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## **Ngai Shun Holdings Limited**

### **毅信控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01246)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

The board (the “**Board**”) of directors (the “**Directors**”) of Ngai Shun Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2014 (the “**Interim Period**”), together with the comparative figures for the corresponding period in 2013 as follows. These interim condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company.

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2014*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>Unaudited</b>	<b>Unaudited</b>
Revenue	6	<b>293,697</b>	214,156
Cost of sales		<u><b>(222,806)</b></u>	<u>(148,502)</u>
Gross profit		<b>70,891</b>	65,654
Other income and net gains	6	<b>2,430</b>	4
Administrative and other operating expenses		<u><b>(22,219)</b></u>	<u>(19,276)</u>
Operating profit	7	<b>51,102</b>	46,382
Finance costs		<u><b>(438)</b></u>	<u>(671)</u>
Profit before income tax		<b>50,664</b>	45,711
Income tax expense	8	<u><b>(8,798)</b></u>	<u>(8,420)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u><b>41,866</b></u>	<u>37,291</u>
Basic and diluted earnings per share ( <i>HK cents</i> )	9	<u><b>10.09</b></u>	<u>12.43</u>
Dividend	10	<u><b>–</b></u>	<u>40,000</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	<i>Note</i>	<b>30 September 2014</b>	31 March 2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>Unaudited</b>	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	53,635	44,730
Investment properties		76,300	37,300
Available-for-sale investment		2,790	–
		<u>132,725</u>	<u>82,030</u>
<b>Current assets</b>			
Trade and other receivables	12	138,655	123,492
Cash and cash equivalents		102,549	118,642
		<u>241,204</u>	<u>242,134</u>
<b>Total assets</b>		<u><b>373,929</b></u>	<u><b>324,164</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	15	4,150	4,150
Share premium	15	95,797	95,797
Merger reserve		10,000	10,000
Retained earnings		161,221	119,355
<b>Total equity</b>		<u><b>271,168</b></u>	<u><b>229,302</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	–	263
Provision for long service payments		4,740	4,740
Deferred taxation		4,847	4,250
		<u>9,587</u>	<u>9,253</u>
<b>Current liabilities</b>			
Trade and other payables	14	65,100	58,994
Borrowings	13	19,517	26,305
Tax payable		8,557	310
		<u>93,174</u>	<u>85,609</u>
<b>Total liabilities</b>		<u><b>102,761</b></u>	<u><b>94,862</b></u>
<b>Total equity and liabilities</b>		<u><b>373,929</b></u>	<u><b>324,164</b></u>
<b>Net current assets</b>		<u><b>148,030</b></u>	<u><b>156,525</b></u>
<b>Total assets less current liabilities</b>		<u><b>280,755</b></u>	<u><b>238,555</b></u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office is Clifton House, PO Box 1350, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Unit 2, 23/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.

The Group is principally engaged in the foundation business in Hong Kong as a foundation subcontractor.

This unaudited condensed consolidated interim financial information is presented in Hong Kong Dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board on 24 November 2014.

## 2. BASIS OF PREPARATION

This unaudited condensed interim financial information for the Interim Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the Interim Period has been prepared under the historical cost convention as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair values.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2014 except for the following:

In the Interim Period, the Group has applied, for the first time, the following new or revised HKAS, HKFRS, amendments or interpretation (hereinafter collectively reference to as the “new or revised HKFRSs”) issued by the HKICPA.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC) – Int 21	Levies

The adoption of these new or revised HKFRSs does not have significant impact to the results and financial position of the Group.

The Group has not early adopted the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans – Employee Contributions <sup>1</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39) <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Annual Improvements Project	Annual Improvements to HKFRS 2010–2012 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements to HKFRS 2011–2013 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

#### **4. FINANCIAL RISKS MANAGEMENT**

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

There have been no change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the year ended 31 March 2014. These unaudited condensed consolidated interim financial statements does not include all financial risk management information and disclosures required in the annual financial statements of the Company for the year ended 31 March 2014 ("2014 Annual Financial Statements"), and should be read in conjunction with the relevant disclosures in the 2014 Annual Financial Statements.

