

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



SUNLEY HOLDINGS LIMITED

新利控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1240)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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

		Six months ended 30 September	
	<i>Note</i>	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Revenue	4	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	5	67,799	18,039
Finance costs	6	(2,454)	(1,793)
Profit before income tax		65,345	16,246
Income tax expense	7	(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 (<i>HK cents</i>)	8	18.8	5.9
Dividend	9	–	20,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013 HK\$'000 Unaudited	31 March 2013 HK\$'000 Audited
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		300,913	246,585
Deferred taxation		–	71
Goodwill		13,022	13,022
		<u>313,935</u>	<u>259,678</u>
Current assets			
Trade and other receivables	10	227,776	163,836
Amounts due from customers for contract work		30,503	21,301
Cash and cash equivalents		148,293	58,095
		<u>406,572</u>	<u>243,232</u>
Total assets		<u>720,507</u>	<u>502,910</u>
EQUITY			
Capital and reserves			
Share capital	12	3,000	3,000
Share premium		57,320	57,320
Other reserves		97,897	97,897
Retained earnings		148,196	112,725
Total equity		<u>306,413</u>	<u>270,942</u>
LIABILITIES			
Non-current liabilities			
Borrowings		88,332	88,305
Deferred taxation		23,406	23,880
		<u>111,738</u>	<u>112,185</u>
Current liabilities			
Trade and other payables	11	210,083	63,080
Borrowings		80,454	53,665
Tax payable		11,819	3,038
		<u>302,356</u>	<u>119,783</u>
Total liabilities		<u>414,094</u>	<u>231,968</u>
Total equity and liabilities		<u>720,507</u>	<u>502,910</u>
Net current assets		<u>104,216</u>	<u>123,449</u>
Total assets less current liabilities		<u>418,151</u>	<u>383,127</u>

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”).

3. ACCOUNTING POLICIES AND APPLICATION OF NEW ACCOUNTING STANDARDS

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

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.

4. 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
	<u>638,266</u>	<u>182,315</u>

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.

5. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	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
	<u>1,039</u>	<u>971</u>

6. FINANCE COSTS

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

7. 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

8. 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 (<i>in thousand</i>)	300,000	225,000
Basic earnings per share (HK cents)	18.8	5.9

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.

9. DIVIDEND

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Special, paid (<i>Note (i)</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.

10. 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 (<i>Note (d)</i>)	6,142	11,344
	<u>227,776</u>	<u>163,836</u>

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
	<u>138,086</u>	<u>111,220</u>

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.

- (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.

11. 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 (<i>Note (d)</i>)	4,263	3,005
Dividend payable	21,000	–
	<u>210,083</u>	<u>63,080</u>

Notes:

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

- (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
	<u>180,963</u>	<u>55,221</u>

- (c) The other payables are denominated in Hong Kong dollars.

- (d) Other accruals mainly arise from the provision of staff costs.

12. 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	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each as at 30 September 2013 and 31 March 2013	<u>300,000,000</u>	<u>3,000</u>

13. 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	<u>7,110</u>	<u>–</u>

(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
	<u>5,207</u>	<u>2,407</u>

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.

14. CONTINGENT LIABILITIES

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

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

(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.

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).

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.

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.

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.

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 13 to the unaudited consolidated 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 14 to the unaudited consolidated financial information, the Group had no other contingent liabilities as at 30 September 2013 and 31 March 2013.

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 remuneration policy and package of the Group's employees are 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

Audit Committee

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, has reviewed with the Company’s management the accounting principles matters including a review of the interim results, this interim results announcement and the interim report of the Company for the Reporting Period.

By order of the Board
Sunley Holdings Limited
Ho Kar Chung
Chairman

Hong Kong, 25 November 2013

As at the date of this announcement, the Company has (i) three executive directors, namely Dr. Ho Kar Chung, Mr. Cheng Wing On, Michael and Mr. Ho Chi Ling; (ii) one non-executive director, namely Mr. Leung Chee Hon; and (iii) three independent non-executive directors, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond.