



SUNLEY HOLDINGS LIMITED
新利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1240



2012/2013 INTERIM REPORT



Contents

| | |
|--|----|
| CORPORATE INFORMATION | 2 |
| UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS | |
| Condensed Consolidated Statement of Comprehensive Income | 3 |
| Condensed Consolidated Statement of Financial Position | 4 |
| Condensed Consolidated Statement of Changes in Equity | 5 |
| Condensed Consolidated Statement of Cash Flows | 6 |
| Notes to Condensed Consolidated Financial Statements | 7 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 23 |
| DISCLOSURE OF INTEREST | 26 |
| SHARE OPTION SCHEME | 29 |
| CORPORATE GOVERNANCE AND OTHER INFORMATION | 30 |



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ho Kar Chung (*Chairman*)

Cheng Wing On, Michael (*Chief Executive*)

Ho Chi Ling

Non-executive Director

Leung Chee Hon

Independent Non-executive Directors

Chuck Winston Calptor

Ching Kwok Hoo, Pedro

Tam Tak Kei, Raymond

COMPANY SECRETARY

Tai Man Hin, Tony (*CPA*)

AUDIT COMMITTEE

Tam Tak Kei, Raymond (*Chairman*)

Chuck Winston Calptor

Ching Kwok Hoo, Pedro

REMUNERATION COMMITTEE

Chuck Winston Calptor (*Chairman*)

Ching Kwok Hoo, Pedro

Ho Chi Ling

NOMINATION COMMITTEE

Ching Kwok Hoo, Pedro (*Chairman*)

Tam Tak Kei, Raymond

Cheng Wing On, Michael

REGISTERED OFFICE

Clifton House, 75 Fort Street

PO Box 1350, Grand Cayman, KY1-1108

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 201, 2/F, Marina House

68 Hing Man Street, Shau Kei Wan

Hong Kong

LEGAL ADVISER

Loong & Yeung

COMPLIANCE ADVISER

Ample Capital Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited

Clifton House, 75 Fort Street

PO Box 1350, Grand Cayman, KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26th Floor Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

STOCK CODE

1240

WEBSITE

www.sunley-fdn.com.hk

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

The board (the "Board") of directors (the "Directors") of Sunley Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the Group's unaudited consolidated results for the six months ended 30 September 2012, together with the comparative figures for the corresponding period in 2011 as follows:

| | Note | Six months ended 30 September 2012 HK\$'000 Unaudited | 2011 HK\$'000 Unaudited |
|--|------|---|-------------------------------|
| Revenue | 6 | 182,315 | 126,325 |
| Cost of sales | | (151,202) | (102,140) |
| Gross profit | | 31,113 | 24,185 |
| Other income and net gains | | 122 | 157 |
| Administrative expenses | | (13,196) | (11,929) |
| Operating profit | 7 | 18,039 | 12,413 |
| Finance costs | | (1,793) | (832) |
| Profit before income tax | | 16,246 | 11,581 |
| Income tax expense | 8 | (2,871) | (2,311) |
| Profit and total comprehensive income for the period attributable to equity holders of the Company | | 13,375 | 9,270 |
| Basic and diluted earnings per share (HK cents) | 9 | 5.9 | 4.1 |
| Dividend | 10 | 20,000 | – |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

| | Note | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|--|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 192,485 | 172,427 |
| Deferred taxation | | – | 84 |
| Goodwill | 11 | 13,022 | 13,022 |
| | | 205,507 | 185,533 |
| Current assets | | | |
| Trade and other receivables | 12 | 103,544 | 88,034 |
| Amounts due from customers for contract work | 13 | 7,492 | 2,762 |
| Cash and cash equivalents | | 18,084 | 46,609 |
| | | 129,120 | 137,405 |
| Total assets | | 334,627 | 322,938 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 16 | 10 | – |
| Reserve | | 158,816 | 165,451 |
| Total equity | | 158,826 | 165,451 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 14 | 83,567 | 79,770 |
| Deferred taxation | | 18,573 | 17,877 |
| | | 102,140 | 97,647 |
| Current liabilities | | | |
| Trade and other payables | 15 | 22,056 | 28,884 |
| Borrowings | 14 | 48,005 | 28,874 |
| Tax payable | | 3,600 | 2,082 |
| | | 73,661 | 59,840 |
| Total liabilities | | 175,801 | 157,487 |
| Total equity and liabilities | | 334,627 | 322,938 |
| Net current assets | | 55,459 | 77,565 |
| Total assets less current liabilities | | 260,966 | 263,098 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

| | Share capital (Note 16) HK\$'000 | Merger reserve HK\$'000 | Capital reserve 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 period | – | – | – | 9,270 | 9,270 |
| Balance at 30 September 2011 | – | 39,193 | 58,714 | 60,358 | 158,265 |
| Balance at 1 April 2012 | – | 39,193 | 58,714 | 67,544 | 165,451 |
| Profit and total comprehensive income for the period | – | – | – | 13,375 | 13,375 |
| Transactions with owners: | | | | | |
| Issuance of shares (Note 16) | 10 | (10) | – | – | – |
| Dividend | – | – | – | (20,000) | (20,000) |
| | 10 | (10) | – | (20,000) | (20,000) |
| Balance at 30 September 2012 | 10 | 39,183 | 58,714 | 60,919 | 158,826 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

| | Six months ended 30 September | |
|--|----------------------------------|-----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Cash flows from operating activities | | |
| Net cash generated from operations | 6,727 | 35,209 |
| Tax paid | (573) | – |
| Interest paid | (1,793) | (832) |
| Net cash generated from operating activities | 4,361 | 34,377 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | 9,200 | 82 |
| Purchases of property, plant and equipment | (45,014) | (32,138) |
| Net cash used in investing activities | (35,814) | (32,056) |
| Cash flows from financing activities | | |
| Inception of finance leases | 24,676 | 6,500 |
| Drawdown of bank borrowings | 7,785 | – |
| Repayment of finance leases | (7,450) | (7,925) |
| Repayment of bank borrowings | (2,083) | (2,034) |
| Dividend paid | (20,000) | – |
| Net cash generated from financing activities | 2,928 | (3,459) |
| Net decrease in cash and cash equivalents | (28,525) | (1,138) |
| Cash and cash equivalents at beginning of the period | 46,609 | 44,660 |
| Cash and cash equivalents at end of the period | 18,084 | 43,522 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND GROUP REORGANISATION

(a) General information

The Company is a limited liability company incorporated in 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 Group is principally engaged in the foundation business and machinery rental business in Hong Kong.

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.

(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"), pursuant to which, inter alia, the Company allotted and issued 999,999 ordinary shares of HK\$0.01 each on 11 September 2012 to Leading Win Management Limited ("Leading Win"), credited as fully paid, as consideration for acquiring 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.

2. BASIS OF PRESENTATION

This unaudited condensed interim financial information for the six months ended 30 September 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The unaudited condensed interim financial information should be read in conjunction with the combined financial information for the years ended 31 March 2010, 2011 and 2012 as set out in the accountant's report (the "Accountant's Report") included in Appendix I to the prospectus of the Company in connection with the initial public offering of the Company's shares dated 27 September 2012.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed interim financial information for the six months ended 30 September 2012 are consistent with those adopted for the preparation of the financial information for the years ended 31 March 2010, 2011 and 2012 as set out in the Accountant's Report.

The Group has adopted the following amendments to standards for accounting periods beginning on or after 1 April 2012:

| | |
|-------------------|---|
| HKAS 12 Amendment | Income Taxes (Amendments made by Deferred Tax: Recovery of Underlying Assets) |
| HKFRS 7 Amendment | Disclosures — Transfers of Finance Assets |

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

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

| | | Effective for accounting periods of the Group beginning on or after |
|-------------------|--|---|
| HKFRS 7 Amendment | Disclosures — Offsetting Financial Assets and Financial Liabilities | 1 April 2013 |
| HKAS 1 Amendment | Presentation of Items of Other Comprehensive 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 |
| HKFRS 10 | Consolidated Financial statements | 1 April 2013 |
| HKFRS 11 | Joint Arrangements | 1 April 2013 |
| HKFRS 12 | Disclosure of Interests in Other Entities | 1 April 2013 |
| HKFRS 13 | Fair Value Measurement | 1 April 2013 |
| HKAS 31 Amendment | Presentation — Offsetting Financial Assets and Financial Liabilities | 1 April 2014 |
| HKFRS 9 | Financial Instruments | 1 April 2015 |

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT

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

During the six months ended 30 September 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financing assets and liabilities.

There were no reclassifications of financial assets.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

6. REVENUE AND SEGMENT INFORMATION

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

| | Six months ended 30 September | |
|-------------------------------|----------------------------------|-----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Turnover | | |
| Construction contracts income | 178,353 | 125,910 |
| Rental income on machinery | 3,962 | 415 |
| | 182,315 | 126,325 |

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. OPERATING PROFIT

Operating profit is stated after charging the following:

| | Six months ended 30 September | |
|---|----------------------------------|-----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Cost of sales | | |
| Construction materials costs | 78,785 | 46,571 |
| Subcontracting charges | 33,151 | 21,487 |
| Staff costs, including directors' emoluments | 30,665 | 26,721 |
| Depreciation of owned assets (Note 11) | 6,116 | 8,333 |
| Depreciation of assets under finance leases (Note 11) | 9,751 | 5,974 |
| Legal and professional fees | 1,441 | 520 |
| Operating lease rental on land and buildings | 971 | 1,280 |

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 September 2012 on the estimated assessable profit for the period.

| | Six months ended 30 September | |
|-----------------------|----------------------------------|-----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Hong Kong profits tax | | |
| — Current year | 2,091 | 1,198 |
| Deferred income tax | 780 | 1,113 |
| Income tax expense | 2,871 | 2,311 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation on 11 September 2012 and the Capitalisation Issue of the ordinary shares which took place on 18 October 2012, details of which are set out in Note 16 below.

| | Six months ended 30 September | |
|--|----------------------------------|-----------|
| | 2012 | 2011 |
| | Unaudited | Unaudited |
| Profit attributable to equity holders of the Company (HK\$'000) | 13,375 | 9,270 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand) | 225,000 | 225,000 |
| Basic earnings per share (HK cents) | 5.9 | 4.1 |

Diluted

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

10. DIVIDEND

| | Six months ended 30 September | |
|---------------|----------------------------------|-----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Dividend paid | 20,000 | – |

During the six months ended 30 September 2012, the Group declared and paid a dividend of HK\$20,000,000 to its then shareholders.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

| | Property, plant and equipment HK\$'000 | Goodwill HK\$'000 | Total HK\$'000 |
|---|---|----------------------|-------------------|
| Six months ended 30 September 2012 | | | |
| (Unaudited) | | | |
| Net book value | | | |
| Opening amount as at 1 April 2012 | 172,427 | 13,022 | 185,449 |
| Additions | 45,014 | – | 45,014 |
| Disposals | (9,089) | – | (9,089) |
| Depreciation | (15,867) | – | (15,867) |
| Closing amount as at 30 September 2012 | 192,485 | 13,022 | 205,507 |
| Six months ended 30 September 2011 | | | |
| (Unaudited) | | | |
| Net book value | | | |
| Opening amount as at 1 April 2011 | 157,981 | 13,022 | 171,003 |
| Additions | 32,138 | – | 32,138 |
| Disposals | (17) | – | (17) |
| Depreciation | (14,307) | – | (14,307) |
| Closing amount as at 30 September 2011 | 175,795 | 13,022 | 188,817 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|---|---|---|
| Contract receivables | 69,569 | 59,398 |
| Retention receivables | 16,027 | 19,452 |
| Total trade receivables | 85,596 | 78,850 |
| Other receivables, deposits and prepayments (Note (d)) | 17,948 | 9,184 |
| | 103,544 | 88,034 |

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 14 to 30 days. Trade receivables are denominated in Hong Kong dollars.
- (b) The ageing analysis of the contract receivables based on invoice date is as follows:

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|--------------|---|---|
| 0–30 days | 64,323 | 58,706 |
| 31–60 days | 2,164 | 353 |
| 61–90 days | – | – |
| Over 90 days | 3,082 | 339 |
| | 69,569 | 59,398 |

Contract receivables of HK\$64,323,000 and HK\$58,706,000 as at 30 September 2012 and 31 March 2012 were not yet past due and HK\$5,246,000 and HK\$692,000 as at 30 September 2012 and 31 March 2012 were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Retention receivables were not yet past due as at 30 September 2012 and were settled in accordance with the terms of respective contracts.

- (c) The other classes of assets within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.
- (d) The amount mainly represents prepayments for insurance and purchase of materials.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|---|---|---|
| Costs plus attributable profits less foreseeable losses | 26,980 | 13,144 |
| Less: progress billings to date | (19,488) | (10,382) |
| Amounts due from customers for contract work | 7,492 | 2,762 |

There were no advances received from customers for contract work as at 30 September 2012 and 31 March 2012. Progress billings to date include retention receivables of HK\$2,362,700 and HK\$1,254,000 as at 30 September 2012 and 31 March 2012.

14. BORROWINGS

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|--------------------------------------|---|---|
| Non-current | | |
| Finance lease liabilities (Note (b)) | 83,567 | 79,770 |
| | 83,567 | 79,770 |
| Current | | |
| Bank borrowings (Note (a)) | 16,265 | 10,563 |
| Finance lease liabilities (Note (b)) | 31,740 | 18,311 |
| | 48,005 | 28,874 |
| Total borrowings | 131,572 | 108,644 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. BORROWINGS (Continued)

Notes:

(a) *Bank borrowings*

Bank borrowings mature until 2015 and bear interest at the prime rate and 2% to 2.5% above one-month Hong Kong Interbank Offered Rate ("HIBOR") per annum respectively, and are subject to annual review.

The bank borrowings are denominated in Hong Kong dollars.

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

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|-----------------------|---|---|
| Within 1 year | 12,376 | 4,527 |
| Between 1 and 2 years | 2,979 | 4,225 |
| Between 2 and 5 years | 910 | 1,811 |
| | 16,265 | 10,563 |

(b) *Finance lease liabilities*

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

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|--|---|---|
| Gross finance lease liabilities — minimum lease payments | | |
| — Within 1 year | 35,574 | 21,527 |
| — Later than 1 year and no later than 5 years | 87,464 | 83,696 |
| | 123,038 | 105,223 |
| Future finance charges on finance leases | (7,731) | (7,142) |
| Present value of finance lease liabilities | 115,307 | 98,081 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. BORROWINGS (Continued)

(b) *Finance lease liabilities (Continued)*

The present value of finance lease liabilities is as follows:

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|---|---|---|
| Within 1 year | 31,740 | 18,311 |
| Later than 1 year and no later than 5 years | 83,567 | 79,770 |
| | 115,307 | 98,081 |

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

- (c) As at 30 September 2012, the Group had committed banking facilities (including the finance lease facilities) of HK\$800,000 (31 March 2012: HK\$800,000) and HK\$165,796,000 (31 March 2012: HK\$140,678,000) which bear interest at the current prime rate and 2% to 3.5% per annum above HIBOR respectively.

These committed banking facilities are subject to annual review. As at 30 September 2012 and 31 March 2012, the undrawn banking facilities amounted to HK\$31,831,602 and HK\$18,980,000 respectively.

These banking facilities are secured by:

- (i) The Group's machinery with an aggregate net book value of HK\$128,671,000 and HK\$131,465,000 as at 30 September 2012 and 31 March 2012 respectively (Note 11); and
- (ii) Personal guarantees given by certain directors as at 30 September 2012 and 31 March 2012 respectively. These guarantees had been released subsequent to 30 September 2012.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|---------------------------------|---|---|
| Trade payables | 18,753 | 25,499 |
| Accruals for construction costs | 1,097 | 1,372 |
| Other accruals (Note (d)) | 2,206 | 2,013 |
| | 22,056 | 28,884 |

Notes:

- (a) The carrying amounts of trade payables approximate their fair values and are denominated in Hong Kong dollars.
- (b) Payment terms granted by suppliers are 14 to 60 days from the invoice date of the relevant purchases.

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

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|--------------|---|---|
| 0–30 days | 16,452 | 23,313 |
| 31–60 days | 933 | 1,413 |
| 61–90 days | 37 | 97 |
| Over 90 days | 1,331 | 676 |
| | 18,753 | 25,499 |

- (c) The carrying amounts of the Group's trade and other payables are denominated in Hong Kong dollars.
- (d) Other accruals mainly arise from the purchase of machinery.

16. SHARE CAPITAL

| | Number of ordinary shares | Nominal amount HK\$ |
|---|---------------------------------|---------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each as at 31 March 2012 | 38,000,000 | 380,000 |
| Ordinary shares of HK\$0.01 each as at 30 September 2012 | 2,000,000,000 | 20,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each as at 31 March 2012 | 1 | - |
| Ordinary shares of HK\$0.01 each as at 30 September 2012 | 1,000,000 | 10,000 |

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 of a par value of HK\$0.01 each. At the time of its incorporation, the Company issued 1 ordinary share to the subscriber, which was later transferred to Leading Win on 15 April 2011.

On 11 September 2012, pursuant to the sole 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 a par value 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.

On 18 October 2012, the Company allotted and issued a total of 224,000,000 ordinary shares of the Company credited as fully paid at par to the sole holder of the Company's shares on the register of members at the close of business on 10 September 2012 by way of capitalization of the 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 (the "Capitalisation Issue").

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. COMMITMENTS

(a) Capital commitments

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

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|---------------------------------|---|---|
| Contracted but not provided for | 16,682 | 20,145 |

(b) Operating lease commitments — Group as lessee

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

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|-----------------------|---|---|
| Not later than 1 year | 1,331 | 1,331 |
| 1–5 years | 697 | 1,426 |
| | 2,028 | 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 two to three years. None of the leases includes contingent rentals.

(c) Operating lease commitments — Group as lessor

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

| | 30 September 2012 HK\$'000 Unaudited | 31 March 2012 HK\$'000 Audited |
|-----------------------|---|---|
| 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.

18. RELATED PARTY TRANSACTIONS

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

- (a) During the six months ended 30 September 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 | A related company owned by certain directors of the Company |
| Sunnic Holdings Limited | A related company owned by certain directors of the Company |

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

| | Six months ended | |
|-------------------------------|-------------------------|-----------|
| | 30 September | |
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Rent paid to | | |
| — Super Ease Holdings Limited | 143 | 212 |
| — Sunnic Holdings Limited | 143 | 213 |
| | 286 | 425 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

| | Six months ended 30 September | |
|--------------------------------|----------------------------------|-----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited |
| Salaries, wages and allowances | 2,726 | 2,561 |
| Retirement benefits expenses | 42 | 36 |
| | 2,768 | 2,597 |

19. CONTINGENT LIABILITIES

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

| | 30 September 2012 | 31 March 2012 |
|--|----------------------|------------------|
| | HK\$'000 | HK\$'000 |
| | Unaudited | Audited |
| Guarantees on performance bonds in respect of construction contracts | 8,227 | 5,492 |

(b) Pending litigation

As at 30 September 2012, there were two outstanding personal injuries cases made against the Group. The claims were related to employees of the Group who alleged to have suffered from bodily injuries during their course of employment in the Group's construction sites. The claims are dealt with and handled by the insurers and are covered by mandatory insurance. The directors of the Company assessed the cases and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the cases in the condensed financial statements.

19. CONTINGENT LIABILITIES *(Continued)*

(b) Pending litigation *(Continued)*

Further, as at 30 September 2012, there were twenty one potential claims under which the injured employees of the Group were still on sick leave for their injuries. These injured employees had not yet commenced their claims for employee's compensation and/or personal injuries. These cases were within the limitation period of 3 years from the date of the relevant incidents. The claims, when filed, will be handled by solicitors appointed by their insurers. Whilst the directors of the Company are not in a position to assess the likely quantum of such potential claims, they confirmed that the Group has insurance covered for its liabilities of all these incidents should the claims arise.