There have been no changes in the risk management department nor in any risk management policies since the year ended 31 March 2014.

#### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgements, 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 these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2014.

## 6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents contract receipts on construction contracts in the ordinary course of business. Revenue and other income and net gains recognised during the Interim Period and six months ended 30 September 2013 respectively are as follows:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	Unaudited	Unaudited
<b>Turnover</b>		
Contracts income	<u>293,697</u>	<u>214,156</u>
<b>Other income and net gains</b>		
Agency Commission Income	583	–
Property Management Services Income	720	–
Rental income	961	–
Interest income	111	–
Gain on disposal of property, plant and equipment	23	–
Others	32	4
	<u>2,430</u>	<u>4</u>

The chief operating decision-maker has been identified as the Board. The Board 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 Interim Period. Therefore, no segment information is presented.

## 7. OPERATING PROFIT

Operating profit is arrived after charging:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Machinery rental costs	23,503	14,867
Transportation expenses	7,113	5,934
Construction materials costs	74,316	58,664
Subcontracting charges	61,013	27,124
Staff costs, including directors' emoluments	56,420	40,526
Depreciation of owned assets ( <i>Note 11</i> )	7,630	4,810
Depreciation of assets under finance leases ( <i>Note 11</i> )	1,246	1,246
Operating lease rental on premises	387	510
Impairment loss on available-for-sale investment	<u>2,105</u>	<u>–</u>

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 September 2013 and the Interim Period on the estimated assessable profit arising in or derived from Hong Kong for the respective periods.

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Hong Kong profits tax		
– Current year	8,547	8,676
– Over provision in prior years	(345)	–
Deferred income tax	596	(256)
	<u>8,798</u>	<u>8,420</u>
Income tax expense	<u>8,798</u>	<u>8,420</u>

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company; and (ii) the weighted average number of ordinary shares of the Company of HK\$0.01 each (the “Shares”) issued during the six months ended 30 September 2013 and the Interim Period.

	Six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
Profit attributable to owners of the Company (HK\$'000)	<u>41,866</u>	<u>37,291</u>
Weighted average number of Shares for the purpose of calculating basic earnings per Share (in thousand)	<u>415,000</u>	<u>300,000</u>
Basic earnings per Share (HK cents)	<u>10.09</u>	<u>12.43</u>

The diluted earnings per Share is equal to the basic earnings per Share as there were no dilutive potential Shares in issue during the respective periods.

## 10. DIVIDEND

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Dividend paid	<u>–</u>	<u>40,000</u>

The Board does not recommend an interim dividend for the Interim Period (2013: HK\$40,000,000).

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Property, plant and equipment</b> <i>HK\$'000</i>
<b>Six months ended 30 September 2014 (Unaudited)</b>	
<b>Net book value</b>	
<b>Opening amount as at 1 April 2014</b>	<b>44,730</b>
Additions	17,781
Disposals	–
Depreciation ( <i>Note</i> )	<b>(8,876)</b>
	<hr/>
<b>Closing amount as at 30 September 2014</b>	<b>53,635</b>
	<hr/> <hr/>
<b>Six months ended 30 September 2013 (Unaudited)</b>	
<b>Net book value</b>	
<b>Opening amount as at 1 April 2013</b>	22,728
Additions	5,159
Disposals	–
Depreciation	<b>(6,056)</b>
	<hr/>
<b>Closing amount as at 30 September 2013</b>	<b>21,831</b>
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*Note:* It includes depreciation in aggregate of motor vehicles, office equipment and furniture & fixtures amounting to approximately HK\$457,000 in administrative and other operating expenses and approximately HK\$8,419,000 depreciation of plant and machinery in cost of sales for the Interim Period.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2014</b> <i>HK\$'000</i> <b>Unaudited</b>	31 March 2014 <i>HK\$'000</i> Audited
Contract receivables	<b>90,023</b>	87,165
Retention receivables	<b>46,169</b>	35,834
	<hr/>	<hr/>
Total trade receivables	<b>136,192</b>	122,999
Other receivables, deposits and prepayments	<b>2,463</b>	493
	<hr/>	<hr/>
	<b>138,655</b>	123,492
	<hr/> <hr/>	<hr/> <hr/>

