



Sundart International Holdings Limited
承達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2288

Interim Report 2010



CONTENTS

Corporate Information	2
Chairman’s Statement	3
Management Discussion and Analysis	7
Independent Auditor’s Report	14
Condensed Consolidated Statement of Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Statement of Cash Flows	21
Notes to the Condensed Consolidated Financial Statements	23
Corporate Governance and Other Information	45

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan William (*Chairman*)
Ng Tak Kwan (*Chief Executive Officer*)
Leung Kai Ming (*Chief Operating Officer*)
Wong Kim Hung, Patrick
Yip Chun Kwok

Independent Non-executive Directors

To King Yan, Adam
Wong Hoi Ki
Ho Kwok Wah, George

AUDIT COMMITTEE

Ho Kwok Wah, George (*Chairman*)
To King Yan, Adam
Wong Hoi Ki

REMUNERATION COMMITTEE

Chan William (*Chairman*)
Ho Kwok Wah, George
Wong Hoi Ki

NOMINATION COMMITTEE

Chan William (*Chairman*)
Ho Kwok Wah, George
Wong Hoi Ki

COMPANY SECRETARY

Yip Chun Kwok

AUDITORS

Deloitte Touche Tohmatsu

COMPLIANCE ADVISOR

CMB International Capital
Limited

LEGAL ADVISORS

P.C. Woo & Co.
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Guangdong Development Bank Co., Ltd.
Industrial and Commercial Bank of
China (Asia) Limited
Oversea-Chinese Banking
Corporation Limited
Standard Chartered Bank (Hong Kong)
Limited
The Bank of Tokyo-Mitsubishi
UFJ, Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Millennium City 3
370 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

2288

COMPANY'S WEBSITE

www.sundart.com

INVESTOR AND MEDIA RELATIONS CONTACT

iPR Ogilvy Limited
Units 2008-12, 20/F
The Center
99 Queen's Road Central
Central
Hong Kong
Tel: (852) 2136 6185
Fax: (852) 3170 6606

CHAIRMAN'S STATEMENT

Dear shareholders,

I am delighted to present you the interim report of Sundart International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "Group" or the "Sundart") for the six-month period ended 30 September 2010 (the "Period").

OVERVIEW

The second and third quarters of 2010 saw a broad-based economic recovery with a flourishing property market in Hong Kong and a burgeoning gaming and hospitality industry in Macau, in which the Group have established strong footholds in both markets. Thanks to the Group's timely implementation of effective business strategies, Sundart was able to take advantage of the rebound and received encouraging orders during the Period. Most of the projects are expected to be delivered by the forthcoming year ending 31 March 2011 and only a few of them were delivered during the Period. Therefore, the Group's turnover was HK\$593 million (1H 2009/2010: HK\$1,212 million), while profit attributable to owners of the Company amounted to HK\$72 million (1H 2009/2010: HK\$120 million). Basic earnings per share were HK 15 cents (1H 2009/2010: HK 31 cents). The board of directors (the "Board") declared an interim dividend of HK 6.5 cents per share (1H 2009/2010: HK 8.5 cents per share) for the Period, representing the dividend payout ratio of 43.3% (1H 2009/2010: 34.0%).

BUSINESS REVIEW

Fitting-out business

Hong Kong

As the property market in Hong Kong has been reviving, there has been a rising trend for adding value to residential developments demanded by high-end fitting-out. The trend was further driven by the increasing demand in the redevelopment market, as a result of the booming economy and property market in Hong Kong that catalysed the redevelopment or renovation projects of industrial buildings and hotels. Sundart has vast experience in delivering high-end hotel and office fitting-out works, and has benefited from this favorable market condition.