In August 2012, two charges were laid by the Labour Department of the Government of the Hong Kong Special Administrative Region to the Group in relation to an accident which occurred in March 2012 alleging the Group's failure to provide a safe environment to its workers working on site. No pleas had been taken for both summonses during the Group's first and second appearance at the Magistrates' Court held in September 2012 and November 2012. The hearing was further adjourned to January 2013. The Group believes that it had, so far as reasonably practicable, provided safe environment to all its workers working on site and will resist both charges. In the event the Group is unsuccessful and convicted, the Group may be subject to a fine at a maximum amount of HK\$1,000,000 which will not be covered by the Group's insurance policies. The management of the Group considers that it is too early to make a reliable estimate of the amount of liability, if any, in connection with the two charges. In addition, the controlling shareholders of the Group have 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 two proceedings. In the event the Group exercises the deed of indemnity, such indemnities will be recognised as a credit to equity as contribution from the controlling shareholders of the Group.

20. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, the shares of the Company were listed on the Main Board of the Stock Exchange on 18 October 2012.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Construction business

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

Revenue from the construction contracts for the six months ended 30 September 2012 was approximately HK\$178,353,000 (2011: approximately HK\$125,910,000). The increase was mainly due to the increase in the number of construction projects undertaken by the Group. During the six months ended 30 September 2012, there were 32 construction projects that contributed revenue incomes for the period as compared with 20 construction projects for the same period in last year.

Machinery leasing

In addition to undertaking construction works, the Group also leased the unutilised machinery in a short period to third party machinery company and contractors during the reporting period. Revenue from the machinery leasing for the six months ended 30 September 2012 was approximately HK\$3,962,000 (2011: approximately HK\$415,000). The increase was mainly attributable to the increase in the number and time for the machinery not allocated for construction works as the Group had newly acquired machinery over HK\$30 million during the reporting period.

Geographical information

During the reporting period, all of the Group's income was derived from Hong Kong, accounting for 100% of the Group's total revenue.

FINANCIAL REVIEW

Turnover

The Group's total turnover for the six months ended 30 September 2012 was approximately HK\$182,315,000, representing an increase of approximately 44.3% from approximately HK\$126,325,000 of the same period in last year. This was mainly attributable to the growth in revenue from construction projects.

Gross Profit Margin

The gross profit margin decreased by approximately 2.0% from approximately 19.1% for the six months ended 30 September 2011 to approximately 17.1% for the six months ended 30 September 2012. The major reason was the profit margin of the construction projects having been affected by the increase in both construction material cost and subcontractor charges during the period as compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2012 were approximately HK\$13,196,000 (2011: approximately HK\$11,929,000) representing an increase of approximately 10.6% over the corresponding period in 2011. This was mainly attributable to the increase in listing expenses incurred.

Net Profit

For the six months ended 30 September 2012, the Group recorded a net profit of approximately HK\$13,375,000, representing an increase of approximately 44.3% as compared to the net profit of approximately HK\$9,270,000 for the corresponding period last year. The increase was mainly attributable to the increase in both revenue and gross profit from construction business and machinery leasing.

PROSPECTS

With the listing of the shares of the Company on the Stock Exchange on 18 October 2012 and the receipt of proceeds, net of listing expenses according to latest estimation, of approximately HK\$48.3 million from the placing and public offer of 75,000,000 shares of the Company, the Company has the resources to increase the productivity and to bring value to its shareholders. Details of the application of such net proceeds were announced by the Company in its announcement dated 17 October 2012 and in its prospectus dated 27 September 2012 (the "Prospectus").

DEBTS AND CHARGE ON ASSETS

The Group had total interest bearing bank borrowings including bank loans and finance leases which increased from approximately HK\$108,644,000 as at 31 March 2012 to approximately HK\$131,572,000 as at 30 September 2012. All borrowings were denominated in Hong Kong dollar. Interests on bank borrowings are charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. As at 30 September 2012, the amount of banking facilities of approximately HK\$31,832,000 (31 March 2012: approximately HK\$18,980,000) remained unutilized.

These banking facilities are secured by the Group's machinery with an aggregate net book value of HK\$128,671,000 and HK\$131,465,000 as at 30 September 2012 and 31 March 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 of the Company on 18 October 2012.

