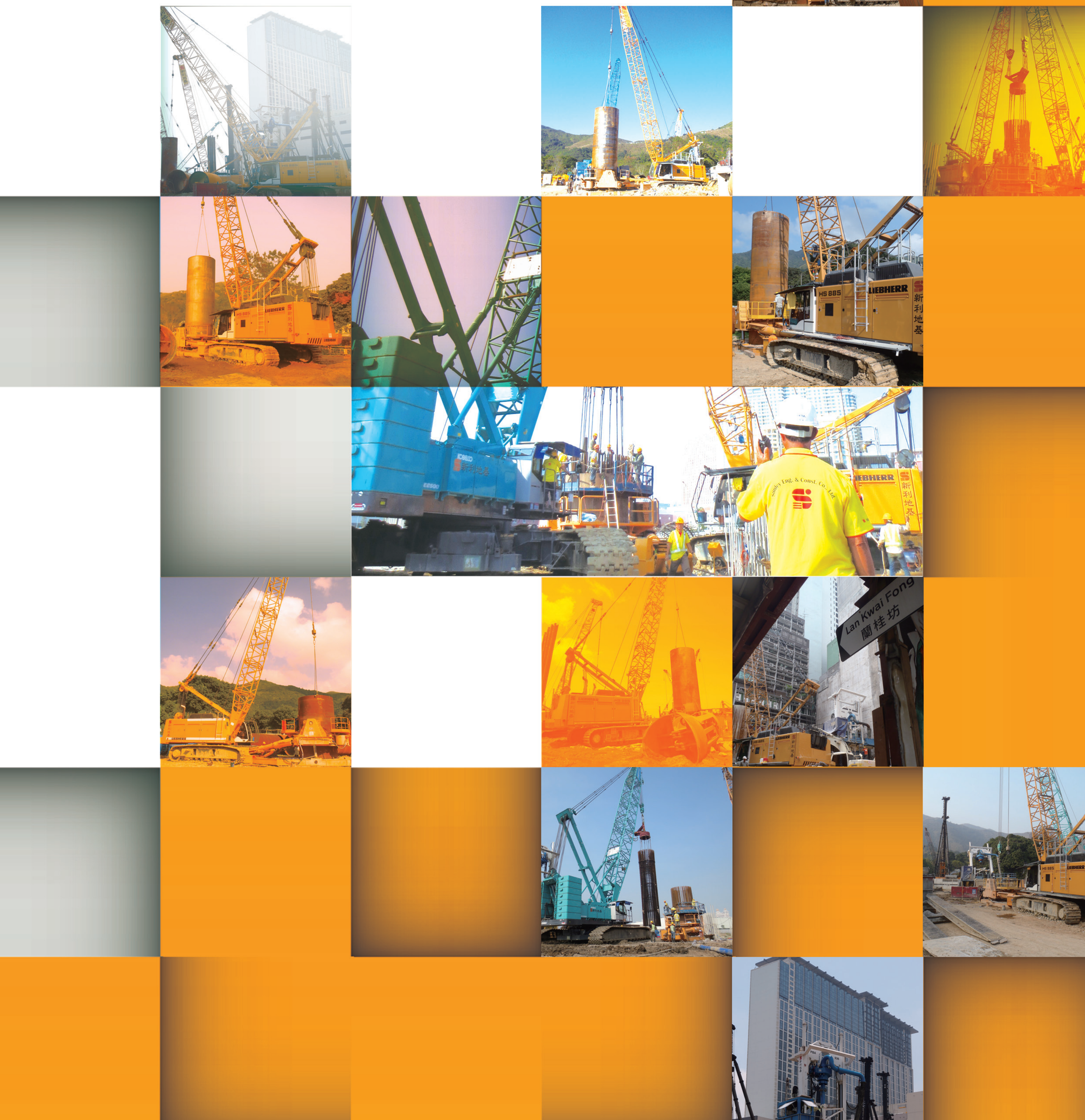
# SUNLEY HOLDINGS LIMITED
# 新利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1240**

# Annual Report 2013



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors
Dr. Ho Kar Chung *(Chairman)*
Mr. Cheng Wing On, Michael (*Chief Executive*)
Mr. Ho Chi Ling

### Non- executive Director
Mr. Leung Chee Hon

### Independent Non-Executive Directors
Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond

## COMPANY SECRETARY

Mr. Tai Man Hin, Tony *(CPA)*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Ching Kwok Hoo, Pedro *(Chairman)*
Mr. Tam Tak Kei, Raymond
Mr. 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) Ltd.
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

# CHAIRMAN'S STATEMENT

I am pleased to present to our shareholders the annual report of Sunley Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 March 2013 (the "Reporting Period"). Our net profit after taxation amounted to approximately HK$65,181,000 (2012: approximately HK$25,756,000), representing a significant increase of approximately 153.1% year on year. The Board has recommended a final dividend of HK7 cents per share subject to shareholders' approval.

In view of the increasing expenditure by the Hong Kong government on public works projects and the current growth prospects for private development projects, as well as the blooming development projects in Cotai, Macau, we believe the value of construction works output will continue to rise and the foundation works available to us will grow steadily.

The Group experienced a drastic growth in revenue during the Reporting Period in its foundation business. Despite the fierce competition in the construction industry in both Hong Kong and Macau, our foundation business was still able to achieve a significant growth, reflecting that the Group has implemented a successful strategy and seized the opportunity to expand. We are confident in our ability in maintaining the growth momentum.

In the near future, the Group intends to continue with and to accelerate the implementation of its strategies, focusing on the three main sources of its success, i.e. (1) increasing construction capacity by acquiring new and advanced machineries for effective production, (2) enhancing the Group's marketing activities and expanding network to further participate in bidding construction projects and (3) hiring experienced and competent staff to take part in the growing businesses of the Group.

On behalf of the Board, I would like to express my warmest thanks to the management and our employees for their unswerving dedications and significant contributions. I would also like to extend my sincere gratitude to all our shareholders and investors for their endless support. With the solid business base and the effort of all staff, the Group will endeavour to achieve outstanding results in the future.

**Sunley Holdings Limited**
**Ho Kar Chung**
*Chairman*

27 June 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the Reporting Period, the Group had two major sources of income, 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 both Hong Kong and Macau.

Revenue from the construction contracts for the Reporting Period was approximately HK$593,742,000 (2012: approximately HK$302,571,000). The significant increase was mainly attributable to the increase in average contract sum of construction projects undertaken by the Group. During the Reporting Period, the Group has undertaken several sizable foundation projects such as Yuen Long Town Lot (contact sum: approximately HK$661.0 million), Tung Chau Street (contact sum: approximately HK$139.0 million) and Tan Kwai Tsuen Road (contact sum: approximately HK$106.9 million).

### 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$4,249,000 (2012: approximately HK$10,551,000). 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.

## FINANCIAL REVIEW

### Turnover

The Group's total turnover for the Reporting Period was approximately HK$597,991,000 (2012: approximately HK$313,122,000), representing an increase of approximately 91.0% compared to the corresponding period in 2012. The significant increase was mainly due to the growth in revenue contributed from several sizable construction projects.

### Gross Profit Margin

The Group's gross profit margin maintained the same at approximately 19.1% for both the years ended 31 March 2012 and 2013. Despite the continuing increase in labour cost, construction material cost and subcontractor charges during the Reporting Period as compared with the corresponding period last year, the Group had adjusted the tender price of the construction projects correspondingly in order to reflect the increase in costs and to maintain the gross profit margin.

# MANAGEMENT DISCUSSION AND ANALYSIS

### General and Administrative Expenses

The Group's administrative expenses for the Reporting Period were approximately HK$37,919,000 (2012: approximately HK$25,813,000), representing an increase of approximately 46.9% over the corresponding period in 2012. This was mainly attributable to the increase in the listing expenses, the professional fees after listing as well as staff costs including Directors' emoluments incurred during the Reporting Period.

### Net Profit

For the Reporting Period, the Group recorded a net profit of approximately HK$65,181,000, representing an increase of approximately 153.1% as compared to the net profit of approximately HK$25,756,000 for the corresponding period last year. The increase was mainly attributable to the significant increase in both revenue and gross profit contributed by the construction business.

## BUSINESS REVIEW

### Analysis by Source of Income

During the Reporting Period, the Group's principal source of income was derived from the foundation projects in its construction business, which accounted for approximately 99.3% of the total turnover of the Group (2012: approximately 96.6%). Machinery leasing accounted for the remaining total turnover of approximately 0.7%. (2012: approximately 3.4%).

### Geographical Information

Geographically, Hong Kong continues to be the Group's key market, representing approximately 87.2% of total turnover during the Reporting Period (2012: 100%). The Group considered Macau as a new emerging market for the business and representing approximately 12.8% of total turnover during the Reporting Period. (2012: Nil).

### Use of Net Proceeds from Listing

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2012 (the "Listing"). The receipt of proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Company's Listing were approximately HK$48.0 million. In accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 September 2012 (the "Prospectus"), the net proceeds received were applied during the Reporting Period as follows:

| | **Net proceeds** (HK$ million) | | |
|---|---|---|---|
| | **Available** | **Utilised** | **Unutilised** |
| Purchase of machinery and equipment to increase construction capacity | 31.2 | 31.2 | – |
| Hiring of additional staff for increase in construction capacity and provide staff training on safety and environmental protection | 7.2 | 4.4 | 2.8 |
| Repayment of finance lease liabilities | 4.8 | 4.8 | – |
| Increase of general working capital | 4.8 | 4.8 | – |
| | 48.0 | 45.2 | 2.8 |

The unutilised balance of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK

With the net proceeds of approximately HK$48.0 million raised from the share offer of 75,000,000 shares of the Company, the Company has utilised approximately HK$45.2 million to, among others, increase the productivity and reduce the bank borrowings in order to bring value to its shareholders in the near future. Details of the application of such net proceeds are set out in announcement of the Company dated 17 October 2012 and in the Prospectus dated 27 September 2012.

Apart from strengthening the construction business in Hong Kong, the Group will make its best effort to explore business opportunities in Macau. The Directors considered Macau as a fast-growing market for the construction business and the Group will greatly be benefited if it actively participates in bidding the Macau construction projects.

## DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, increased from approximately HK$108,644,000 as at 31 March 2012 to approximately HK$141,970,000 as at 31 March 2013. All borrowings were denominated in Hong Kong dollar and were repayable within 5 years. 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 considers 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$155,324,000 and approximately HK$131,465,000 as at 31 March 2013 and 2012 respectively.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from the operating activities and proceeds received from the Listing.