CHAIRMAN'S STATEMENT

With our established reputation and a proven track record, we are able to maintain our competitiveness and a strong position. The Group has successfully secured a number of orders for fitting-out projects during the Period, and these orders amount to approximately HK\$257 million. However, the order amount had yet to be recognized in the revenue for the Period as the relevant projects has yet to be completed by the end of the Period. As at 30 September 2010, the Group had an estimated remaining value of contracts to be completed of HK\$569 million in the Hong Kong market. Therefore, the Group believes that pleasing revenue generated from a number of sizable orders secured during the Period will be reflected in the upcoming annual results.

To expand the Group's downstream business, the Group tentatively acquires a property located in Kwun Tong during the Period, such acquisition is expected to be completed by 31 December 2010. The Group has decided to either renovate or to build a new building for resale purpose. With our expertise in the fitting-out industry, we believe we can add value to the property which can provide additional returns to our shareholders. We will continue seeking acquisition opportunities in order to diversify our income sources.

Macau

The reviving gaming and hospitality industry in Macau also served as a strong growth driver to the Group's performance. With our strong connections with the respective casino operators and hotel owners, we were able to obtain tenders for these projects during the Period and maintain our leading position in the Macau market. As at 30 September 2010, the Group had an estimated remaining value of contracts to be completed of HK\$646 million in the Macau market.

The People's Republic of China (the "PRC")

China emerged as a vital force in driving the global economy, while enjoying robust economic development through strong demand in the property market. As property developers are furnishing their apartments and buildings with classy and luxurious interior decorations in order to increase their competitiveness in the PRC property market, the Group, which has expertise in fitting-out sector, and its ability to provide high quality fitting-out services, and long standing cooperation with Hong Kong and international developers, became a preferred partner of these developers for their projects in the PRC, and established a strong foothold for a number of landmark projects.

CHAIRMAN'S STATEMENT

To explore business and investments in the PRC and to capture valuable opportunities from the blossoming PRC market, Sundart has acquired 29.36% interest in Kailong REI Holdings Limited ("KLR Holdings"), a leading player in China's real estate investment, asset management and real estate investment fund management businesses market. We believe that our strategic alliance with KLR Holdings will bring synergy and favorable fundamentals for the Group's further development.

Upward integration of business

The Group intends to become a vertically integrated fitting-out contractor by being involved in both upstream manufacturing, sourcing and distribution of interior decorative materials in the global markets to downstream fitting-out works. As such, the Group has acquired a timber products manufacturing plant, Dongguan Sundart Timber Products Co., Ltd. ("DSTP") through the acquisition of 100% interest in Sundart Living Limited. The acquisition is beneficial to the Group as a whole because the acquisition streamlines the management of the Group's business, improves efficiency in resources allocation, enhances the Group's competitiveness, brings new development opportunities, diversifies the source of income and more importantly, strengthens the ability of the Group to generate higher returns to its shareholders.

FUTURE PROSPECTS

Hong Kong

Looking ahead, we are cautiously optimistic towards Hong Kong's construction and fitting-out markets due to uncertain effects of quantitative easing policy of the United States of America ("USA") on Hong Kong's property market. Nevertheless, with 10 mega infrastructures coming and the vibrant property market, especially in the luxury residential segment, will show us ample opportunities. In addition, the redevelopment or renovation opportunities in hotels and industrial buildings will continue to create a large market for the fitting-out industry. Meanwhile, developers tend to deliver premium residences with stylish and splendid decoration so as to add higher value to the properties. We, therefore, believe that we will enjoy a myriad of opportunities from the local market. Capitalizing on our expertise and extensive experience, we are able to generate strong revenue from this profitable market.

Macau

The recovering gaming and hospitality market in Macau is presenting us golden opportunities again. Positioning itself as one of the top gaming cities in Asia and the world, Macau is fostering its development of casinos and hotels. With the long-established relationships with the casino operators and hotel owners, we are confident of obtaining tenders and winning the majority of these upcoming projects while actively seeking usage conversion and renovation opportunities in Macau so as to solidify our strong position in the market.