As at 30 September 2012, the Group had cash and bank balances of approximately HK\$18,084,000 (31 March 2012: approximately HK\$46,609,000) of which 99.7% was held in Hong Kong dollar. The decrease was mainly due to the HK\$20,000,000 dividend payment to the Group's then shareholders in May 2012. The gearing ratio of the Group as at 30 September 2012 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 82.8% (31 March 2012: approximately 65.7%).

During the six months ended 30 September 2012, 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 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 six months ended 30 September 2012.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

CAPITAL COMMITMENTS

Save as disclosed in note 17 of the financial statements, the Group had no other capital commitments as at 30 September 2012 and 31 March 2012.

CONTINGENT LIABILITIES

Save as disclosed in note 19 of the financial statements, the Group had no other contingent liabilities as at 30 September 2012 and 31 March 2012.

EVENTS AFTER THE REPORTING PERIOD

The shares of the Company were listed on the Main Board of the Stock Exchange on 18 October 2012. Save as disclosed above, no significant events occurred since the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2012, the Group had 183 employees (30 September 2011: 159).

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

The total remuneration cost incurred by the Group for the six months ended 30 September 2012 was approximately HK\$30,665,000 (2011: approximately HK\$26,721,000).

INTERIM DIVIDEND

During the six months ended 30 September 2012, the Group declared and paid a dividend of HK\$20,000,000 to its then shareholders, (2011: Nil). The Board did not recommend the declaration or payment of any further interim dividend for the reporting period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

The Company was not listed on the Stock Exchange as at 30 September 2012. Accordingly, neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the period ended 30 September 2012.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as at 30 September 2012, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") and section 352 of the SFO were not applicable to the directors of the Company as at 30 September 2012.

As at 18 October 2012 (being the listing date of the Company), interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Long position in the shares of the Company

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

Note:

These shares are held by Leading Win Management Limited ("Leading Win") which is owned by Join Together Management Limited ("Join Together") as to 70%. Mr. Leung and Dr. Ho respectively own 70% and 30% of the issued share capital of Join Together. Therefore, Mr. Leung and Dr. Ho are deemed or taken to be interested in all the shares which are beneficially owned by Leading Win for the purpose of the SFO. Mr. Leung and Dr. Ho are also directors of Leading Win and Join Together.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

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

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

Note:

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

Save as disclosed above, as at 18 October 2012, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER

The Company was not listed on the Stock Exchange as at 30 September 2012. Accordingly, no disclosure of interest or short positions in any shares or underlying shares of the Company was required to be made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2012.

As at 18 October 2012 (being the listing date of the Company), as far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

DISCLOSURE OF INTEREST

SUBSTANTIAL SHAREHOLDER *(Continued)* **Long position in the shares of the Company**

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

Notes:

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

Save as disclosed above, as at 18 October 2012, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 11 September 2012 (the "Scheme"), the Company may grant options to the directors, employees and shareholders of the Company or its subsidiaries and consultants, customers and suppliers, for the recognition of their contributions to the Group, to subscribe for shares in the Company with a payment of HK\$1.00 upon each grant of options offered and the options granted must be accepted within 7 days from the date of grant. The exercise price of the share option will be determined at the higher of (i) the average of closing prices of shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; (ii) the closing price of the Company's shares on the Stock Exchange on the date of grant of the option and (iii) the nominal value of the shares of the Company on the date of grant of the option.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant Hong Kong laws and regulations and any conditions of grant as may be stipulated by the Board.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

From the adoption date of the Scheme on 11 September 2012 to 30 September 2012, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 30 September 2012.



CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Code

As the Company's shares were yet to be listed on the Stock Exchange as at 30 September 2012, the Company had not adopted the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 September 2012. The Company has adopted the Corporate Governance Code upon its listing on the Stock Exchange and has been in compliance with all the code provisions in the Corporate Governance Code since the listing of the Company on 18 October 2012 up to the date of this report.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the Model Code during the period from the listing of the Company on 18 October 2012 up to the date of this report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee comprises of 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 has been appointed as the chairman of the Audit Committee.

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

By Order of the Board

Ho Kar Chung

Chairman

Hong Kong
30 November 2012