As at 31 March 2013, the Group had cash and bank balances of approximately HK$58,095,000 (31 March 2012: approximately HK$46,609,000) of which approximately 99.2% was held in Hong Kong dollar. The remaining approximately 0.8% cash and bank balances were held in United States Dollar, Euro, Australian Dollar, Renminbi and Macau Pataca. The increase was mainly due to the more cash inflow from operating activities and financing activities such as issue of new shares upon the Listing. The gearing ratio of the Group as at 31 March 2013 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 52.4% (31 March 2012: approximately 65.7%).

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong dollar, the Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or adverse 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

Save for the group reorganisation before Listing, details of which are set out in note 1(b) to the financial statements, 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 26 to the financial statements, the Group had no other capital commitments as at 31 March 2013 and 31 March 2012.

## CONTINGENT LIABILITIES

Save as disclosed in note 28 to the financial statements, the Group had no other contingent liabilities as at 31 March 2013 and 31 March 2012.

## EVENTS AFTER THE REPORTING PERIOD

Sunley Engineering & Construction Company Limited ("Sunley"), a wholly-owned subsidiary of the Company, entered into a machinery purchase contract (the "Machinery Purchase Contract") with a machinery manufacturer on 19 April 2013 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 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 requirements but exempt from shareholders' approval requirement under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of the transaction are set out in the announcement of the Company dated 19 April 2013.

Apart from the above, there are no other significant subsequent events since the end of the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group had 241 full-time employees (31 March 2012: 164 full-time employees). 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, details of the scheme are set out in the paragraph headed "Share Option Scheme" in the section headed "Report of the Directors".

The total remuneration cost incurred by the Group for Reporting Period was approximately HK$91,829,000 (2012: approximately HK$63,795,000).

## PROPOSED FINAL DIVIDEND

A final dividend of HK7 cents per share in respect of the Reporting Period has been proposed by the Board and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

# REPORT OF THE DIRECTORS

The Board presents to the shareholders this report together with the audited financial statements of the Company and the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 1 to the financial statements. There was no significant change in the Group's principal activities during the Reporting Period.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 34. The final dividend of HK7 cents per share of the Company for the Reporting Period to shareholders whose names appear on the Register of Members of the Company on 16 September 2013 has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. The dividend, if approved, is expected to be paid on or around 7 October 2013.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 13 to the financial statements.

## SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 23 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 38.

As at 31 March 2013, the Company had reserves amounted to HK$42,584,000 available for distribution as calculated based on Company's share premium less accumulated losses under applicable provisions of the Companies Law in the Cayman Islands (2012: Nil).

## GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last four financial years is set out on page 84 of this annual report.

# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report were:

### Executive Directors

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

### Non-executive Director

Mr. Leung Chee Hon

### Independent Non-Executive Directors

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

Each of Dr. Ho Kar Chung, Mr. Cheng Wing On, Michael, Mr. Ho Chi Ling, Mr. Leung Chee Hon, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles of Association of the Company (the "Articles").

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors namely, Dr. Ho Kar Chung, Mr. Cheng Wing On, Michael and Mr. Ho Chi Ling have respectively entered into a service contract on 11 September 2012 with the Company for a term of three years unless terminated by not less than three months' notice in writing served by either party on the other.

The non-executive Director, Mr. Leung Chee Hon has entered into a service contract with the Company for a term of two years commencing on 11 September 2012 unless terminated by not less than three months' notice in writing served by either party on the other.

All the independent non-executive Directors namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond have respectively entered into a service contract with the Company for a term of two years commencing on 11 September 2012 unless terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2013, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executive 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") in Appendix 10 to the Listing Rules are as follows:

### (i) Long position in the Shares

| Name of Director | Capacity/Nature of interest | Number of Shares held | Approximate Shareholding Percentage |
|---|---|---|---|
| Dr. Ho Kar Chung ("Dr. Ho") | Interest in controlled corporation — Corporate Interest *(Note)* | 225,000,000 | 75% |
| Mr. Leung Chee Hon ("Mr. Leung") | Interest in controlled corporation — Corporate Interest *(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.

### (ii) Long position in the ordinary shares of associated corporations

| Name of Director | Name of the associated corporation | Capacity/Nature of interest | Number of shares held | Approximate Shareholding Percentage |
|---|---|---|---|---|
| Dr. Ho | Leading Win | Interest in controlled corporation — Corporate Interest | 1,680 | 21% |
| Mr. Leung *(Note)* | Leading Win | Interest in controlled corporation — Corporate Interest | 3,920 | 49% |
| Dr. Ho | Join Together | Beneficial owner — Personal Interest | 3 | 30% |
| Mr. Leung *(Note)* | Join Together | Beneficial owner — Personal Interest | 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 31 March 2013, none of the Directors nor chief executive 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.

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

As at 31 March 2013, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares 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 position in the Shares

| **Name of substantial shareholder** | **Capacity/Nature of interest** | **Number of Shares held/ interested** | **Approximate Shareholding Percentage** |
|---|---|---|---|
| Leading Win | Beneficial owner — Personal Interest *(Note 1)* | 225,000,000 | 75% |
| Join Together | Interest in controlled corporation — Corporate Interest *(Note 2)* | 225,000,000 | 75% |
| Ms. Ho Suk Hing | Interest of spouse — Family Interest *(Note 3)* | 225,000,000 | 75% |
| Ms. Ng Chi Ling | Interest of spouse — Family Interest *(Note 4)* | 225,000,000 | 75% |

*Notes:*

(1) Leading Win is a company incorporated in the BVI 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, 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 BVI 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.

# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2013, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

| | **2013**<br>**%** | 2012<br>% |
|---|---|---|
| Percentage of construction material purchases: | | |
| From the largest supplier | **6.6%** | 16.3% |
| From the five largest suppliers | **24.6%** | 49.3% |
| | | |
| Percentage of turnover: | | |
| From the largest customer | **23.1%** | 15.2% |
| From the five largest customers | **56.9%** | 56.3% |

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers.

## DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 March 2013, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

## PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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

Save as disclosed in the prospectus of the Company dated 27 September 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the date of Listing to 31 March 2013.

## 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 to any employees (full-time or part-time), directors, consultants or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider 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 highest 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 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 on 11 September 2012 to 31 March 2013, no share option was granted, exercised, cancelled or lapsed and there was no outstanding share option under the Scheme as at 11 September 2012 and as at 31 March 2013.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

### Connected transactions

During the Reporting Period, the Group had not entered into any connected transaction which is not exempt under Rule 14A.31 of the Listing Rules.

### Continuing connected transactions

Since each of the applicable percentage ratios (other than the profits ratio) for the below transactions is less than 5% with annual aggregate values of below HK$1,000,000, the below transactions constitute de minimus continuing connected transactions, which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the below transactions.

### Super Ease Lease Agreement

On 1 June 2011, the Group's subsidiary, Sunnic Engineering Limited ("Sunnic") and Super Ease Holdings Limited ("Super Ease") entered into a property lease agreement pursuant to which Sunnic agreed to lease from Super Ease an office in Hong Kong for a term commencing on 1 June 2011 and ending on 31 May 2014 at the monthly rental of HK$23,770 (the "Super Ease Lease Agreement").

Super Ease is wholly-owned by Sunnic Holdings Limited ("Sunnic Holdings"), which is an associate of Mr. Cheng Wing On, Michael, an executive Director and the chief executive of the Company. Therefore, Super Ease is a connected person of the Company for the purpose of the Listing Rules. The transaction contemplated under the Super Ease Lease Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon the Listing.

### Sunnic Holdings Lease Agreement

On 1 June 2011, Sunnic and Sunnic Holdings entered into a property lease agreement pursuant to which Sunnic agreed to lease from Sunnic Holdings an office in Hong Kong for a term commencing on 1 June 2011 and ending on 31 May 2014 at the monthly rental of HK$23,770 (the "Sunnic Holdings Lease Agreement").

# REPORT OF THE DIRECTORS

Sunnic Holdings is an associate of Mr. Cheng Wing On, Michael, an executive Director and the chief executive of the Company. Therefore, Sunnic Holdings is a connected person of the Company for the purpose of the Listing Rules. The transaction contemplated under the Sunnic Holdings Lease Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon the Listing.

The Directors (including the independent non-executive Directors) have confirmed that the terms of the Super Ease Lease Agreement and the Sunnic Holdings Lease Agreement are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The Directors consider that those material related party transactions disclosed in note 27 to the financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules but are exempt from any of the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules. In particular, the transactions under category (b) in note 27 were conducted on normal commercial terms where all of the percentages ratios (other than the profit ratio) were less than 5% and the total annual consideration was less than HK$1,000,000, while those under category (c) in note 27 were provided under the service contracts of the Directors.

## CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules from 18 October 2012 (the date of Listing) to 31 March 2013.

The details of Group's compliance with the Code is set out in the Corporate Governance Report from page 22 to page 31 of this annual report.

## ANNUAL GENERAL MEETING AND BOOK CLOSURE

The annual general meeting of the Company will be held on 5 September 2013 at 10:30 a.m. at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong. The Board proposed the payment of a final dividend of HK7 cents per Share to the shareholders of the Company whose name appear on the register of members of the Company on 16 September 2013. Subject to the approval of the shareholders of the Company at the annual general meeting, it is expected that the final dividend will be paid on or around 7 October 2013.

The transfer books and register of members of the Company will be closed from 2 September 2013 to 5 September 2013, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 August 2013.



The transfer books and register of members of the Company will be closed from 12 September 2013 to 16 September 2013 both dates inclusive. During such period, no share transfers will be effected. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 September 2013.

