293	58,095
		406,572	243,232
Total assets		720,507	502,910
EQUITY			
Capital and reserves			
Share capital	17	3,000	3,000
Share premium		57,320	57,320
Other reserves		97,897	97,897
Retained earnings		148,196	112,725
Total equity		306,413	270,942
LIABILITIES			
Non-current liabilities			
Borrowings	15	88,332	88,305
Deferred taxation		23,406	23,880
		111,738	112,185

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
	Note		
Current liabilities			
Trade and other payables	16	210,083	63,080
Borrowings	15	80,454	53,665
Tax payable		11,819	3,038
		302,356	119,783
Total liabilities			
		414,094	231,968
Total equity and liabilities			
		720,507	502,910
Net current assets			
		104,216	123,449
Total assets less current liabilities			
		418,151	383,127

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital (Note 17) HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2012	–	–	39,193	58,714	67,544	165,451
Profit and total comprehensive income for the period	–	–	–	–	13,375	13,375
Transactions with owners:						
Issuance of shares upon group reorganization	10	–	(10)	–	–	–
Dividend	–	–	–	–	(20,000)	(20,000)
	10	–	(10)	–	(20,000)	(20,000)
Balance at 30 September 2012	10	–	39,183	58,714	60,919	158,826
Balance at 1 April 2013	3,000	57,320	39,183	58,714	112,725	270,942
Profit and total comprehensive income for the period	–	–	–	–	56,471	56,471
Transaction with owners: Dividend (Note 11 (ii))	–	–	–	–	(21,000)	(21,000)
Balance at 30 September 2013	3,000	57,320	39,183	58,714	148,196	306,413

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended	
	30 September 2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Cash flows from operating activities		
Net cash generated from operations	142,748	6,727
Tax paid	(496)	(573)
Interest paid	(2,454)	(1,793)
Net cash generated from operating activities	139,798	4,361
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	4,819	9,200
Purchases of property, plant and equipment	(81,236)	(45,014)
Net cash used in investing activities	(76,417)	(35,814)
Cash flows from financing activities		
Inception of finance leases	23,522	24,676
Drawdown of bank borrowings	37,021	7,785
Repayment of finance leases	(19,388)	(7,450)
Repayment of bank borrowings	(14,338)	(2,083)
Dividend paid	–	(20,000)
Net cash generated from financing activities	26,817	2,928
Net increase/(decrease) in cash and cash equivalents	90,198	(28,525)
Cash and cash equivalents at beginning of the period	58,095	46,609
Cash and cash equivalents at end of the period	148,293	18,084

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sunley Holdings Limited (the “Company”) is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the foundation business and machinery rental business in Hong Kong and Macau. The ultimate holding company is Join Together Management Limited which is incorporated in the British Virgin Islands (the “BVI”) and is owned by the controlling shareholders of the Company, Mr. Leung Chee Hon (“Mr. Leung”) and Dr. Ho Kar Chung (“Dr. Ho”) (together, the “Controlling Shareholders”).

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Hong Kong Dollar (“HK\$’000”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 25 November 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 consolidated financial statements for the year ended 31 March 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 of the annual financial statements for the year ended 31 March 2013.

The Group has adopted the following new or revised standards and amendments to existing standards for accounting periods beginning on or after 1 April 2013:

HKFRS 1 (amendment)	Government loans for the first time adopters
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
HKAS 1 (amendment)	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009–2011 Cycle

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES (Continued)

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 amendments and interpretations to existing standards have been published but are not yet effective and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 7 (amendment)	Mandatory effect date of HKFRS 9 and transition disclosures	1 April 2015
HKFRS 9 (amendment)	Financial instruments	1 April 2015
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities	1 April 2014
HKAS 32 (amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 April 2014
HKAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 April 2014
HKAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting	1 April 2014
HK (IFRIC) Interpretation 21	Levies	1 April 2014

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

There have been no changes in the risk management policies since the last financial year.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amount due from customers for contract work and bank balances are a reasonable approximation of their fair value due to the short-term maturities of these assets and liabilities.

The carrying values of borrowings are a reasonable approximation of their fair values as the interest rates of these borrowings are at market rates.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the unaudited condensed interim financial information requires management to make judgments, 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 judgments applied are consistent with those that applied to the consolidated financial statements for the year ended 31 March 2013.