CHAIRMAN'S STATEMENT

The PRC

The PRC will undeniably be a key market of Hong Kong and even international developers in the future. We will continue our efforts in exploring desirable business and investment opportunities while seeking cooperation with leading Hong Kong and international developers for their projects in the mainland. We will also continue to target prosperous cities and regions with high growth potential and focus on high-end hotel and commercial projects such as shopping arcades. In addition, through our strategic alliance with KLR Holdings, which marks a more comprehensive and a further extension of Sundart's business, we will capture the emerging opportunities by developing our sales network and boosting sales in the PRC, while creating future investment opportunities in real estate projects to generate more fruitful returns to our shareholders.

Further vertical integration of business

We will also continue to explore other business segments in the supply chain with a view to diversify our sources of income. The acquisition of DSTEP is an upstream extension of our business to expand our sourcing and distribution of interior decorative materials in global markets, while the acquisition of the property in Kwun Tong is a downstream extension. The Group is also planning to establish its own pre-fabricating facilities in the PRC to better support its fitting-out business.

Sundart's Vision

We will hold on to our goal of creating classy, comfortable and satisfactory lifestyle to property owners and users by delivering quality services and products.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders and business partners for their confidence in and support for the Group. In addition, I would also like to take this opportunity to thank our staff members for their devotion and enthusiasm. Sundart endeavors to unite with all our staff to strive for perfection. We, the Board and all the Company's staff, will continue to dedicate ourselves to propel the growth of the Company by improving our services and products in a bid to maximize the returns for our shareholders.

Chan William

Chairman

Hong Kong, 24 November 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

The Group recorded a consolidated revenue of HK\$593 million (1H 2009/2010: HK\$1,212 million), with the gross profit of HK\$115 million (1H 2009/2010: HK\$194 million) during the Period, whilst gross profit margin was 19.4% (1H 2009/2010: 16.0%). The basic earnings per share was HK 15 cents (1H 2009/2010: HK 31 cents). The Board declared an interim dividend per share of HK 6.5 cents, equivalent to a dividend payout ratio of 43.3% (1H 2009/2010: 34.0%).

As at 30 September 2010, total assets of the Group were HK\$1,124 million (31 March 2010: HK\$1,062 million) of which current assets were HK\$1,055 million (31 March 2010: HK\$1,047 million), representing 3.4 times (31 March 2010: 3.7 times) of current liabilities. The equity attributable to equity holders of the Company was HK\$813 million (31 March 2010: HK\$782 million).

Revenue and Gross Profit

During the Period, the Group recorded a revenue of HK\$593 million (1H 2009/2010: HK\$1,212 million) and achieved a gross profit of HK\$115 million (1H 2009/2010: HK\$194 million). The revenue from fitting-out works was HK\$583 million (1H 2009/2010: HK\$1,202 million), whilst HK\$10 million (1H 2009/2010: HK\$10 million) was contributed from the sourcing and distribution of interior decorative materials.

Revenue of the Group is dependent on the progress of the individual projects. Despite the Group receiving encouraging orders during the Period, there were fewer projects of the Group for the Period delivered as compared with the corresponding period in 2009/2010 and therefore less revenue was recognized during the Period. Majority of projects such as Galaxy Resort & Casino Cotai City, Tamar Development Project and K.I.L. 11167 & 11168 West Kowloon Project, will be delivered by the forthcoming year ending 31 March 2011 and therefore more revenue is expected to be recognized in the second half of the financial year ending 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Analysis

During the Period, revenue was mainly generated from the fitting-out works in Hong Kong and Macau. The fitting-out works in Hong Kong and Macau region contributed HK\$159 million and HK\$406 million on the Group's revenue respectively.

(i) *Fitting-out works in Hong Kong*

During the Period, the revenue from the fitting-out works in Hong Kong decreased from HK\$548 million for the six-month period ended 30 September 2009 to HK\$159 million for the Period. While the gross profit was HK\$28 million for the Period, there was a decrement of HK\$36 million as compared to the corresponding period in 2009/2010. The decrease in revenue was mainly because several sizable projects were completed or nearly completed in the financial year ended 31 March 2010, such as K.I.L. 11124 Sheung Shing Street Project, and those newly awarded projects have not yet contributed any revenue at the preliminary stage during the Period, such as Tamar Development Project and K.I.L. 11167 & 11168 West Kowloon Project.