## AUDITOR

PricewaterhouseCoopers ("PwC") shall retire in the forthcoming annual general meeting and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Ho Kar Chung**
*Chairman*

Hong Kong, 27 June 2013

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

## Directors

### Executive Directors

Dr. Ho Kar Chung, aged 64, is an executive Director and the Chairman of the Board. He joined the Group in January 1995 and was appointed as a Director on 15 April 2011 and re-designated as an executive Director and appointed as the Chairman of the Board on 11 September 2012. He is responsible for the overall business development, commercial and projects matters of the Group. Dr. Ho is also the director of certain subsidiaries of the Company. He worked for several major construction and engineering companies in Hong Kong for more than 30 years, involving in civil engineering and building projects, specialising in foundation works of various nature. He worked for Gammon Construction Limited as project manager, manager and contracts manager from 1979 to 1990, responsible for execution of various projects in a supervisory role involving building, foundation, site formation, demolition and civil engineering works in Hong Kong. He was a director and a managing director from 1990 to 1994 in Chee Shing Foundation Limited (now known as Tysan Foundation Limited) responsible for general management and supervision of various contracts as project director in charge and was an executive director of Chee Shing Holdings Limited (stock code: 687, now known as Tysan Holdings Limited) upon its listing on the Stock Exchange in 1991. He holds a Bachelor of Science in Engineering and a Doctor of Philosophy from the University of Hong Kong awarded in November 1972 and November 1976 respectively, and a diploma in Management for Executive Development from The Chinese University of Hong Kong awarded in September 1989. He is a fellow member of the Institution of Structural Engineers and the Institution of Civil Engineers in the United Kingdom and the Hong Kong Institution of Engineers. He is a Registered Professional Engineer (Civil, Structural and Geotechnical disciplines) in Hong Kong. Save as disclosed above, Dr. Ho has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. As at the date of this annual report, Dr. Ho is a beneficial shareholder of 30% of the issued share capital in Join Together, which in turn owns 70% shareholding of Leading Win, a controlling shareholder of the Company holding in 225,000,00 Shares, representing 75% of the issued share capital of the Company.

Mr. Cheng Wing On Michael, aged 57, is an executive Director and the chief executive of the Company. He joined the Group in June 2010 and was appointed as a Director on 15 April 2011 and re-designated as the executive Director and appointed as the chief executive by the Company on 11 September 2012. He is responsible for the overall administration, strategic planning, tendering, finance and site supervision of the Group. Mr. Cheng is also the director of certain subsidiaries of the Company. He has over 30 years' experience in the engineering and construction industry. Prior to establishing Sunnic in 1993, he had worked as a structural engineer for Sun Hung Kai Engineering Company Limited from 1980 to 1982 and had worked for Leung Kee Construction Company Limited (now known as Up Energy Development Group Limited (stock code 307, the shares of which are listed on the Main Board of the Stock Exchange), a construction company specialised in substructure and site formation works for approximately 10 years with his last position held as a managing director. He holds a Bachelor of Applied Science from the University of Toronto awarded in June 1980. Mr. Cheng is a member of the nomination committee of the Company. Save as disclosed above, Mr. Cheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Cheng did not have any involvement in the management of the Group prior to its acquisitions of Sunnic and Full Gain Engineering Limited ("Full Gain") in June 2010. Mr. Cheng is the beneficial shareholder of 10% of the issued share capital of Leading Win, a controlling shareholder of the Company holding 225,000,000 Shares, representing 75% of the issued share capital of the Company.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Chi Ling, aged 48, is an executive Director. He joined the Group in July 1997 and was appointed as an executive Director on 11 September 2012. He is responsible for execution of the foundation projects of the Group. He has 26 years' experience in the engineering and construction industry. Mr. Ho is also the director of certain subsidiaries of the Company. Prior to joining the Group in 1997, he had worked for major contractors and engineering consultants in Hong Kong for 12 years, involving in civil engineering and building projects including drainage, foundation, water mains, and site formation. He holds a Bachelor of Engineering in Civil and Environmental Engineering from the University of Newcastle upon Tyne (now known as Newcastle University) in the United Kingdom awarded in July 1992, a Master of Science in Project Management from the Hong Kong Polytechnic University which was completed largely via online course modules with degree awarded in December 2005 and a Master of Arts in Arbitration and Dispute Resolution from The City University of Hong Kong awarded in February 2009. He is a member of the Hong Kong Institution of Engineers and a Registered Professional Engineer (Civil discipline) in Hong Kong. Mr. Ho is a member of the remuneration committee of our Company. Save as disclosed above, Mr. Ho has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

**Non-executive Director**

Mr. Leung Chee Hon, aged 69, is a non-executive Director. He joined the Group in January 1995 and was appointed as a non-executive Director on 2 August 2012. Mr. Leung is also the director of certain subsidiaries of the Company. Mr. Leung's responsibilities within the Group only involves participation in sales and marketing and maintaining client relationship for the Group alongside the executive Directors on a non-full time basis and he will not participate in the daily management of the Group. He has over 40 years of experience in the construction industry. In 1974, Mr. Leung established Chee Shing Engineering Company which was engaged in crane hiring and subcontracting pile driving works. In 1983, Mr. Leung acted as a director of Chee Shing Engineering Company Limited. Mr. Leung became the chairman and executive director of Chee Shing Holdings Limited (stock code: 687, now known as Tysan Holdings Limited) ("Chee Shing") upon its listing on the Stock Exchange in 1991. At Chee Shing, Mr. Leung was principally responsible for formulating the overall policy and the general management of the Chee Shing group's business. Mr. Leung left Chee Shing in 1994 and he joined the Group in 1995, acting as a director of Sunley. From 1995 to 2008, Mr. Leung was mainly responsible for the general site supervision of Sunley. Since 2009, Mr. Leung's responsibilities within the Group involve sales and marketing and maintaining client relationship for the Group. Mr. Leung's responsibilities in the Group's operations have not changed as a result of his appointment as a non-executive Director on 2 August 2012. Save as disclosed above, Mr. Leung has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. As at the date of this annual report, Mr. Leung is a beneficial shareholder of 70% of the issued share capital of Join Together, which in turn owns 70% shareholding of Leading Win, a controlling shareholder interested in 225,000,00 Shares representing 75% of the issued share capital of the Company.

**Independent non-executive Directors**

Mr. Chuck Winston Calptor, aged 57, joined the Group and appointed as an independent non-executive Director on 11 September 2012. Mr. Chuck graduated from University of Western Ontario in Canada with a bachelor of arts in economics in June 1978. He was admitted as a solicitor of Hong Kong in 1982. Mr. Chuck acted as consultant in a law firm since 2000. Mr. Chuck is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Chuck also acts as an independent non-executive director of ITC Corporation Limited (stock code: 372, the shares of which are listed on the Main Board of the Stock Exchange) since November 2001 and Starlight International Holdings Limited (stock code: 485, the shares of which are listed on the Main Board of the Stock Exchange) since September 2004. Save as disclosed above, Mr. Chuck has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ching Kwok Hoo, Pedro, MBE, aged 70, joined the Group and appointed as an independent non-executive Director on 11 September 2012. Mr. Ching was awarded the MBE in 1997. He has worked in the Hong Kong Police Force for over 35 years up to 1998 with his last position being director of management services. After his retirement from the Hong Kong Police Force, Mr. Ching has taken senior management role in the commercial field. Mr. Ching is the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company. Save as disclosed above, Mr. Ching has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Tam Tak Kei, Raymond, aged 50, joined the Group and appointed as an independent non-executive Director on 11 September 2012. Mr. Tam graduated from University of Kent at Canterbury in the United Kingdom with a bachelor of arts degree in accounting with computing in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since 1990 and a member of the Hong Kong Institute of Certified Public Accountants since 1995. Mr. Tam acted as the financial controller at international law firms for nine years and has over 27 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of Branding China Group Limited (stock code: 8219). Mr. Tam is the chairman of the audit committee and a member of the nomination committee of our Company. Mr. Tam also acts as an independent non-executive director of Jin Cai Holdings Company Limited (stock code: 1250) since June 2013, Zebra Strategic Holdings Limited (stock code: 8260) since June 2012, Vision Fame International Holding Limited (stock code: 1315) since December 2011, Tianjin Jinran Public Utilities Company Limited (stock code: 1265, formerly 8290) since February 2011 and Sun Innovation Holdings Limited (stock code: 547) since September 2009. Save as disclosed above, Mr. Tam has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

## Senior Management

Mr. Ho Wing Hong, Oswald, aged 45, joined the Group in January 1995 and is a design manager of Sunley. He is responsible for the design of construction works for the projects undertaken by Sunley. He has been involved intensively in the design of various foundation systems including bored pile, socketed H-pile, steel sheet pile wall, and diaphragm wall. He holds a Bachelor of Engineering in Civil Engineering from The Hong Kong Polytechnic University awarded in November 2001. Over the past 3 years, Mr. Ho has not been a director of any listed companies.

Mr. Fung Tze Fan, aged 42, joined the Group in December 2010 and is a senior project manager and quality control manager of Sunley. He is responsible for the overall quality control for materials, contract documents and construction works, and construction and safety management for the projects undertaken by Sunley. Prior to joining the Group, he has worked for major contractors and engineering design offices in Hong Kong for 13 years, involving in construction works and engineering design works of various nature. He holds a Bachelor of Engineering in Engineering (Civil) from the University of London awarded in August 1995. Over the past 3 years, Mr. Fung has not been a director of any listed companies.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsui Kwok Kin, aged 64, joined the Group in June 2010 and is a director of Sunley, Sunnic and Full Gain. He is responsible for coordinating the design of foundation works for various design-and-build projects and the management of in house design team. He has over 40 years of experience in the engineering and construction industry. Prior to joining Sunnic in 1993, he has worked for Chau Lam Architect & Associates Limited for over 20 years, for which, he was a director from 1986 to 1992, involving in structural design and supervision of various types of projects. He was an executive director of Leung Kee Holdings Company Limited (now known as Up Energy Development Group Limited (stock code 307, the shares of which are listed on the Main Board of the Stock Exchange), a construction company specialised in substructure and site formation works at the material time, from 1992 to 1993. Over the past 3 years, Mr. Tsui has not been a director of any listed companies. He holds a diploma in civil engineering from the Hong Kong Baptist College (now known as the Hong Kong Baptist University) awarded in July 1969 and an associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) awarded in November 1985. He is an Authorised Person and a Registered Structural Engineer under the Buildings Ordinance, a Chartered Engineer registered under the Institution of Structural Engineers in the United Kingdom, and a registered Architect in Hong Kong under the Architects Registration Board. He is also a member of the Hong Kong Institution of Engineers, a member of the Institution of Structural Engineers in the United Kingdom, and a member of the Institution of Civil Engineers in the United Kingdom.

Mr. Wong Ling, Eddie, aged 67, joined the Group in June 2010 and is a director of Sunnic and Full Gain responsible for all cost control, site management and supervision. He has over 40 years of experience in the construction industry. Prior to joining Sunnic in August 1993, he was a project director of Leung Kee Construction Company Limited from 1969 to 1993 and has intensive experience in tendering, estimating, cost control, site management and supervising subcontractors. Over the past 3 years, Mr. Wong has not been a director of any listed companies.