6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Revenue recognised during the respective periods is as follows:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Turnover		
Construction contracts income	638,255	178,353
Rental income on machinery	11	3,962
	638,266	182,315

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 financial statements accordingly. Therefore, no segment information is presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Cost of sales		
Construction material costs	251,829	78,785
Subcontracting charges	224,719	33,151
Staff costs, including directors' emoluments	65,146	30,665
Depreciation of owned assets	12,002	6,116
Depreciation of assets under finance leases	11,211	9,751
Legal and professional fees	386	1,441
Operating lease rental on land and buildings	1,039	971

8. FINANCE COSTS

	Six months ended 30 September	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Interest expense on bank borrowings	258	51
Interest expense on finance lease liabilities	2,196	1,742
	2,454	1,793

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the six months ended 30 September 2013 on the estimated assessable profit for the period.

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current income tax		
— Hong Kong profits tax	4,732	2,091
— Macau profits tax	4,545	—
Deferred income tax	(403)	780
Income tax expense	8,874	2,871

10. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation on 11 September 2012 and the capitalisation issue of the ordinary shares which took place on 18 October 2012.

	Six months ended 30 September	
	2013	2012
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (HK\$'000)	56,471	13,375
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	300,000	225,000
Basic earnings per share (HK cents)	18.8	5.9

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. EARNINGS PER SHARE *(Continued)*

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

11. DIVIDEND

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Special, paid (Note (i))	–	20,000

Notes:

- (i) Pursuant to the respective resolutions passed on 28 May 2012, certain subsidiaries comprising the Group declared special dividends relating to the year ended 31 March 2013 amounting to HK\$20,000,000 prior to the Company's share offer, which were paid in May 2012.
- (ii) At a Board meeting held on 27 June 2013, the directors of the Company recommended the payment of a final dividend for the year ended 31 March 2013 of HK7 cents per ordinary share, totaling HK\$21,000,000 which was approved at the annual general meeting held on 5 September 2013 and paid to the shareholders of the Company on 7 October 2013, and has been reflected as an appropriation of retained earnings during the six months ended 30 September 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

	Property, plant and equipment HK\$'000	Goodwill HK\$'000	Total HK\$'000
Six months ended 30 September 2013 (Unaudited)			
Net book value Opening amount as at 1 April 2013	246,585	13,022	259,607
Additions	81,236	–	81,236
Disposals	(3,695)	–	(3,695)
Depreciation	(23,213)	–	(23,213)
Closing amount as at 30 September 2013	300,913	13,022	313,935
Six months ended 30 September 2012 (Unaudited)			
Net book value Opening amount as at 1 April 2012	172,427	13,022	185,449
Additions	45,014	–	45,014
Disposals	(9,089)	–	(9,089)
Depreciation	(15,867)	–	(15,867)
Closing amount as at 30 September 2012	192,485	13,022	205,507

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND OTHER RECEIVABLES

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Contract receivables	138,086	111,220
Retention receivables	83,548	41,272
Total trade receivables	221,634	152,492
Other receivables, deposits and prepayments (Note (d))	6,142	11,344
	227,776	163,836

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 14 to 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:

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
0–30 days	133,483	105,533
31–60 days	–	561
61–90 days	–	537
Over 90 days	4,603	4,589
	138,086	111,220

Contract receivables of HK\$133,483,000 and HK\$105,533,000 as at 30 September 2013 and 31 March 2013 respectively were not yet past due and HK\$4,603,000 and HK\$5,687,000 as at 30 September 2013 and 31 March 2013 respectively 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (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.
- (d) The amount mainly represents site and machinery rental deposits.

14. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Costs plus attributable profits less foreseeable losses	535,891	168,368
Less: progress billings to date	(505,388)	(147,067)
Amounts due from customers for contract work	30,503	21,301

There were no advances received from customers for contract work as at 30 September 2013 and 31 March 2013. Progress billings to date include retention receivables of HK\$47,339,500 and HK\$14,349,200 as at 30 September 2013 and 31 March 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. BORROWINGS

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Non-current		
Finance lease liabilities (Note (b))	88,332	88,305
Current		
Bank borrowings (Note (a))	30,933	8,250
Finance lease liabilities (Note (b))	49,521	45,415
	80,454	53,665
Total borrowings	168,786	141,970

Note:

(a) *Bank borrowings*

As at 30 September 2013, the Group had bank borrowings which bore interest at the current prime rate or 2%–3% above one-month Hong Kong Interbank Offered Rate ("HIBOR"), respectively.