*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 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:

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
0–30 days	<b>88,110</b>	48,373
31–60 days	–	38,385
Over 60 days	<b>1,913</b>	407
	<b><u>90,023</u></b>	<b><u>87,165</u></b>

Contract receivables of approximately HK\$88,110,000 and approximately HK\$48,373,000 as at 30 September 2014 and 31 March 2014 were not yet past due and approximately HK\$1,913,000 and approximately HK\$38,792,000 as at 30 September 2014 and 31 March 2014 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 2014 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.

### 13. BORROWINGS

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
Non-current		
Finance lease liabilities ( <i>Note (b)</i> )	–	263
Current		
Bank borrowings ( <i>Note (a)</i> )	<b>17,085</b>	22,002
Finance lease liabilities ( <i>Note (b)</i> )	<b>2,432</b>	4,303
	<b><u>19,517</u></b>	<b><u>26,305</u></b>
Total borrowings	<b><u>19,517</u></b>	<b><u>26,568</u></b>

*Notes:*

#### (a) Bank borrowings

Bank borrowings mature until 2016 and bear interest at 1.25% below the current prime rate per annum.

The bank borrowings are denominated in Hong Kong dollars.

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

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
Within a period not exceeding one year	10,121	9,932
Within a period of more than one year but not exceeding two years	6,964	10,310
Within a period of more than two years but not exceeding five years	–	1,760
	<u>17,085</u>	<u>22,002</u>

**(b) Finance lease liabilities**

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

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
Gross finance lease liabilities – minimum lease payments		
Within a period not exceeding one year	2,458	4,388
Within a period of more than one year but not exceeding two years	–	264
	<u>2,458</u>	<u>4,652</u>
Future finance charges on finance leases	(26)	(86)
Present value of finance lease liabilities	<u>2,432</u>	<u>4,566</u>

The present value of finance lease liabilities is as follows:

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
Within a period not exceeding one year	2,432	4,303
Within a period of more than one year but not exceeding two years	–	263
	<u>2,432</u>	<u>4,566</u>

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

- (c) As at 30 September 2014 and 31 March 2014, the Group had committed banking facilities (including the finance lease facilities) of approximately HK\$50,684,000 which bore interest at 1.25% to 2% below the current prime rate per annum.

As at 30 September 2014 and 31 March 2014, the undrawn banking facilities amounted to approximately HK\$12,200,000 respectively.

These banking facilities were secured by:

- (i) The Group's plant and machinery with an aggregate net book value of approximately HK\$4,779,000 and HK\$6,025,000 as at 30 September 2014 and 31 March 2014.
- (ii) Corporate guarantees given by the Company as at 30 September 2014 and 31 March 2014.

#### 14. TRADE AND OTHER PAYABLES

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
Trade payables	44,078	42,255
Retention payables	3,864	–
Accruals	17,158	16,739
	<u>65,100</u>	<u>58,994</u>

*Notes:*

- (a) The carrying amounts of trade payables are denominated in Hong Kong dollars.
- (b) Payment terms granted by suppliers are 30 to 45 days from the invoice date of the relevant purchases.