## Financial Controller and Company Secretary

Mr. Tai Man Hin, Tony, aged 36, joined the Group in January 2011, is the financial controller and the company secretary of the Company. He is responsible for overseeing accounting activities of the Group. He has over 10 years of experience in accounting and commercial field. He had worked for various multinational companies such as American International Assurance, Olympus Hong Kong & China Limited and Hong Kong CSL Limited. He holds a Master of Business Administration degree from University of Manchester, United Kingdom awarded in 2012 as well as a Bachelor of Business Administration degree in Accounting from the Hong Kong University of Science and Technology awarded in 1999. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

# CORPORATE GOVERNANCE REPORT

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules.

The Company had complied with all the applicable code provisions as set out in the Code from the date of Listing on 18 October 2012 to 31 March 2013.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarised as follows:

## BOARD OF DIRECTORS

### Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

### Executive Directors

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

### Non-executive Director

Mr. Leung Chee Hon

### Independent Non-Executive Directors

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

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules. From the date of Listing to 31 March 2013, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgement. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the independent non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors.

# CORPORATE GOVERNANCE REPORT

All the independent non-executive Directors namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond and the non-executive Director, Mr. Leung Chee Hon have respectively entered into a service contract with the Company for a term of two years commencing on 11 September 2012 unless terminated by not less than three months' notice in writing served by either party on the other. The independent non-executive Directors and the non-executive Director are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

At the forthcoming annual general meeting, all Directors will retire from office and are eligible for re-election. At each following annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Each of Dr. Ho Kar Chung, Mr. Cheng Wing On, Michael, Mr. Ho Chi Ling, Mr. Leung Chee Hon, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company, which is not determinable by the Company within one year other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

Save as disclosed in the section headed "Biographies of the Directors and Senior Management" in this annual report, there is no financial, business, family or other material/relevant relationship among the members of the Board, in particular, between the Chairman of the Board and the chief executive of the Company.

# CORPORATE GOVERNANCE REPORT

## BOARD AND GENERAL MEETINGS

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. From the date of Listing to 31 March 2013, one Board meeting was held. Subsequent to 31 March 2013, three more Board meetings were held up to the date of this report.

The Directors' attendance of the Board meetings is set out as follows:

| | Attendance/ Number of meetings from the date of Listing to 31 March 2013 | Attendance/ Number of meetings from 1 April 2013 to the date of this report |
|---|---|---|
| **Executive Directors** | | |
| Dr. Ho Kar Chung *(Chairman)* | 1/1 | 3/3 |
| Mr. Cheng Wing On, Michael *(Chief Executive)* | 1/1 | 3/3 |
| Mr. Ho Chi Ling | 1/1 | 3/3 |
| **Non- executive Director** | | |
| Mr. Leung Chee Hon | 1/1 | 3/3 |
| **Independent Non-executive Directors** | | |
| Mr. Chuck Winston Calptor | 1/1 | 3/3 |
| Mr. Ching Kwok Hoo, Pedro | 1/1 | 3/3 |
| Mr. Tam Tak Kei, Raymond | 1/1 | 3/3 |

The forthcoming annual general meeting to be held on 5 September 2013 will be the first general meeting of the Company from the date of Listing.

## BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding the Group's corporate governance, from the date of Listing to 31 March 2013, the Board has in accordance with the terms of reference performed the following duties:

- determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;

- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

## CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. In compliance with the Code, the Group has appointed a separate chairman and chief executive of the Company since 11 September 2012. In order to ensure that there is clear division of responsibilities between the chairman of the Board and the chief executive of the Company, the two positions are assumed by different individuals, Dr. Ho Kar Chung, the Chairman of the Board, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Cheng Wing On, Michael, the chief executive of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct during the period from date of Listing on 18 October 2012 to 31 March 2013.

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the period from the date of listing to 31 March 2013, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Period conducted by the Legal Adviser as to Hong Kong Laws and relevant training material has been distributed to all the Directors. All Directors (Dr. Ho Kar Chung, Mr. Cheng Wing On, Michael, Mr. Ho Chi Ling, Mr. Leung Chee Hon, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond) had attended the in-house training. The training covered topics including the Code, listed company regulations and disclosure obligations in Hong Kong, discloseable transactions and connected transactions etc..

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 11 September 2012. As at the date of this report, the Remuneration Committee comprises an executive director, namely Mr. Ho Chi Ling, and two independent non-executive directors, namely Mr. Chuck Winston Calptor and Mr. Ching Kwok Hoo, Pedro. Mr. Chuck Winston Calptor is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board from time to time. The Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to involve in deciding his own remuneration.

As the Company was newly listed on 18 October 2012, the Remuneration Committee has held one meeting as at the date of this report and all the members have attended to review the Group's remuneration policy and approved the terms of executive Directors' service contracts. The committee members' attendance of the remuneration committee is set out as follows:

| | **Attendance/ Number of meetings from the date of Listing to 31 March 2013** | **Attendance/ Number of meetings from 1 April 2013 to the date of this report** |
|---|---|---|
| Mr. Chuck Winston Calptor *(Chairman)* | –/– | 1/1 |
| Mr. Ching Kwok Hoo, Pedro | –/– | 1/1 |
| Mr. Ho Chi Ling | –/– | 1/1 |

Under the terms of reference, members of the Remuneration Committee had performed the following duties:

- assessed the performance of executive Directors and consulted the chairman of the Board and the chief executive about their remuneration proposals for other executive Directors;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors;
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

## DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the remuneration committee of the Company annually. Details of the Directors' remuneration are set out in note 8 of the financial statements.

## REMUNERATION OF THE SENIOR MANAGEMENT

For the Reporting Period, the remuneration of senior management is listed as below by band:

| **Band of remuneration (HK$)** | **No. of person** |
|---|---|
| HK$1,000,000 and below | 4 |

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in Note 8 to the financial statements.

## AUDITOR'S REMUNERATION

During the Reporting Period, the fees incurred for audit service and non-audit services provided by the auditor of the Group was approximately HK$1,720,000 and HK$88,000 respectively.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 11 September 2012. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Chuck Winston Calptor and Mr. Ching Kwok Hoo, Pedro. Mr. Tam Tak Kei, Raymond is the chairman of the Audit Committee.

The written terms of reference of the Audit Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.



The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process and internal control system of the Group as well as external auditor of the Group. Policies in relation to financial controls, internal controls, risk management systems of the Group, and the reappointment of the external auditor were reviewed by the Audit Committee at the meetings. The Audit Committee has reviewed this report and confirmed that this report is complete, accurate and complies with all applicable rules and regulations, including but not limited to the Listing Rules and the Code. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The committee members' attendance of the Audit Committee is set out as follows:

| | **Attendance/ Number of meetings from the date of Listing to 31 March 2013** | **Attendance/ Number of meetings from 1 April 2013 to the date of this report** |
|---|---|---|
| Mr. Tam Tak Kei, Raymond *(Chairman)* | 1/1 | 1/1 |
| Mr. Chuck Winston Calptor | 1/1 | 1/1 |
| Mr. Ching Kwok Hoo, Pedro | 1/1 | 1/1 |

Under the terms of reference, members of the Audit Committee have performed the following duties:

- made recommendations to the Board on the appointment and re-appointment of the Company's external auditor, and approved the audit and terms of engagement of the Company's external auditor;

- reviewed the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- reviewed the integrity of the Company's financial statements and annual report and accounts, half-year report and reviewed significant financial reporting judgements;

- discussed with the Company's external auditors questions and doubts arising in audit of annual accounts;

- reviewed the Group's internal control system and the statement about the Company's internal control system which included in this report prior to submission for the Board's approval;

- reviewed the Company's financial reporting, financial controls, internal control and risk management systems;

- discussed the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system. The discussion included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- reviewed the financial and accounting policies and practices of the Group; and
- reviewed material queries raised by the auditor to management about accounting records, financial accounts and management's response.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2013. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

## INTERNAL CONTROL

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets. The Board, through the Audit Committee of the Company, has conducted annual review of the effectiveness of the Group's system of internal control covering all controls, including financial, operational and compliance controls, and risk management processes.

## NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 11 September 2012, which comprises an executive Director, namely Mr. Cheng Wing On, Michael and two independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond. Mr. Ching Kwok Hoo, Pedro is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The committee members' attendance of the Nomination Committee is set out as follows:

| | **Attendance/ Number of meetings from the date of Listing to 31 March 2013** | **Attendance/ Number of meetings from 1 April 2013 to the date of this report** |
|---|---|---|
| Mr. Ching Kwok Hoo, Pedro *(Chairman)* | –/– | 1/1 |
| Mr. Tam Tak Kei, Raymond | –/– | 1/1 |
| Mr. Cheng Wing On, Michael | –/– | 1/1 |

As the Company was newly listed on 18 October 2012, the Nomination Committee has held one meeting as at the date of this report.

Under the terms of reference, the Nomination Committee had performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes if any to the Board to complement the Company's corporate strategy;

- determined the policy for the nomination of Directors;

- assessed the independence of independent non-executive Directors; and

- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

## COMPLIANCE OF DEED OF NON-COMPETITION

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition dated 11 September 2012 executed by each of Mr. Leung, Dr. Ho, Join Together and Leading Win (the "Covenantors") in favour of the Company (for itself and for the benefit of each member of the Group) (the "Deed of Non-competition"). Each of the Covenantors has confirmed that he/it had complied with the Deed of Non-competition from the date of the Deed of Non-competition and up to the date of this annual report.

The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-competition given by the Covenantors since the date of the Deed of Non-competition and up to the date of this annual report. Details of the Deed of Non-competition have been set out in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company dated 27 September 2012.

## COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of shareholders of the Company and provide transparent and real-time information on the Company so as to keep the shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the shareholders' understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of shareholders of the Company. In order to safeguard the shareholders' interest, information of the Company and the Group are delivered to the shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

The Company will hold annual general meeting every year as an appropriate media for direct communication between the Board and shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

From the date of Listing to 31 March 2013, there had been no significant change in the Company's constitutional documents.



## PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Attention: Mr. Tony Tai
Sunley Holdings Limited
Room 201, 2/F, Marina House, 68 Hing Man Street, Shau Kei Wan, Hong Kong

Shareholders' enquiries and concerns are forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' enquiries.

## PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

**TO THE SHAREHOLDERS OF SUNLEY HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Sunley Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 83, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888*

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 27 June 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

| | *Note* | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| Revenue | *5* | **597,991** | 313,122 |
| Cost of sales | *6* | **(483,830)** | (253,452) |
| Gross profit | | **114,161** | 59,670 |
| Other income and net gains | *5* | **5,828** | 122 |
| Administrative expenses | *6* | **(37,919)** | (25,813) |
| Operating profit | | **82,070** | 33,979 |
| Finance costs | *9* | **(3,921)** | (2,097) |
| Profit before income tax | | **78,149** | 31,882 |
| Income tax expense | *10* | **(12,968)** | (6,126) |
| Profit and total comprehensive income for the year attributable to equity holders of the Company | | **65,181** | 25,756 |
| Basic and diluted earnings per share (HK cents) | *11* | **25.2** | 11.4 |

The notes on pages 40 to 83 are an integral part of these financial statements.

| | | | |
|---|---|---|---|
| Dividend | *12* | **41,000** | 9,300 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Note | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *13* | **246,585** | 172,427 |
| Deferred taxation | *21* | **71** | 84 |
| Goodwill | *14* | **13,022** | 13,022 |
| | | **259,678** | 185,533 |
| **Current assets** | | | |
| Trade and other receivables | *15* | **163,836** | 88,034 |
| Amounts due from customers for contract work | *16* | **21,301** | 2,762 |
| Cash and cash equivalents | *18* | **58,095** | 46,609 |
| | | **243,232** | 137,405 |
| **Total assets** | | **502,910** | 322,938 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *23* | **3,000** | – |
| Share premium | *23* | **57,320** | – |
| Other reserves | *24* | **97,897** | 97,907 |
| Retained earnings | | **112,725** | 67,544 |
| **Total equity** | | **270,942** | 165,451 |

The notes on pages 40 to 83 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Note | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *19* | **88,305** | 79,770 |
| Deferred taxation | *21* | **23,880** | 17,877 |
| | | **112,185** | 97,647 |
| **Current liabilities** | | | |
| Trade and other payables | *20* | **63,080** | 28,884 |
| Borrowings | *19* | **53,665** | 28,874 |
| Tax payable | | **3,038** | 2,082 |
| | | **119,783** | 59,840 |
| **Total liabilities** | | **231,968** | 157,487 |
| **Total equity and liabilities** | | **502,910** | 322,938 |
| **Net current assets** | | **123,449** | 77,565 |
| **Total assets less current liabilities** | | **383,127** | 263,098 |

The financial statements on pages 34 to 83 were approved by the Board of Directors on 27 June 2013 and were signed on its behalf.

**Ho Kar Chung**
*Director*

**Ho Chi Ling**
*Director*

The notes on pages 40 to 83 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Note | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in a subsidiary | *17* | **10** | – |
| Loan to a subsidiary | *17* | **28,000** | – |
| | | **28,010** | – |
| **Current assets** | | | |
| Amounts due from subsidiaries | *17* | **11,446** | – |
| Cash and cash equivalents | *18* | **6,912** | – |
| | | **18,358** | – |
| **Total assets** | | **46,368** | – |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *23* | **3,000** | – |
| Share premium | *23* | **57,320** | – |
| Accumulated losses | *24* | **(14,736)** | – |
| **Total equity** | | **45,584** | – |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *20* | **784** | – |
| | | **784** | – |
| **Total liabilities** | | **784** | – |
| **Total equity and liabilities** | | **46,368** | – |
| **Net current assets** | | **17,574** | – |
| **Total assets less current liabilities** | | **45,584** | – |

The financial statements on pages 34 to 83 were approved by the Board of Directors on 27 June 2013 and were signed on its behalf.

| | |
|---|---|
| **Ho Kar Chung** | **Ho Chi Ling** |
| *Director* | *Director* |

The notes on pages 40 to 83 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 March 2013

| | Share capital (Note 23) HK$'000 | Share Premium (Note 23) HK$'000 | Merger Reserve (Note 24) HK$'000 | Capital Reserve (Note 24) HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2011 | – | – | 39,193 | 58,714 | 51,088 | 148,995 |
| Profit and total comprehensive income for the year | – | – | – | – | 25,756 | 25,756 |
| Transactions with owners | | | | | | |
| Dividend | – | – | – | – | (9,300) | (9,300) |
| Balance at 31 March 2012 | – | – | 39,193 | 58,714 | 67,544 | 165,451 |
| Balance at 1 April 2012 | **–** | **–** | **39,193** | **58,714** | **67,544** | **165,451** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **–** | **65,181** | **65,181** |
| Transactions with owners | | | | | | |
| Issuance of shares upon group reorganisaton | **10** | **–** | **(10)** | **–** | **–** | **–** |
| Shares issued pursuant to the capitalisation issue | **2,240** | **(2,240)** | **–** | **–** | **–** | **–** |
| Gross proceeds from public offering of shares | **750** | **65,250** | **–** | **–** | **–** | **66,000** |
| Share issuance costs | **–** | **(5,690)** | **–** | **–** | **–** | **(5,690)** |
| Dividend | **–** | **–** | **–** | **–** | **(20,000)** | **(20,000)** |
| Total transactions with owners | **3,000** | **57,320** | **(10)** | **–** | **(20,000)** | **40,310** |
| Balance at 31 March 2013 | **3,000** | **57,320** | **39,183** | **58,714** | **112,725** | **270,942** |

The notes on pages 40 to 83 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | *25(a)* | **57,579** | 47,240 |
| Tax paid | | **(5,996)** | (8,130) |
| Interest paid | | **(3,921)** | (2,097) |
| Net cash generated from operating activities | | **47,662** | 37,013 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | **9,202** | 81 |
| Purchases of property, plant and equipment | | **(73,769)** | (42,606) |
| Net cash used in investing activities | | **(64,567)** | (42,525) |
| **Cash flows from financing activities** | | | |
| Proceeds from public offering of shares, net of share issuance costs | | **60,310** | – |
| Inception of finance lease | | **6,610** | 37,038 |
| Drawdown of bank borrowings | | **10,000** | – |
| Repayment of finance lease | | **(16,216)** | (16,506) |
| Repayment of bank borrowings | | **(12,313)** | (3,771) |
| Dividends paid | | **(20,000)** | (9,300) |
| Net cash generated from financing activities | | **28,391** | 7,461 |
| **Net increase in cash and cash equivalents** | | **11,486** | 1,949 |
| Cash and cash equivalents at 1 April | | **46,609** | 44,660 |
| **Cash and cash equivalents at 31 March** | | **58,095** | 46,609 |

The notes on pages 40 to 83 are an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND GROUP REORGANISATION

### (a) 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 Island ("the BVI") with a controlling interest and 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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2012 pursuant to its share offering under which 75,000,000 new ordinary shares of HK$0.01 each were issued by the Company (the "Share Offering").

These consolidated financial statements are presented in thousands of Hong Kong Dollar ("HK$'000") unless otherwise stated, and have been approved for issue by the Board of Directors on 27 June 2013.

### (b) Group reorganisation

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent a group reorganisation (the "Reorganisation") on 11 September 2012, pursuant to which the Company allotted and issued 999,999 ordinary shares of HK$0.01 each to Leading Win Management Limited ("Leading Win"), credited as fully paid, to acquire the entire equity interest in One Million International Limited, the intermediate holding company of the Group. Thereafter, the Company became the holding company of the companies now comprising the Group.

## 1 GENERAL INFORMATION AND GROUP REORGANISATION *(Continued)*

### (b) Group reorganisation *(Continued)*

Upon completion of the Reorganisation and up to 31 March 2013, the Company has direct or indirect interests in the following subsidiaries:

| Name | Place of incorporation | Date of incorporation | Principal activities and place of operation | Issued and fully paid share capital | Equity interest held 31 March | |
|---|---|---|---|---|---|---|
| | | | | | **2013** | 2012 |
| Directly held | | | | | | |
| One Million International Limited ("One Million") | The British Virgin Islands | 5 January 2010 | Investment holding | US$3, 3 shares of US$1 each | **100%** | 100% |
| Indirectly held | | | | | | |
| Sunley Engineering & Construction Company Limited ("Sunley") | Hong Kong | 27 July 1982 | General contracting, building and civil engineering and rental of machinery in Hong Kong | HK$39,193,000, 391,930 shares of HK$100 each | **100%** | 100% |
| Sunnic Engineering Limited ("Sunnic") | Hong Kong | 27 May 1993 | General contracting, building and civil engineering and rental of machinery in Hong Kong | HK$9,300,000, 9,300,000 shares of HK$1 each | **100%** | 100% |
| Full Gain Engineering Limited ("Full Gain") | Hong Kong | 1 December 2000 | General contracting, building and civil engineering and rental of machinery in Hong Kong | HK$100, 100 shares of HK$1 each | **100%** | 100% |
| Sunley Foundation Engineering (Macau) Company Limited ("Sunley Macau") | Macau | 22 November 2012 | General contracting, building and civil engineering in Macau | MOP$100,000, 1 share of MOP$99,000 and 1 share of MOP$1,000 | **100%** | – |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

The principal accounting policies applied in the preparation of the financial statements which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements set out in this report has been prepared under the historical cost convention.

Prior to and following the Reorganisation, the Company and its subsidiaries were and are directly or indirectly controlled by the same shareholders. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. The consolidated financial statements of the Group for the year ended 31 March 2013 including the comparative figures have been prepared on the merger basis as if the Company has been the holding company of these companies comprising the Group since 1 April 2011, or since the dates of their incorporation or establishment.

#### (i) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 April 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

| | |
|---|---|
| HKFRS 1 (amendment) | Severe hyperinflation and removal of fixed dates for first-time adopters |
| HKFRS 7 (amendment) | Disclosures — transfers of financial assets |
| HKAS 12 (amendment) | Deferred tax — recovery of underlying assets |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

**(ii) New standards, amendments to standards and interpretation that have been issued but are not effective**

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

| | | **Effective for accounting periods of the Group beginning on or after** |
|---|---|---|
| HKFRSs (amendment) | Improvements to HKFRSs 2011 | 1 April 2013 |
| HKFRS 1 (amendment) | Government loans for the first time adopters | 1 April 2013 |
| HKFRS 7 (amendment) | Disclosures — offsetting financial assets and financial liabilities | 1 April 2013 |
| HKFRS 7 (amendment) | Mandatory effect date of HKFRS 9 and transition disclosures | 1 April 2015 |
| HKFRS 9 (amendment) | Financial instruments | 1 April 2015 |
| Additions to HKFRS 9 | Financial instruments — financial liabilities | 1 April 2013 |
| HKFRS 10 | Consolidated financial statement | 1 April 2013 |
| HKFRS 11 | Joint arrangements | 1 April 2013 |
| HKFRS 12 | Disclosure of interests in other entities | 1 April 2013 |
| HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangement and disclosure of interests in other entities: Transition guidance | 1 April 2013 |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment) | Investment entities | 1 April 2014 |
| HKFRS 13 | Fair value measurements | 1 April 2013 |
| HKAS 1 (amendment) | Presentation of financial statements | 1 April 2013 |
| HKAS 19 (2011) | Employee benefits | 1 April 2013 |
| HKAS 27 (2011) | Separate financial statements | 1 April 2013 |
| HKAS 28 (2011) | Investments in associates and joint ventures | 1 April 2013 |
| HKAS 32 (amendment) | Financial instruments: Presentation — Offsetting financial assets and financial liabilities | 1 April 2014 |
| HK(IFRIC) Int 20 | Stripping costs in the production phase of a surface mine | 1 April 2013 |

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**(i) Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### (e) Foreign currency translation

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "Other income and net gains/(losses)".