(ii) *Fitting-out works in Macau*

Most of the projects in Macau were completed or nearly completed in the financial year ended 31 March 2010, such as City of Dreams at Cotai and Serviced Apartments for Parcel 2 Cotai Resort Development. Thus, the revenue from the fitting-out works in Macau decreased from HK\$615 million for the six-month period ended 30 September 2009 to HK\$406 million for the Period. The gross profit was HK\$84 million for the Period, with a decrement of HK\$39 million as compared to the corresponding period in 2009/2010. Major projects such as Galaxy Resort & Casino Cotai City will be completed and delivered by the forthcoming year ending 31 March 2011.

(iii) *Fitting-out works in PRC*

The revenue contributed by fitting-out works in the PRC decreased from HK\$39 million for the six-month period ended 30 September 2009 to HK\$18 million for the Period which was due to the completion of a sizable project, the Ritz-Carlton Hotel, in the financial year ended 31 March 2010. Some major orders were secured during the Period, but the order amount has yet to be recognized in revenue for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Sourcing and distribution of interior decorative materials

The Group recommenced the sourcing and distribution of interior decorative materials business in last year. The revenue and gross loss contributed by the sourcing and distribution of interior decorative materials was HK\$10 million and HK\$0.4 million respectively. Revenue was contributed by orders mainly from USA, Hong Kong and Macau.

Administration Expenses

Administrative expenses increased by 8.7% from HK\$23 million for the six-month period ended 30 September 2009 to HK\$25 million for the Period. The increase was mainly attributed to the increase in legal and professional fee expenses and in staff cost as a result of the increase in the number of staff and the rise in general salaries level of the Group. In addition, more expenses were incurred for the expansion of the Group's business in the PRC market.

Other Service Costs

The other service costs represent the non-cash transactions on share-based payment to Mr. Leung Kai Ming ("Mr. Leung"), a shareholder and director of the Company as mentioned in note 4 to the condensed consolidated financial statements.

Listing Expenses

Listing expenses represented the one-off expenses of HK\$19 million in connection with the listing for the six-month period ended 30 September 2009 that was charged to the consolidated statement of comprehensive income. For details, please refer to note 5 to the condensed consolidated financial statements.

Share of Loss of an Associate

With a view to diversify the sources of income of the Group, the Group invested in an associate, KLR Holdings, during the Period. For details, please refer to note 10 to the condensed consolidated financial statements.

Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the periods attributable to owners of the Company and on the weighted average number of ordinary shares issued during the periods. For details, please refer to note 9 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Projects in Progress

As at 30 September 2010, the Group had an estimated remaining value of contracts to be completed of approximately HK\$1,320 million (30 September 2009: HK\$885 million) of which approximately HK\$569 million, HK\$646 million and HK\$55 million are fitting-out works in Hong Kong, Macau and the PRC respectively while the remaining amount of approximately HK\$50 million represents orders from the international market.

From 1 October 2010 up to the report date, there are 3 new projects awarded to the Group with a total attributable contract value of HK\$190 million of which approximately HK\$167 million and HK\$23 million are fitting-out works in Hong Kong and the PRC respectively.