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

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
0–30 days	39,459	36,809
31–60 days	4,619	5,446
	<u>44,078</u>	<u>42,255</u>

## 15. SHARE CAPITAL AND PREMIUM

**Number of  
shares**                      **Shares**  
*HK\$'000*

Ordinary shares of HK\$0.01 each:

**Authorised:**

As at 31 March 2014 and 30 September 2014	1,000,000,000	10,000
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	<b>Number of Shares</b>	<b>Shares</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>
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**Issued and fully paid:**

As at 31 March 2014 and 30 September 2014	415,000,000	4,150	95,797
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*Notes:*

- (a) On 3 April 2013, the Company was incorporated in the Cayman Islands with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares. One nil paid Share was allotted and issued to the subscriber pursuant to the memorandum and articles of association of the Company, which was later transferred to Fabulous Business Limited (“Fabulous Business”) on 3 April 2013.
- (b) On 18 September 2013, Fabulous Business as vendor, the Company as purchaser and Mr. Wong Sai Chung (“Mr. SC Wong”), Mr. Wong Sai Yee (“Mr. SY Wong”), Mr. Lam Wing Sum (“Mr. Lam”) and Fabulous Business as warrantors entered into a sale and purchase agreement, pursuant to which the Company acquired the entire issued share capital of Pearl Swirls Limited, and as consideration for which (i) the one nil paid Share held by Fabulous Business was credited as fully paid, and (ii) 9,999 Shares were allotted and issued to Fabulous Business, all credited as fully paid.
- (c) On 22 September 2013, pursuant to the written resolutions of the sole shareholder of the Company, the authorised share capital of the Company was increased to HK\$10,000,000 divided into 1,000,000,000 Shares.
- (d) On 16 October 2013, the Company issued and allotted a total of 299,990,000 Shares credited as fully paid at par to the then sole shareholder of the Company’s shares on the register of members at the close of business on 19 September 2013 by way of capitalisation of the sum of HK\$2,999,900 standing to the credit of the share premium account of the Company, pursuant to the written resolutions of the sole shareholder of the Company passed on 22 September 2013.
- (e) On 16 October 2013, the Company issued 115,000,000 Shares pursuant to its placing and public offer at an offer price of HK\$0.93 per Share. As a result, after capitalising approximately HK\$7,003,000 share issuance costs, approximately HK\$99,947,000 were recognised in equity of the consolidated statement of financial position including a credit of approximately HK\$98,797,000 to the share premium account.

## 16. COMMITMENTS

### (a) Capital commitments

The Group did not have any significant capital commitment as at 30 September 2014 and 31 March 2014.

### (b) Operating lease commitments – The Group as lessee

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

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
No later than one year	<b>542</b>	609
Later than one year and no later than five years	<b>220</b>	349
	<b>762</b>	958

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

### (c) Operating lease rental receivables – The Group as lessor

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

	<b>30 September 2014 HK\$'000 Unaudited</b>	31 March 2014 HK\$'000 Audited
No later than one year	<b>2,102</b>	996
Later than one year and no later than five years	<b>368</b>	125
	<b>2,470</b>	1,121

The Group leases office units and retail shops under various agreements which terminate between 2014 to 2016. None of the leases includes contingent rentals.

## 17. 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) The Group did not have any significant related party transaction with related parties during the Interim Period and the six months ended 30 September 2013.

### (b) Key management compensation

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Salaries, wages and allowances	2,236	2,383
Retirement benefits expenses	34	36
	<u>2,270</u>	<u>2,419</u>

## 18. CONTINGENT LIABILITIES

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

On 6 June 2013, summonses have been issued to Group in relation to eight offences arising from the incident occurred on 7 December 2012 which involved a piece of lifting appliance located in a construction site. No injury has been involved in this incident. The Directors are of the view that this case will not cause any material adverse impact on the Group. Based on their past experience from the similar cases occurred before, provision of HK\$200,000 had been made. In the Interim Period, the Group has settled the claims by the fines of HK\$12,000 in total.

As at 30 September 2014, saved as disclosed above the Group did not have any significant contingent liabilities.

## 19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 24 November 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is honoured to present the unaudited consolidated results of the Group for the Interim Period to our valued shareholders. The Group's revenue achieved a record high of approximately HK\$293.7 million (30 September 2013: HK\$214.2 million), representing an increase of 37.1% over the previous reporting period. Net profit also achieved a record high of approximately HK\$41.9 million (30 September 2013: HK\$37.3 million), representing a growth of 12.3% over the previous reporting period. Earnings per share was HK10.09 cents (30 September 2013: HK12.43 cents).