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Foreign currency translation *(Continued)*

**(iii) Group companies**

The results and financial position of all companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Machinery | 10%–20% |
| Office equipment | 20% |
| Motor vehicles | 20%–30% |
| Furniture and fixtures | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of all property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the relevant asset, and are recognised in profit or loss on the date of retirement or disposal within "Other income and net gains/(losses)" in the consolidated statement of comprehensive income.

### (g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (note 14).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Impairment of non-financial assets

Assets that have indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (i) Leases and hire purchase contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Group as lessee**

Assets held under hire purchase contracts are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs as stated in the policy below.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### (j) Construction contracts in progress

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "amounts due from customer for contract work", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

### (l) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

— Significant financial difficulty of the issuer or obligor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

— It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties; or

— Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Impairment of financial assets *(Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

### (m) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### (n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### (o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (q) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period during the year in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (t) Employee benefits

**(i) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Employee benefits *(Continued)*

**(ii) Retirement benefits**

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(iii) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period during the year are discounted to present value.

**(iv) Bonus plans**

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

### (u) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) Contingent liabilities and contingent assets

**Financial guarantee**

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised as an expense immediately.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

**(a) Construction contracts income**

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (w) Revenue recognition *(Continued)*

**(a) Construction contracts income** *(Continued)*

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor.

**(b) Rental income on machinery**

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

**(c) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

### (x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments, if necessary, to reduce certain risk exposures.

**(i) Interest rate risk**

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2013 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK$1,416,000 (2012: HK$1,086,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### (a) Financial risk factors *(Continued)*

**(ii) Credit risk**

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables and amounts due from customers for contract work, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2013 and 2012, there were 3 (2012: 2) customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 46% (2012: 76%) of the Group's total trade and other receivables.

**(iii) 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 longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### (a) Financial risk factors *(Continued)*

**(iii) Liquidity risk** *(Continued)*

The following table details the remaining contractual maturities at the year end date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end date and the earliest date the Group may be required to pay:

**Group**

| | Within one year HK$'000 | Between one and two years HK$'000 | Between two and five years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 March 2013** | | | | |
| Trade and other payables | **61,739** | **–** | **–** | **61,739** |
| Borrowings | **58,040** | **35,555** | **56,611** | **150,206** |
| | **119,779** | **35,555** | **56,611** | **211,945** |
| **At 31 March 2012** | | | | |
| Trade and other payables | 28,884 | – | – | 28,884 |
| Borrowings | 32,455 | 25,982 | 57,715 | 116,152 |
| | 61,339 | 25,982 | 57,715 | 145,036 |

**Company**

| | Within one year HK$'000 | Between one and two years HK$'000 | Between two and five years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 March 2013** | | | | |
| Trade and other payables | **784** | **–** | **–** | **784** |
| **At 31 March 2012** | | | | |
| Trade and other payables | – | – | – | – |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

The gearing ratios at the year end dates are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total borrowings *(Note 19)* | **141,970** | 108,644 |
| Total equity | **270,942** | 165,451 |
| Gearing ratio | **52.4%** | 65.7% |

### (c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from customers for contract work and bank balances are a reasonable approximation of their fair values 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.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgment is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

### (b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables and amounts due from customers for contract work. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews. As at 31 March 2012 and 2013, management was not aware of any impairment on goodwill based on the assessment.

### (d) Construction contracts

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the construction works certified by an independent surveyor. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provision amount.

Significant judgment is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (e) Provision for litigation

When accounting for provisions for litigation and other items, the Group has taken internal and external advice in considering known legal claims and actions made by or against the Group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the Group on the basis of likely outcome, but no provisions are made for those which in the view of management are unlikely to succeed.

## 5 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 and other income and net gains recognised during the respective years are as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **Turnover** | | |
| Construction contracts income | **593,742** | 302,571 |
| Rental income on machinery | **4,249** | 10,551 |
| | **597,991** | 313,122 |

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **Other income and net gains** | | |
| Reimbursement of legal fees | **5,203** | – |
| Gain on disposal of property, plant and equipment | **112** | 64 |
| Others | **513** | 58 |
| | **5,828** | 122 |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker being the Board. As the Group is principally engaged in foundation business and machinery leasing business in Hong Kong and Macau, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong | | |
| Macau | **521,272** | 313,122 |
| | **76,719** | – |
| | **597,991** | 313,122 |

Reimbursement of legal fees represents the compensation received from a customer in respect of legal fee incurred by the Group on a previous litigation which was settled during the year ended 31 March 2012.

There were 2 (2012: 4) customers which individually contributed over 10% of the Group's revenue for the year ended 31 March 2013. The aggregate amount of revenue from these customers amounted to approximately 37% (2012: approximately 48%) of the Group's total revenue for the year ended 31 March 2013.

## 6 EXPENSES BY NATURE

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Cost of sales | | |
| Construction materials costs | **226,878** | 115,442 |
| Subcontracting charges | **144,992** | 56,638 |
| Staff costs *(Note 7)* | **77,305** | 54,234 |
| Depreciation of owned assets *(Note 13)* | **15,999** | 10,220 |
| Depreciation of assets under finance lease *(Note 13)* | **18,656** | 16,918 |
| | **483,830** | 253,452 |
| Administrative expenses | | |
| Auditor's remuneration | **1,720** | 730 |
| Building management fee | **318** | 303 |
| Staff costs, including directors' emoluments *(Note 7)* | **14,524** | 9,561 |
| Depreciation *(Note 13)* | **1,111** | 1,005 |
| Operating lease rental on land and buildings | **1,943** | 2,615 |
| Transportation | **2,134** | 1,975 |
| Legal and professional fees | **9,103** | 5,362 |
| Insurance | **1,998** | 821 |
| Repair and maintenance | **2,816** | 1,405 |
| Other expenses | **2,252** | 2,036 |
| | **37,919** | 25,813 |
| Total cost of sales and administrative expenses | **521,749** | 279,265 |

## 7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Salaries, wages and allowances | **89,207** | 61,943 |
| Retirement benefit expenses | | |
| — defined contribution plan | **2,622** | 1,852 |
| | **91,829** | 63,795 |

The Group operates two defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance.

Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's monthly contributions are subject to a cap of HK$1,000 prior to 1 June 2012 and HK$1,250 thereafter (2012: HK$1,000) and contributions beyond these amounts are voluntary. The contributions are fully and immediately vested upon payment.

At 31 March 2013, there was no forfeited contributions (2012: Nil).

## 8 DIRECTORS' EMOLUMENTS

### (a) Directors' emoluments

The emoluments of the directors for the year are set out below:

| | Fee | Salaries, wages and allowances | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2013** | | | | | |
| **Executive directors** | | | | | |
| Dr. Ho Kar Chung | **1,000** | **–** | **–** | **–** | **1,000** |
| Mr. Ho Chi Ling | **–** | **911** | **228** | **15** | **1,154** |
| Mr. Cheng Wing On, Michael | **–** | **960** | **–** | **15** | **975** |
| **Independent non-executive directors** | | | | | |
| Mr. Chuck Winston Calptor | **132** | **–** | **–** | **–** | **132** |
| Mr. Ching Kwok Hoo, Pedro | **132** | **–** | **–** | **–** | **132** |
| Mr. Tam Tak Kei, Raymond | **132** | **–** | **–** | **–** | **132** |
| **Non-executive director** | | | | | |
| Mr. Leung Chee Hon | **158** | **–** | **–** | **–** | **158** |
| | **1,554** | **1,871** | **228** | **30** | **3,683** |
| **Year ended 31 March 2012** | | | | | |
| **Executive directors** | | | | | |
| Dr. Ho Kar Chung | – | – | – | – | – |
| Mr. Ho Chi Ling | – | 780 | 132 | 12 | 924 |
| Mr. Cheng Wing On, Michael | – | 960 | 200 | 12 | 1,172 |
| **Independent non-executive directors** | | | | | |
| Mr. Chuck Winston Calptor | – | – | – | – | – |
| Mr. Ching Kwok Hoo, Pedro | – | – | – | – | – |
| Mr. Tam Tak Kei, Raymond | – | – | – | – | – |
| **Non-executive director** | | | | | |
| Mr. Leung Chee Hon | – | – | – | – | – |
| | – | 1,740 | 332 | 24 | 2,096 |

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.



## 8 DIRECTORS' EMOLUMENTS *(Continued)*

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2012: two) of them are directors whose emoluments are disclosed above. The emoluments of the remaining two (2012: three) highest paid individuals for the year ended 31 March 2013 are as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Salaries, wages and allowances | **1,920** | 2,580 |
| Discretionary bonuses | **–** | 510 |
| Retirement benefits expenses | **15** | 24 |
| | **1,935** | 3,114 |

The emoluments of the highest paid individuals fell within the following bands:

| | **2013** | 2012 |
|---|---|---|
| HK$Nil–HK$1,000,000 | **2** | 1 |
| HK$1,000,001–HK$1,500,000 | **–** | 2 |
| | **2** | 3 |

During the year, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group. No such emoluments were agreed to be waived by the relevant individuals.

## 9 FINANCE COSTS

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Interest on finance leases | **3,504** | 1,793 |
| Interest on bank borrowings wholly repayable within 5 years | **417** | 304 |
| | **3,921** | 2,097 |

No interest (2012: Nil) was capitalised during the year ended 31 March 2013.

## 10 INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the year ended 31 March 2013 on the estimated assessable profit for the year.