The following is the summary for the major projects on hand as at the date of this report which are to be completed in the coming years by the Group:

	Project name	Hotel	Residential	Commercial	Others
Hong Kong					
1)	Interior Fitting-out Works to Typical Lift Lobbies and Shopping Arcade K.I.L. 11167 & 11168 West Kowloon		X		
2)	Tamar Development Project				X
3)	Shopping Centre at Yau Tong Re-Development Phase 4			X	
4)	Renovation Work to Guestroom Floors (Stage 2) for Renaissance Harbour View Hotel	X			
5)	Ma On Shan Area 77 Fitting-out Works for Typical Lobbies, Kitchen and Bathroom of Domestic Flats and Houses		X		
6)	Tai Wai Maintenance Centre Phase 3 Property Development		X		
7)	Residential Development at Sands Street Kennedy Town		X		
8)	Tai Po Monastery Development				X

MANAGEMENT DISCUSSION AND ANALYSIS

	Project name	Hotel	Residential	Commercial	Others
Macau					
1)	Galaxy Resort & Casino Cotai City, Macau, 221A (Grand Galaxy Hotel – Guestrooms Fitting-out Works)	X			
2)	Galaxy Resort & Casino Cotai City, Macau, 221-B1 (Okura Hotel)	X			
3)	Galaxy Resort & Casino Cotai City, Macau, 221-B2 (Banyan Tree Hotel)	X			
4)	Galaxy Resort & Casino Cotai City, Macau, (Grand Galaxy Hotel – VIP Room Fitting-out Works)	X			
5)	Cotai Parcel 5 and 6 Hotels Fitting-out Works	X			
China					
1)	Chongqing B2-1/01 Residential Development		X		
2)	Shopping Arcade at Tianjin			X	

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

As at 30 September 2010, the Group's total debt (represents the total interest-bearing borrowings) to total assets ratio was nil (31 March 2010: 0.19%). The gearing ratio (net debt to equity attributable to owners of the Company) was nil in both periods as the Group has net cash (bank balances and cash less total debt) of HK\$457 million as at 30 September 2010 (31 March 2010: HK\$656 million).

As at 30 September 2010, current assets and current liabilities were stated at HK\$1,055 million and HK\$310 million, respectively. The current ratio remained stable at a range of 3.4 times to 3.7 times in both periods, the Group has maintained sufficient liquid assets to finance its operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks.

The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion. The remaining unutilized net proceeds of approximately HK\$325 million raised from the listing has enlarged the capital base of the Group and strengthened the Group's financial position thereby facilitating the expansion of the fitting-out business in markets outside Hong Kong and Macau and the setting up of pre-fabrication facilities.

As at 30 September 2010, the Group had net cash of HK\$457 million, together with the unutilised banking facilities (including the bank guarantee, trade credit, revolving loan and term loan facilities), the Group has sufficient financial resources to meet the funding requirements for business development opportunities in Hong Kong, Macau, the PRC and the overseas markets. The Group will cautiously seek for development opportunities with a view to balance the risk and opportunity in maximizing shareholders' value.

Pledge of Assets

As at 30 September 2010, no pledge on trade receivables, retentions receivable and bank deposit to secure the general banking facilities was noted. Thus, the aggregate carrying value of the pledged assets was nil (31 March 2010: HK\$14 million).

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities as at 30 September 2010 and 31 March 2010. For capital commitments, please refer to note 19 to the condensed consolidated financial statements.

Utilisation of Financial Resources

The Group has continued to actively participate in the fitting-out related investment projects by fully taking advantage of its strong financial capability and substantial experience in the fitting-out projects. The Group will cautiously seek for the development opportunities with a view to balance the risk and opportunity in maximizing shareholders' value.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangements

The Group's bank borrowings have been made at floating rates.

The Group operates in various regions with different foreign currencies including Macau Patacas, United States Dollars and Renminbi. The exchange rates for the aforesaid currencies are relatively stable. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments if necessary.

The Group has no hedging arrangements for foreign currencies or interest rates.

Credit Exposure

The Group has adopted prudent credit policies to deal with credit exposure. In connection with projects in progress (no matter in Hong Kong, Macau, the PRC or overseas), the major customers are the local governments, institutional organizations and reputable property developers. Therefore, the Group is not exposed to significant credit risk.