### BUSINESS REVIEW

#### Foundation Piling

During the Interim Period, 11 foundation projects were completed, 22 projects were in progress which included 12 public projects and 10 private projects, and the Group acquired 3 new contracts that worth HK\$130.7 million. The total contract sum in hand was HK\$1.1 billion and the outstanding contract sum was HK\$436.6 million.

The Group's major public contracts on hand include West Kowloon Cultural District M+ Museum project, Hong Kong–Zhuhai–Macao Bridge Hong Kong Link Road, MTRC Shatin Central Link Contract C1102 Hin Keng Station, MTRC Shatin Central Link Contract C1103 Hin Keng to Diamond Hill Tunnels, Hong Kong Housing Authority Public Rental Housing Development at Tung Chung Area 39 and Stonecutters Island Sewage Treatment Works. Major private contracts on hand include Taikoo Place 2A Development, Office Complex at Kowloon Bay, Residential and Commercial Development at TKOTL 112, Area 65C1 Tseung Kwan O, Private Hospital Development at Wong Chuk Hang and Residential Development at Stubbs Road.

#### Property Investment and Management

The Group's investment properties of retail shops at Hip Wo Street, Kwun Tong and offices of Champion Building, Nathan Road, Kowloon, started to contribute rental income, and also started to generate agency commission income and property management service income of HK\$2.3 million during the Interim Period.

Management believes in the long-term prospects of properties in Hong Kong and considers that our investments will continue to bring in steady contribution to the Group and explore new investment opportunities in order to maximise return of investment for sustainable growth.

### FINANCIAL REVIEW

#### Revenue

For the Interim Period, revenue of the Group amounted to HK\$293.7 million, representing an increase of HK\$79.5 million or 37.1% as compared with HK\$214.2 million for the corresponding period in 2013. The increase was primarily due to the growth of the foundation business. The revenue HK\$293.7 million was mainly contributed by four major projects, namely Hong Kong–Zhuhai–Macao Bridge Hong Kong Link Road Prebored H-Pile of HK\$36.8 million, Kai Tak Children's Hospital of HK\$56.6 million, Area 65C1 Tseung Kwan O of HK\$37.3 million and North Point Estate Lane of HK\$38.2 million respectively, represented 57.5% of the total revenue. Among the aforesaid projects, 55.3% of revenue was contributed by public contracts (Hong Kong–Zhuhai–Macao Bridge Hong Kong Link Road Prebored H-Pile and Kai Tak Children's Hospital) while 44.7% of revenue was generated by the other two private contracts (Area 65C1 Tseung Kwan O and North Point Estate Lane).

## **Gross Profit and Gross Profit Margin**

Gross profit for the Interim Period was HK\$70.9 million, representing an increase of HK\$5.2 million or 7.9% from HK\$65.7 million for the corresponding period in 2013. However, the gross profit margin decreased from 30.7% for the six months ended 30 September 2013 to 24.1% for the Interim Period. It was mainly due to the increase in revenue was lower than the rise in staff cost and subcontracting charges during the Interim Period.

Staff cost increased by approximately 39.3% to approximately HK\$56.4 million for the Interim Period from HK\$40.5 million for the period ended 30 September 2013. It was mainly due to the increase in number of staff of approximately 20.8% from 216 staff for the corresponding period in 2013 to 261 staff as at 30 September 2014 to cope with our business growth as well as the salary increment for retaining our staff.

Subcontracting charges represent direct costs (e.g. diesel fuel, cement and labor costs) paid to our Group's subcontractors to carry out part of our foundation works.

During the Interim Period, we further increased the subcontracting part of our foundation works, such as drilling, welding and grouting, to our approved subcontractors after considering our internal resources allocation, especially for the tight labor supply in the market. As at 30 September 2014, subcontracting charges was around HK\$61.0 million, representing approximately 27.4% of total cost of sales, as compared to HK\$27.1 million, representing approximately 18.2% of total cost of sales for the corresponding period in 2013.