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax | **5,578** | 3,846 |
| — Macau profits tax | **1,394** | – |
| Over-provision in prior years | | |
| — Hong Kong profits tax | **(20)** | – |
| Deferred income tax | **6,016** | 2,280 |
| Income tax expense | **12,968** | 6,126 |

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Profit before income tax | **78,149** | 31,882 |
| Calculated at a tax rate of 16.5% (2012: 16.5%) | **12,895** | 5,261 |
| Effect of different tax rate in other jurisdiction | **(559)** | – |
| Income not subject to tax | **(43)** | (36) |
| Expenses not deductible for tax purposes | **1,650** | 920 |
| Temporary difference not recognised | **(957)** | – |
| Tax losses for which no deferred income tax assets was recognised | **2** | – |
| Over-provision in prior year | **(20)** | (19) |
| Income tax expense | **12,968** | 6,126 |

## 11 EARNINGS PER SHARE

### Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. 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, details of which are set out in Note 23.

| | **2013** | 2012 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **65,181** | 25,756 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand) | **258,699** | 225,000 |
| Basic earnings per share (HK cents) | **25.2** | 11.4 |

### Diluted

Diluted earnings per share is the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 March 2013 (2012: Nil).

## 12 DIVIDEND

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Interim paid *(note i)* | **–** | 9,300 |
| Special paid *(note ii)* | **20,000** | – |
| Final, proposed, of HK7 cents per ordinary share *(note iii)* | **21,000** | – |
| | **41,000** | 9,300 |

*Notes:*

(i) Pursuant to the respective resolution passed on 6 October 2011, certain subsidiaries comprising the Group declared interim dividends relating to the year ended 31 March 2012 amounting to HK$9,300,000, the amount of which were paid on 6 October 2011.

(ii) Pursuant to the respective resolution passed on 28 May 2012, certain subsidiaries comprising the Group declared a special dividend relating to the year ended 31 March 2013 amounting to HK$20,000,000 prior to the Company's share offer, the amount of which were paid in May 2012.

(iii) At a meeting held on 27 June 2013, the directors recommended the payment of a final dividend for the year ended 31 March 2013 of HK7 cents per ordinary share, totalling HK$21,000,000. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2014.

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Machinery | Office equipment | Motor vehicles | Furniture and fixtures | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Cost** | | | | | |
| At 1 April 2011 | 187,901 | 1,457 | 2,345 | 534 | 192,237 |
| Additions | 42,276 | – | 330 | – | 42,606 |
| Disposals | – | – | (172) | – | (172) |
| Written off | – | (1,022) | – | (277) | (1,299) |
| At 31 March 2012 | 230,177 | 435 | 2,503 | 257 | 233,372 |
| **Accumulated deprecation** | | | | | |
| At 1 April 2011 | 32,136 | 946 | 640 | 534 | 34,256 |
| Charge for the year *(Note 6)* | 27,138 | 292 | 713 | – | 28,143 |
| Disposals | – | – | (155) | – | (155) |
| Written off | – | (1,022) | – | (277) | (1,299) |
| At 31 March 2012 | 59,274 | 216 | 1,198 | 257 | 60,945 |
| **Net book value** | | | | | |
| At 31 March 2012 | 170,903 | 219 | 1,305 | – | 172,427 |
| **Cost** | | | | | |
| At 1 April 2012 | **230,177** | **435** | **2,503** | **257** | **233,372** |
| Additions | **117,593** | **630** | **791** | **–** | **119,014** |
| Disposals | **(11,986)** | **–** | **(108)** | **–** | **(12,094)** |
| At 31 March 2013 | **335,784** | **1,065** | **3,186** | **257** | **340,292** |
| **Accumulated deprecation** | | | | | |
| At 1 April 2012 | **59,274** | **216** | **1,198** | **257** | **60,945** |
| Charge for the year *(Note 6)* | **34,656** | **293** | **817** | **–** | **35,766** |
| Disposals | **(2,896)** | **–** | **(108)** | **–** | **(3,004)** |
| At 31 March 2013 | **91,034** | **509** | **1,907** | **257** | **93,707** |
| **Net book value** | | | | | |
| At 31 March 2013 | **244,750** | **556** | **1,279** | **–** | **246,585** |

(a) Certain machinery was under finance lease in the form of sale and leaseback arrangements. There was no disposal gain or loss recognised for the transactions as the fair value was not significantly different from the carrying value of the relevant machinery.

## 13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) *(Continued)*

The net book amount of machinery where the Group was a lessee under finance leases as at 31 March 2013 is analysed as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Cost — Capitalised finance leases | **194,235** | 155,830 |
| Accumulated amortisation | **(51,301)** | (37,902) |
| Net book amount | **142,934** | 117,928 |

As at 31 March 2013, the Group's machinery with an aggregate net book value of approximately HK$12,390,000 (2012: approximately HK$13,537,000) was pledged for bank borrowings.

(b) Rental income amounting to approximately HK$4,249,000 (2012: approximately HK$10,551,000) for the year ended 31 March 2013 relating to the lease of machinery is included in the consolidated statement of comprehensive income (Note 5).

(c) Machinery includes the following amount as at the end of the reporting period where the Group was a lessor under an operating lease:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Cost | **–** | 7,880 |
| Accumulated depreciation | **–** | (3,308) |
| Net book amount | **–** | 4,572 |

## 14 GOODWILL

| | HK$'000 |
|---|---|
| At 31 March 2012 and 2013 | 13,022 |

### Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") identified which is the foundation business.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Key assumptions of the financial budgets covering the five-year period and other key assumptions used for value-in- use calculations are as follows:

| | **2013** | 2012 |
|---|---|---|
| Average growth rate *(Note a)* | **5%** | 5% |
| Terminal growth rate | **2%** | 2% |
| Discount rate *(Note b)* | **14%** | 14% |

(a) Average growth rate used in the budget for the five-year period ending 31 March 2018.

(b) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

(c) Assuming the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no further impairment charge is required for the goodwill as at 31 March 2013.



## 15 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Contract receivables | **111,220** | 59,398 | **–** | – |
| Retention receivables | **41,272** | 19,452 | **–** | – |
| Total trade receivables | **152,492** | 78,850 | **–** | – |
| Other receivables, deposits and prepayments *(Note d)* | **11,344** | 9,184 | **–** | – |
| | **163,836** | 88,034 | **–** | – |

*Notes:*

(a) The credit periods granted to customers were 14 to 60 days. Trade receivables were denominated in Hong Kong dollars.

(b) The aging analysis of the Group's contract receivables based on invoice date is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **105,533** | 58,706 |
| 31–60 days | **561** | 353 |
| 61–90 days | **537** | – |
| Over 90 days | **4,589** | 339 |
| | **111,220** | 59,398 |

Contract receivables of approximately HK$105,533,000 (2012: approximately HK$58,706,000) as at 31 March 2013 were not yet past due and approximately HK$5,687,000 (2012: HK$692,000) as at 31 March 2013 were past due but not impaired. These relate to contract receivables from a number of independent customers for whom there is no recent history of default and no provision has therefore been made. As at 31 March 2013, no trade receivables (2012: Nil) were impaired.

Retention receivables were not yet past due as at 31 March 2013 and were settled in accordance with the terms of the respective contracts.

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

(d) The amount as at 31 March 2013 mainly represented prepayments for purchase of materials. The amount as at 31 March 2012 mainly represented prepayments for purchases of materials and listing expenses.

## 16 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Costs plus attributable profits less foreseeable losses | **168,368** | 13,144 |
| Less: progress billings to date | **(147,067)** | (10,382) |
| Amounts due from customers for contract work | **21,301** | 2,762 |

There were no advances received from customers for contract work as at 31 March 2013. Progress billings to date include retention receivables of approximately HK$14,349,200 (2012: HK$1,254,000) as at 31 March 2013.

## 17 INTEREST IN A SUBSIDIARY — THE COMPANY

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Investment in a subsidiary | **10** | – |
| Loans to a subsidiary *(note (a))* | **28,000** | – |
| | **28,010** | – |
| Amounts due from subsidiaries *(note (b))* | **11,446** | – |

*Notes*:

(a) Loans to a subsidiary are unsecured and non-interest bearing. The loan shall not be repayable on demand by the Company on or before 31 March 2014; and Company shall not demand repayment of the loan unless and until all the other liabilities and commitments of the subsidiary to other creditors are fully settled and satisfied.

(b) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances are mainly denominated in Hong Kong Dollars and approximate their fair values due to their short maturities.

## 18 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at banks | **57,957** | 46,551 | **6,912** | – |
| Cash on hand | **138** | 58 | **–** | – |
| Cash and cash equivalents | **58,095** | 46,609 | **6,912** | – |

*Notes:*

(a) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong dollar | **57,622** | 46,550 | **6,912** | – |
| Macau Pataco | **388** | – | **–** | – |
| Euro | **44** | 18 | **–** | – |
| United States dollar | **23** | 18 | **–** | – |
| Australian dollar | **18** | 23 | **–** | – |
| | **58,095** | 46,609 | **6,912** | – |

(b) Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 19 BORROWINGS

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Non-current | | |
| Finance lease liabilities *(Note b)* | **88,305** | 79,770 |
| | **88,305** | 79,770 |
| Current | | |
| Bank borrowings *(Note a)* | **8,250** | 10,563 |
| Finance lease liabilities *(Note b)* | **45,415** | 18,311 |
| | **53,665** | 28,874 |
| Total borrowings | **141,970** | 108,644 |

*Note:*

(a) Bank Borrowings

As at 31 March 2013, the Group had bank borrowings as followings:

— HK$2,215,000 (2012: Nil), which were repayable in full 6 months after each drawdown and bore interest at 3% above Hong Kong Interbank Offered Rate ("HIBOR") per annum;

— HK$189,000 (2012: HK$460,000), mature till November 2013 and bore interest at the current prime rate per annum;

— HK$3,580,000 (2012: HK$5,451,000), mature till 2014 and 2% above one-month HIBOR per annum, and were subject to annual review; and

— HK$2,266,000 (2012: HK$4,652,000), mature till 2015 and 2.5% above one-month HIBOR per annum, and were subject to annual review.

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, without considering the repayable on demand clause, are repayable as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Within 1 year | **6,440** | 4,527 |
| Between 1 and 2 years | **1,810** | 4,225 |
| Between 2 and 5 years | **–** | 1,811 |
| | **8,250** | 10,563 |

## 19 BORROWINGS *(Continued)*

(b) Finance Lease Liabilities

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Gross finance lease liabilities — minimum lease payments | | |
| Within 1 year | **39,232** | 21,527 |
| Later than 1 year and no later than 5 years | **102,604** | 83,696 |
| | **141,836** | 105,223 |
| Future finance charges on finance leases | **(8,116)** | (7,142) |
| Present value of finance lease liabilities | **133,720** | 98,081 |

The present value of finance lease liabilities is as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Within 1 year | **45,415** | 18,311 |
| Later than 1 year and no later than 5 years | **88,305** | 79,770 |
| | **133,720** | 98,081 |

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

(c) As at 31 March 2013, the Group had committed banking facilities (including the finance lease facilities) of HK$800,000 which bore interest at the current prime rate per annum, HK$370,000 which bore interest at fixed rate 2.5% per annum and HK$232,182,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

As at 31 March 2012, the Group had committed banking facilities (including the finance lease facilities) of HK$800,000 which bore interest at the current prime rate and HK$130,678,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 31 March 2013, the undrawn banking facilities amounted to HK$82,953,000 (2012: HK$18,980,000).