The bank borrowings were denominated in Hong Kong dollars.

The bank borrowings are classified as current liabilities according to the Interpretation-5, Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. According to the repayment schedule the bank borrowings are repayable as follows:

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Within 1 year	29,137	6,440
Between 1 and 2 years	1,235	1,810
Between 2 and 5 years	561	–
	30,933	8,250

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. BORROWINGS (Continued)

Note: (Continued)

(b) *Finance lease liabilities*

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

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Gross finance lease liabilities minimum lease payments		
— Within 1 year	44,942	39,232
— Later than 1 year and no later than 5 years	100,484	102,604
Future finance charges on finance leases	145,426 (7,573)	141,836 (8,116)
Present value of finance lease liabilities	137,853	133,720

The present value of finance lease liabilities is as follows:

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Within 1 year	49,521	45,415
Later than 1 year and no later than 5 years	88,332	88,305
	137,853	133,720

The finance leases liabilities are denominated in Hong Kong dollars.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. BORROWINGS (Continued)

Note: (Continued)

(c) As at 30 September 2013, the Group had committed banking facilities (including the finance lease facilities) of HK\$2,048,000 which bore interest at the current prime rate, HK\$765,000 which bore interest at a fixed rate of 2.5% per annum, HK\$9,421,000 which bore interest at a fixed rate of 2.75% per annum and HK\$267,191,000 which bore interest at 2% to 3.5% above HIBOR, respectively.

As at 31 March 2013, the Group had committed banking facilities (including the finance lease facilities) of HK\$189,000 which bore interest at the current prime rate, HK\$322,000 which bore interest at a fixed rate of 2.5% per annum and HK\$224,412,000 which bore interest at 2% to 3.5% above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 30 September 2013, the undrawn banking facilities amounted to HK\$110,639,000 (31 March 2013: HK\$82,953,000).

These banking facilities were secured by the Group's machinery with an aggregate net book value of HK\$156,257,000 and HK\$155,324,000 as at 30 September 2013 and 31 March 2013 respectively.

16. TRADE AND OTHER PAYABLES

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Trade payables	180,963	55,221
Accruals for construction costs	3,857	4,854
Other accruals (Note (d))	4,263	3,005
Dividend payable	21,000	–
	210,083	63,080

Notes:

(a) The trade payables approximate their fair values and are denominated in Hong Kong dollars.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. TRADE AND OTHER PAYABLES (Continued)

Note: (Continued)

- (b) Payment terms granted by suppliers are 14 to 60 days from the invoice date of the relevant purchases.

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

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
0-30 days	110,455	36,432
31-60 days	46,548	6,974
61-90 days	17,699	9,847
Over 90 days	6,261	1,968
	180,963	55,221

- (c) The other payables are denominated in Hong Kong dollars.
- (d) Other accruals mainly arise from the provision of staff costs.

17. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each as at 30 September 2013 and 31 March 2013	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each as at 30 September 2013 and 31 March 2013	300,000,000	3,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. 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	7,110	–

(b) Operating lease commitments — Group as lessee

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

	30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
Not later than 1 year	5,207	2,270
1–5 years	–	137
	5,207	2,407

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. 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) During the six months ended 30 September 2013, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Super Ease Holdings Limited	A related company owned by certain directors of the Company
Sunnic Holdings Limited	A related company owned by certain directors of the Company

- (b) The following is a summary of significant related party transactions which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	Six months ended 30 September	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Rent paid to		
— Super Ease	143	143
— Sunnic Holdings	143	143
	286	286

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Six months ended 30 September 2013	
	HK\$'000	2012 HK\$'000
	Unaudited	Unaudited
Directors' fee, salaries, wages and allowances	3,876	2,726
Retirement benefit expenses	46	42
	3,922	2,768

20. CONTINGENT LIABILITIES

- (a) As at each statement of financial position date, the Group had the following contingent liabilities:

	30 September 2013	31 March 2013
	HK\$'000	HK\$'000
	Unaudited	Audited
Guarantees on performance bonds in respect of contracts	22,583	14,122

(b) Pending litigation

As at 30 September 2013, there were nine outstanding personal injury cases made against 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 site. The claims are dealt with and handled by the insurer 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 this condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. CONTINGENT LIABILITIES *(Continued)*