To mitigate the impact of ever-rising labor costs and subcontracting charges, various measures have been implemented by the management to improve our operating efficiency and labour force, including strengthening of internal training, improving the efficiency of the working lines, acquiring advanced model of machineries and participating campus recruitment talks in order to attract more young new joiners.

## **Administrative and Other Operating Expenses**

Our Group's general and administrative expenses increased to approximately HK\$22.2 million for the Interim Period from approximately HK\$19.3 million for the six months ended 30 September 2013, which represented an increase of approximately 15%. Such increase was mainly due to the increase in the impairment loss on available-for-sale investment, professional fees, staff costs as well as Directors' emoluments.

## **Net Profit and Net Profit Margin**

Our Group's net profit for the Interim Period was approximately HK\$41.9 million, representing a growth of approximately 12.3% as compared to the corresponding period in 2013 of approximately HK\$37.3 million, mainly due to the growth of our revenue of approximately 37.1% which was partially off-set by the increase of the impairment loss on available-for-sale investment, professional fees, staff costs as well as Directors' emoluments. The Group's net profit margin for the Interim Period was approximately 14.3% (2013: 17.4%).

## Use of Net Proceeds from the share offer

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

	<b>Estimated Net Proceeds as per the Prospectus</b> <i>(approximately HK\$' million)</i>	<b>Actual Net Proceeds</b> <i>(approximately HK\$' million)</i>	<b>Used amount</b> <i>(approximately HK\$' million)</i> <b>(as at 30 September 2014)</b>	<b>Unused amount</b> <i>(approximately HK\$' million)</i> <b>(as at 30 September 2014)</b>
Acquisition of machineries and equipments	51.9	64.9	<b>47.1</b>	<b>17.8</b>
Hiring additional staff	12.0	15.0	<b>4.5</b>	<b>10.5</b>
Partial bank loan repayment	8.0	10.0	<b>10.0</b>	—
General working capital	8.0	10.0	<b>10.0</b>	—
Total	<u>79.9</u>	<u>99.9</u>	<u><b>71.6</b></u>	<u><b>28.3</b></u>

## BUSINESS PROSPECTS

The construction industry in Hong Kong continued to grow steadily. 5 new railway projects as well as Northeast New Territories Development have been announced by the Government. According to the Hong Kong 2014-2015 Budget, HK\$77.9 billion have been allocated to infrastructure by the Hong Kong Government. In addition, it estimated that 71,000 private residential units will be available for sale over the next 3-4 years and 210,000 private/public units will be supplied over the next five years from 150 sites identified for residential use. Steady public expenditure on infrastructure and current growth of private development projects will generate more opportunities for our foundation business in both public and private sectors and our revenue will grow steadily in future.

We shall continue to be one of the leading foundation contractors and increase our market share in foundation works from the public and private sectors in Hong Kong. We shall mainly focus on undertaking foundation works involving the construction of environmental friendly pile type of socket H-pile and minipile. We have expanded our scale of business by acquiring advanced machineries, hiring and training more professional staff. The Group believes that by expanding our scale of operation and continued improvement of our competitive strength, we can participate in future mega infrastructure foundation projects and broaden our customer base. We shall continue to achieve future revenue growth and secure various sources of revenue. We aim to build a trusted brand of quality and reliability. In conclusion, we will offer excellent value for money services and become the preferred contractor of our customers.

## DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group consisted of bank loans and finance leases in a sum of approximately HK\$19.5 million as at 30 September 2014 as compared to HK\$26.6 million as at 31 March 2014. As at 30 September 2014, bank loans and finance leases facilities were approximately HK\$17.1 million and HK\$2.4 million respectively (31 March 2014: HK\$22.0 million

and HK\$4.6 million). Finance leases facilities were secured by the Group's plant and machinery with an aggregated net book value of approximately HK\$4.8 million and HK\$6.0 million as at 30 September 2014 and 31 March 2014 respectively.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2014, the Group had cash and bank deposits of approximately HK\$102.5 million (31 March 2014: HK\$118.6 million), representing a decrease of approximately 13.6% when compared with the balance as at 31 March 2014.