These banking facilities were secured by the Group's machinery with an aggregate net book value of HK$155,324,000 and HK$131,465,000 as at 31 March 2013 and 2012 respectively (Note 13).

## 20 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **55,221** | 25,499 | **–** | – |
| Accruals for construction costs | **4,854** | 1,372 | **–** | – |
| Other accruals *(Note (c))* | **3,005** | 2,013 | **784** | – |
| | **63,080** | 28,884 | **784** | – |

*Notes:*

(a) The carrying amounts of trade and other payables approximated their fair values and were denominated in Hong Kong dollars.

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

The aging analysis of the Group's trade payables based on the invoice date is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **36,432** | 23,313 |
| 31–60 days | **6,974** | 1,413 |
| 61–90 days | **9,847** | 97 |
| Over 90 days | **1,968** | 676 |
| | **55,221** | 25,499 |

(c) Other accruals mainly arose from the purchase of machinery and accrued legal and professional expenses.

## 21 DEFERRED TAXATION

The analysis of deferred taxation assets is as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| — Deferred tax assets to be settled after more than 12 months | **71** | 84 |
| — Deferred tax assets to be settled within 12 months | **–** | – |
| | **71** | 84 |

The analysis of deferred taxation liabilities is as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| — Deferred tax liabilities to be settled after more than 12 months | **(23,344)** | (17,734) |
| — Deferred tax liabilities to be settled within 12 months | **(536)** | (143) |
| | **(23,880)** | (17,877) |

The movements in deferred tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

| | **Accelerated tax depreciation** HK$'000 | **Tax losses** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| Deferred tax assets/(liabilities) | | | |
| At 1 April 2011 | (15,628) | 115 | (15,513) |
| Charged to consolidated statement of comprehensive income *(Note 10)* | (2,249) | (31) | (2,280) |
| At 31 March 2012 | (17,877) | 84 | (17,793) |
| At 1 April 2012 | (17,877) | 84 | (17,793) |
| (Charged)/credited to consolidated statement of comprehensive income *(Note 10)* | (8,652) | 2,636 | (6,016) |
| At 31 March 2013 | (26,529) | 2,720 | (23,809) |

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

### (a) Group

| | Loans and receivables | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| **Assets as per balance sheet** | | |
| Trade and other receivables excluding prepayments | **156,555** | 82,402 |
| Amounts due from customers for contract work | **21,301** | 2,762 |
| Cash and cash equivalents | **58,095** | 46,609 |
| **Total** | **235,951** | 131,773 |

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| **Liabilities as per balance sheet** | | |
| Trade and other payables excluding non-financial liabilities | **61,739** | 28,884 |
| Borrowings (excluding finance lease liabilities) | **8,250** | 10,563 |
| Finance lease liabilities | **133,720** | 98,081 |
| **Total** | **203,709** | 137,528 |

### (b) Company

| | Loans and receivables | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| **Assets as per balance sheet** | | |
| Loan due to a subsidiary | **28,000** | – |
| Amounts due from subsidiaries | **11,446** | – |
| Cash and cash equivalents | **6,912** | – |
| **Total** | **46,358** | – |

## 22 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

### (b) Company *(Continued)*

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| **Liabilities as per balance sheet** | | |
| Trade and other payables | **784** | – |
| **Total** | **784** | – |

## 23 SHARE CAPITAL AND SHARE PREMIUM

| | **Ordinary shares of HK$0.01 each Number of shares** | **Nominal amount** |
|---|---|---|
| | | HK$'000 |
| **Authorised:** | | |
| Ordinary shares as at 31 March 2012 | 38,000,000 | 380 |
| Ordinary shares as at 31 March 2013 | 2,000,000,000 | 20,000 |
| **Issued and fully paid:** | | |
| Ordinary shares as at 31 March 2012 | 1 | – |
| Issuance of shares | 999,999 | 10 |
| Shares issued pursuant to the capitalisation issue | 224,000,000 | 2,240 |
| Shares issued pursuant to the share offer | 75,000,000 | 750 |
| Ordinary shares as at 31 March 2013 | 300,000,000 | 3,000 |

The Company was incorporated in the Cayman Islands on 15 April 2011, with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. At the time of its incorporation, the Company issued 1 ordinary share of HK$0.01 to the subscriber which was subsequently transferred to Leading Win.

On 11 September 2012, pursuant to a shareholder resolution the authorised share capital of the Company was increased to HK$20,000,000 divided into 2,000,000,000 ordinary shares of HK$0.01 each. On the same date, the Company allotted and issued 999,999 ordinary shares of HK$0.01 each to Leading Win in connection with the Reorganisation as described in Note 1(b) above, credited as fully paid.

## 23 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

On 18 October 2012, the Company issued 75,000,000 ordinary shares with a par value of HK$0.01 each during its share offer at an offer price of HK$0.88 per ordinary share. As a result, after capitalising HK$5,690,000 share issuance costs, HK$60,310,000 were recognised in equity of the consolidated statement of financial position including a credit of HK$59,560,000 to the share premium account. On the same date, the Company allotted and issued a total of 224,000,000 ordinary shares with a par value of HK$0.01 each, credited as fully paid, to the holders of the Company's shares on the register of members at the close of business on 11 September 2012 by way of capitalisation of a sum of HK$2,240,000 standing to the credit of the share premium account of the Company, pursuant to a resolution passed on 11 September 2012.

## 24 OTHER RESERVES

### (a) Merger reserve

As at 31 March 2012, merger reserve represents the difference between the nominal value of the ordinary share issued by One Million to acquire the entire equity interest in Sunley on 18 May 2010 and the issued share capital of Sunley.

As at 31 March 2013, merger reserve represents the nominal value of the ordinary shares issued by the Company to acquire the entire equity interest in One Million and its subsidiaries during the Reorganisation and the merger reserve brought forward.

### (b) Capital reserve

Capital reserve represents the differences between the nominal value of the share issued by One Million to acquire the entire equity interests in Sunnic and Full Gain and the fair value of shares issued by Leading Win to the then shareholders of Sunnic and Full Gain. The latter was regarded as a capital contribution by Leading Win to One Million.

(c) The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$14,736,000 (2012: Nil).

## 25 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of profit before income tax to net cash generated from operations

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Profit before income tax | **78,149** | 31,882 |
| Adjustments for: | | |
| Depreciation | **35,766** | 28,143 |
| Gain on disposal of fixed assets | **(112)** | (64) |
| Interest expense | **3,921** | 2,097 |
| Operating profit before working capital changes | **117,724** | 62,058 |
| Increase in trade and other receivables | **(75,802)** | (10,526) |
| (Increase)/decrease in amounts due from customers for contract work | **(18,539)** | 1,094 |
| Decrease in balance with a related company | **–** | 59 |
| Increase/(decrease) in trade and other payables | **34,196** | (5,445) |
| Net cash generated from operations | **57,579** | 47,240 |

### (b) Non-cash transactions

There were machineries purchased under borrowings arrangements amounted to HK$45,245,000 for the year ended 31 March 2013.

## 26 COMMITMENTS

### (a) Capital commitments — Group

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Contracted but not provided for | **–** | 20,145 |

## 26 COMMITMENTS *(Continued)*

### (b) Operating lease commitments — Group as lessee

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Not later than 1 year | **2,270** | 1,331 |
| 1–5 years | **137** | 1,426 |
| | **2,407** | 2,757 |

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

### (c) Operating lease commitments — Group as lessor

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Not later than 1 year | **–** | 103 |

The Group is the lessor in respect of a number of items of machinery under operating leases. The leases had an initial period of one to two years, and did not include any contingent rentals.

## 27 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 years ended 31 March 2013 and 2012, the related parties that had transactions with the Group were as follows:

| **Name of related parties** | **Relationship with the Group** |
|---|---|
| Super Ease Holdings Limited ("Super Ease") | A related company in which a director of the Company has interests |
| Sunnic Holdings Limited ("Sunnic Holdings") | A related company in which a director of the Company has interests |

(b) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the financial statements, 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:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **Rent paid to** | | |
| — Super Ease | **285** | 285 |
| — Sunnic Holdings | **285** | 285 |
| | **570** | 570 |

(c) The emoluments of the directors (representing the key management personnel) during the year are disclosed in Note 8.

## 28 CONTINGENT LIABILITIES

At each statement of financial position date, the Group had the following contingent liabilities:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Guarantees on performance bonds in respect of construction contracts | **14,122** | 5,492 |

### (a) Pending litigation

As at 31 March 2013, there was one outstanding personal injury case made against the Group. The claim related to an employee of the Group who alleged to have suffered from bodily injuries during the course of employment on the Group's construction site. The claim is dealt with and handled by the insurer and is covered by mandatory insurance. The Directors of the Company assessed the case and believe that there would not be a material impact to the financial position of the Group. No provision has been made for the case in the consolidated financial statements.

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 on 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 these financial statements. The next hearing will be held in July 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 being 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.

# FOUR YEAR FINANCIAL SUMMARY

| | 2010<br>HK$'000 | 2011<br>HK$'000 | 2012<br>HK$'000 | **2013**<br>**HK$'000** |
|---|---|---|---|---|
| **RESULTS** | | | | |
| Revenue | 51,306 | 257,505 | 313,122 | **597,991** |
| Profit before income tax | 13,182 | 43,020 | 31,882 | **78,149** |
| Income tax expense | (2,351) | (7,656) | (6,126) | **(12,968)** |
| Profit and total comprehensive income for the year | 10,831 | 35,364 | 25,756 | **65,181** |
| Profit and total comprehensive income for the year attributable to equity holders of the Company | 10,831 | 35,364 | 25,756 | **65,181** |
| **ASSETS AND LIABILITIES** | | | | |
| Total assets | 108,195 | 297,201 | 322,938 | **502,910** |
| Total liabilities | (53,278) | (148,206) | (157,487) | **(231,968)** |
| Net assets | 54,917 | 148,995 | 165,451 | **270,942** |
| Equity attributable to equity holders of the Company | 54,917 | 148,995 | 165,451 | **270,942** |