(b) Pending litigation *(Continued)*

In August 2012, two charges were laid by the Labour Department of the Government of the Hong Kong Special Administrative Region and in February 2013, one charge was laid by the Buildings Department of the Government of the Hong Kong Special Administrative Region against the Group in relation to an accident which occurred in March 2012 alleging the Group's failure to provide a safe environment and permission of works that caused injuries to its workers working on site. No pleas have been taken for all summonses up to the date of approval of this financial information. The next hearing will be held in December 2013 at the Magistrates' Court. The Group believes that it had, so far as reasonably practicable, provided a safe environment to all its workers working on site and will resist all charges. In the event the Group is unsuccessful and convicted, the Group may be subject to a fine at a maximum amount of HK\$2,000,000 which will not be covered by the Group's insurance policies. The Board considers that it is too early for management to make a reliable estimate of the amount of liability, if any, in connection with the three charges. In addition, the Controlling Shareholders of the Group entered into a deed of indemnity with and in favour of the Group to provide indemnities in respect of all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by the Group as a result of these three proceedings. In the event the Group exercises the deed of indemnity, such indemnities will be recognised as a credit to equity as a contribution from the Controlling Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group had two major source of incomes, namely, construction business and machinery leasing.

Construction business

The construction projects undertaken by the Group can be broadly divided into foundation works and ancillary services with particular specialisation in piling works. The Group undertakes foundation work related projects in both the public sector, including building and infrastructure related projects, and the private sector in Hong Kong and Macau.

Revenue from construction contracts for the Reporting Period was approximately HK\$638,255,000 (six months ended 30 September 2012: approximately HK\$178,353,000). The significant increase was mainly due to increase in average contract sum of construction projects undertaken by the Group. During the Reporting Period, the Group has undertaken two sizable foundation projects situated in Yuen Long Town Lot and Tan Kwai Tsuen Road in Hong Kong and two sizable foundation projects situated in Cotai, Macau. The total contract sum of these four projects was approximately HK\$1,108 million and the revenue contributed by these four projects was approximately HK\$483 million (approximately 76% of total revenue from construction contracts) during the Reporting Period.

Machinery leasing

In addition to undertaking construction works, the Group also leased certain unutilised machinery on a short term basis to third party machinery company and contractors during the Reporting Period in order to maximize utilization of idling resources.

Revenue from the machinery leasing for the Reporting Period was approximately HK\$11,000 (six months ended 30 September 2012: approximately HK\$3,962,000). The decrease was mainly attributable to the increase in utilisation rate for the machinery allocated for construction works and less idle time for the machinery to be leased out.

Geographical information

Geographically, Hong Kong continues to be the Group's key market, representing approximately 69.6% of total turnover during the Reporting Period (six months ended 30 September 2012: 100%). The Group considered Macau as a new emerging market for the business and representing approximately 30.4% of total turnover during the Reporting Period. (six months ended 30 September 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's total turnover for the Reporting Period was approximately HK\$638,266,000, representing an increase of approximately 250.1% from approximately HK\$182,315,000 of the corresponding period in 2012. This was mainly attributable to the growth in revenue from construction projects.

Gross Profit Margin

The gross profit margin decreased by approximately 4.3 percentage points from approximately 17.1% for the six months ended 30 September 2012 to approximately 12.8% for the Reporting Period. The major reason was the profit margin of the construction projects having been affected by the increase in the construction material cost and subcontractor charges during the Reporting Period as compared with the corresponding period in 2012.

General and Administrative Expenses

The Group's administrative expenses for the Reporting Period were approximately HK\$15,337,000 (six months ended 30 September 2012: approximately HK\$13,196,000) representing an increase of approximately 16.2% over the corresponding period in 2012. This was mainly attributable to the increase in staff costs, including Directors' emoluments.

Net Profit

For the Reporting Period, the Group recorded a net profit of approximately HK\$56,471,000, representing an increase of approximately 322.2% as compared to the net profit of approximately HK\$13,375,000 for the corresponding period in 2012. The increase was mainly attributable to the significant increase in both revenue and gross profit from construction business.

PROSPECTS

Apart from strengthening the construction business in Hong Kong, the Group will make its best effort to explore business opportunities in Macau. Currently, the Group is undertaking two sizable foundation projects situated in Cotai, Macau.