As at 30 September 2014, the gearing ratio of the Group (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 7.2% (31 March 2014: approximately 11.6%).

## **FOREIGN EXCHANGE RISK**

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

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

On 22 May 2014, the Group entered into a sale and purchase agreement with, among others, Absolutely Talent Technology Limited to acquire the entire issued share capital of Funa Assets for a consideration of HK\$39.0 million, which was on completion adjusted to 38.7 million according to the terms of sale and purchase agreement, Funa Assets has upon completion become a subsidiary of the Company. The main assets of Funa Assets are rental properties located in Hip Wo House, Hong Kong with a market value of HK\$39.0 million as at 30 September 2014. The consideration was fully funded by cash generated from operating profit and reserves. This acquisition constituted a discloseable transaction of the Company under the Listing Rules, subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. For further details of this transaction, please refer to the announcement of the Company dated 22 May 2014.

Save as disclosed above, the Group has no other material acquisition and disposal of subsidiaries during the Interim Period.

## **CAPITAL COMMITMENTS**

Save as disclosed in Note 16 to the unaudited condensed consolidated financial statements, the Group had no other capital commitments as at 30 September 2014 and 31 March 2014.

## **SIGNIFICANT INVESTMENTS**

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

## **CONTINGENT LIABILITIES**

Save as disclosed in Note 18 to the unaudited condensed consolidated financial statements, the Group had no significant contingent liabilities as at 30 September 2014 and 31 March 2014.

## **PLACING OF SHARES BY CONTROLLING SHAREHOLDERS**

On 22 April 2014, Fabulous Business entered into a placing agreement with CNI Securities Group Limited to place a maximum of 88,000,000 Shares (“Placing Shares”) at the placing price (the “Placing Price”) of HK\$0.95 per Placing Share (the “Placing”) to not less than six places, each of whom is independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules). Following the completion of the Placing on 23 April 2014, the shareholding of Fabulous Business’s shareholding in the Company reduced from approximately 72.29% to approximately 51.08%. For further details of the Placing, please refer to the announcements of the Company dated 22 April 2014 and 23 April 2014.

## **EVENTS AFTER THE REPORTING PERIOD**

Mr. Lam Chi Keung, was appointed as the financial controller of the Group and company secretary of the Company on 15 January 2014 and resigned from his positions with effect from 31 October 2014 due to personal reason to further his career development.

Ms. Yim Sau Ping has been appointed as the company secretary of the Company and promoted to financial controller of the Group with effect from 31 October 2014.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2014, the Group employed 261 staff (30 September 2013: 216 staff). Total employee costs for the Reporting Period including directors’ emoluments, amounted to approximately HK\$56.4 million (2013: HK\$40.5 million).

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

## **INTERIM DIVIDEND**

The Board does not recommend an interim dividend for the Interim Period (2013: HK\$40,000,000).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

#### **Corporate Governance Code**

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the Interim Period.

### **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as 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 confirmed that they have complied with the Model Code throughout the Interim Period and up to the date of this announcement.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

### **AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION**

The Company established an audit committee 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 the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Group's independent auditors.

The audit committee comprises of three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond (Chairman), Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas.

The audit committee had reviewed the unaudited condensed interim financial results of the Group for the Reporting Period, this interim results announcement and the interim report. The audit committee had confirmed that this interim results announcement complied with all the applicable rules and regulations, including but not limited to the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

Hong Kong

24 November 2014

*As at the date of this announcement, the Company has (i) three executive Directors, namely Mr. Wong Sai Chung, Mr. Lam Wing Sum and Mr. Tao Chi Keung; (ii) one non-executive Director, namely Mr. Wong Sai Yee; and (iii) three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Pai Hao and Mr. Chiu Sai Chuen Nicholas.*