The Board considered Macau as a fast-growing market for the construction business and the Group will be greatly benefited if it continues to actively participate in bidding the Macau construction projects in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS AND CHARGE ON ASSETS

The Group had total interest bearing bank borrowings including bank loans and finance leases which increased from approximately HK\$141,970,000 as at 31 March 2013 to approximately HK\$168,786,000 as at 30 September 2013. All borrowings were denominated in Hong Kong dollar. Interests on bank borrowings are charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and it would consider hedging any excessive risk when necessary. The maturity profiles of bank loans and finance leases are disclosed in note 15 to the unaudited consolidated interim financial information.

These banking facilities are secured by the Group's machinery with an aggregate net book value of approximately HK\$156,257,000 and approximately HK\$155,324,000 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 and cash inflows from the operating activities.

As at 30 September 2013, the Group had cash and bank balances of approximately HK\$148,293,000 (31 March 2013: approximately HK\$58,095,000) of which approximately 95.9% and approximately 4.0% were held in Hong Kong dollar and Macau Pataca respectively. The remaining approximately 0.1% cash and bank balances were held in United States Dollar, Euro, Australian Dollar and Renminbi. The increase was mainly due to the contribution of cash inflows from the operating activities. The gearing ratio of the Group as at 30 September 2013 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 55.1% (31 March 2013: approximately 52.4%).

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

FOREIGN EXCHANGE

Since the Group mainly operates in Hong Kong and Macau and most of the revenue and transactions arising from its operations were settled in Hong Kong dollar and Macau Pataca, and the Group's assets and liabilities are primarily denominated in Hong Kong dollar and Macau Pataca, the Board believes that 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CAPITAL COMMITMENTS

Save as disclosed in note 18 to the unaudited condensed consolidated interim financial information, the Group had no other capital commitments as at 30 September 2013 and 31 March 2013.

CONTINGENT LIABILITIES

Save as disclosed in note 20 to the unaudited condensed consolidated interim financial information, the Group had no other contingent liabilities as at 30 September 2013 and 31 March 2013.

MACHINERY PURCHASE CONTRACT

On 19 April 2013, Sunley Engineering & Construction Company Limited (as purchaser), a wholly-owned subsidiary of the Company, entered into a machinery purchase contract with an independent third party (as vendor) in respect of the sale and purchase of two sets of crawler crane and the ancillary equipment at the total consideration of EUR2,300,000 (equivalent to approximately HK\$23,299,000).

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the machinery purchase contract are higher than 5% but below 25%, the transaction contemplated under the machinery purchase contract constituted a discloseable transaction of the Company subject to the reporting and announcement requirement but exempt from shareholders' approval requirement under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For details of the machinery purchase contract, please refer to the announcement of the Company dated 19 April 2013.

AMENDMENTS TO THE TERMS OF REFERENCE OF THE NOMINATION COMMITTEE OF THE COMPANY

The terms of reference of the nomination committee of the Company was amended on 29 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group had 289 full-time employees (31 March 2013: 241). Most of the Group's employees were based in Hong Kong.

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system and the policy is periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance.

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\$65,146,000 (six months ended 30 September 2012: approximately HK\$30,665,000).

INTERIM DIVIDEND

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2012: HK\$20,000,000).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF THE ASSOCIATED CORPORATIONS

As at 30 September 2013, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Long positions in the shares of the Company

Name of Director	Capacity/ Nature of interest	No. of shares held	Percentage of shareholding
Dr. Ho Kar Chung ("Dr. Ho")	Interest in controlled corporation (Note)	225,000,000	75%
Mr. Leung Chee Hon ("Mr. Leung")	Interest in controlled corporation (Note)	225,000,000	75%

Note:

These shares are held by Leading Win Management Limited ("Leading Win") which is owned by Join Together Management Limited ("Join Together") as to 70%. The remaining shareholding in Leading Win is owned as to 10% by each of Mr. Cheng Wing On, Michael (Director of the Company), Mr. Wong Ling, Eddie and Mr. Tsui Kwok Kin respectively. Mr. Leung and Dr. Ho respectively own 70% and 30% of the issued share capital of Join Together. Therefore, Mr. Leung and Dr. Ho are deemed or taken to be interested in all the shares which are beneficially owned by Leading Win for the purpose of the SFO. Mr. Leung and Dr. Ho are also directors of Leading Win and Join Together.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF THE ASSOCIATED CORPORATIONS

(Continued)

(ii) Long positions in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of interest	No. of shares held	Percentage of shareholding
Dr. Ho	Leading Win	Interest in controlled corporation	1,680	21%
Mr. Leung (Note)	Leading Win	Interest in controlled corporation	3,920	49%
Mr. Cheng Wing On, Michael	Leading Win	Beneficial owner	800	10%
Dr. Ho	Join Together	Beneficial owner	3	30%
Mr. Leung (Note)	Join Together	Beneficial owner	7	70%

Note:

Mr. Leung holds one third or more of the voting power of Leading Win and Join Together. Therefore, Mr. Leung is deemed or taken to be interested in all the shares of Leading Win and Join Together for the purpose of the SFO.

Save as disclosed above, as at 30 September 2013, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTEREST

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, as far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name	Nature of Interest	No. of shares held	Percentage of shareholding
Leading Win	Beneficial owner (Note 1)	225,000,000	75%
Join Together	Interest in controlled corporation (Note 2)	225,000,000	75%
Ms. Ho Suk Hing	Interest of spouse (Note 3)	225,000,000	75%
Ms. Ng Chi Ling	Interest of spouse (Note 4)	225,000,000	75%

Notes:

- (1) Leading Win is a company incorporated in the British Virgin Islands and is owned by Join Together as to 70%. The remaining shareholding in Leading Win is owned as to 10% by each of Mr. Cheng Wing On, Michael (Director of the Company), Mr. Wong Ling, Eddie and Mr. Tsui Kwok Kin respectively. Mr. Leung, Dr. Ho, Mr. Cheng Wing On, Michael, Mr. Ho Chi Ling and Mr. Tsui Kwok Kin are directors of Leading Win.
- (2) Join Together is a company incorporated in the British Virgin Islands and owns 70% shareholding in Leading Win, which in turn owns 75% shareholding in the Company. Therefore, Join Together is deemed or taken to be interested in all the shares which are beneficially owned by Leading Win for the purpose of the SFO.
- (3) Ms. Ho Suk Hing is the spouse of Mr. Leung. Therefore, Ms. Ho Suk Hing is deemed or taken to be interested in all the shares which are interested by Mr. Leung for the purpose of the SFO.
- (4) Ms. Ng Chi Ling is the spouse of Dr. Ho. Therefore, Ms. Ng Chi Ling is deemed or taken to be interested in all the shares which are interested by Dr. Ho for the purpose of the SFO.

Save as disclosed above, as at 30 September 2013, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 11 September 2012 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme. Pursuant to the Scheme, the Board is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to any employees (full-time or part-time), directors, consultants, advisors, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group. The Scheme shall be valid and effective for a period of ten years commencing on 11 September 2012, subject to early termination provisions contained in the Scheme.

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 the Company on acceptance of the offer for the grant of an option is HK\$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 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.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue on the date of listing. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue unless approved by the shareholders of the Company and issue of a circular in compliance with the Listing Rules.

An option may be exercised in accordance with the terms of the 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.

As at the date of this report, the total number of securities available for issue under the Scheme was 30,000,000 Shares, which represented 10% of the issued share capital of the Company.

From the adoption date of the Scheme to 30 September 2013, no share option was granted, exercised, cancelled or lapsed and there was no outstanding share option under the Scheme as at 30 September 2013.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Reporting Period.

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 its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

UPDATE ON DIRECTOR'S INFORMATION

Mr. Tam Tak Kei, Raymond, an independent non-executive Director, has been appointed as an independent non-executive director of Jin Cai Holdings Company Limited (stock code: 01250) on 10 June 2013, and as an independent non-executive director of Ngai Shun Holdings Limited (stock code: 01246) on 22 September 2013, shares of both companies are listed on the Main Board of the Stock Exchange.

Mr. Tam has resigned as an independent non-executive director of Sun Innovation Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange (stock code: 00547), with effect from 9 August 2013.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Company has established an audit committee (the "Audit Committee") on 11 September 2012 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our internal control and financial reporting process and to maintain an appropriate relationship with our independent auditors.

The audit committee of the Company, comprising the three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond (chairman), Mr. Chuck Winston Calptor and Mr. Ching Kwok Hoo, Pedro.

The Audit Committee had reviewed this interim report and had confirmed that this interim report complies with all applicable rules and regulations, including but not limited to the applicable accounting standards and the Listing Rules.

By Order of the Board
Ho Kar Chung
Chairman

Hong Kong
25 November 2013