Even though there is no significant credit risk exposure and there are no overdue trade receivables written-off during the Period, the Group's management reviews from time to time the recoverability of trade receivables and closely monitors the financial position of the customers in order to keep a very low credit risk exposure of the Group.

Risk Management

In order to widen the revenue foundation of the Group, the Group is actively looking for opportunities in other business segments in the supply chain with a view to diversify our sources of income. The Group will evaluate the market conditions and adjust its strategy in a timely manner and make decisions so as to ensure the effective implementation of the Group's expansion plan. The Group will continue to strengthen the internal control system and risk control system of the overseas operations by regularly reviewing the market risk, legal risk, contract risk and credit risk of the customers of the overseas markets.

Employees and Remuneration Policies

As at 30 September 2010, the Group had approximately 311 full-time employees and the total remuneration of the employees (including the directors' remuneration but excluding the service costs paid to Mr. Leung) were HK\$41 million for the Period (1H 2009/2010: HK\$37 million). The increase in total remuneration of the employees was mainly due to the increase in number and average salaries of the employees. The Group offers an attractive remuneration policy. The Group also provides external training programmes which are complementary to certain job functions.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SUNDART INTERNATIONAL HOLDINGS LIMITED

承達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 44, which comprises the condensed consolidated statement of financial position of Sundart International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

INDEPENDENT AUDITOR'S REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
24 November 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 September 2010

	NOTES	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
Revenue	3	592,811	1,212,237
Cost of sales		(478,105)	(1,017,787)
Gross profit		114,706	194,450
Other income, other gains and losses		725	2,331
Administrative expenses		(24,988)	(23,013)
Other service costs	4	(4,667)	(10,263)
Other expenses		(1,583)	(909)
Listing expenses	5	-	(19,327)
Finance costs		(3)	(393)
Share of loss of an associate		(107)	-
Profit before taxation		84,083	142,876
Income tax expenses	6	(12,477)	(23,325)
Profit for the period attributable to owners of the Company	7	71,606	119,551
Other comprehensive income			
Exchange differences arising on translation of foreign operations		642	65
Share of translation reserve of an associate		(23)	-
Total comprehensive income for the period attributable to the owners of the Company		72,225	119,616
Earnings per share			
Basic (HK cents)	9	15	31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	NOTES	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		6,654	6,872
Goodwill		746	746
Other intangible assets		5,908	6,752
Interest in an associate	10	20,641	–
Other deposits	11	35,100	–
		69,049	14,370
Current assets			
Amounts due from related companies	12	15,717	7,536
Trade and other receivables	13	250,055	91,304
Bills receivable	13	661	5,945
Amounts due from customers for contract work		196,748	150,090
Retentions receivable	13	134,512	134,873
Tax recoverable		116	92
Bank balances and cash		456,771	657,506
		1,054,580	1,047,346
Current liabilities			
Trade and other payables	14	234,902	224,013
Bills payable	14	2,896	–
Amount due to a related company	15	22,341	3,948
Amount due to a jointly controlled entity	15	5,820	6,354
Amounts due to customers for contract work		18,774	15,410
Tax payable		25,643	28,380
Bank borrowings		–	1,667
		310,376	279,772
Net current assets		744,204	767,574
Total assets less current liabilities		813,253	781,944

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	NOTES	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Capital and reserves			
Share capital	16	4,800	4,800
Reserves		808,064	776,772
		812,864	781,572
Non-current liability			
Deferred taxation		389	372
		813,253	781,944

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 September 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Legal reserve	Statutory reserve	Translation reserve	Shareholders' contribution reserve	Other reserve	Special reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009 (audited)	40	66,799	49	-	5,024	-	-	-	191,565	263,477
Exchange differences arising on translation of foreign operations	-	-	-	-	65	-	-	-	-	65
Profit for the period	-	-	-	-	-	-	-	-	119,551	119,551
Total comprehensive income for the period	-	-	-	-	65	-	-	-	119,551	119,616
Issue of shares on 3 August 2009 (note c)	700	-	-	-	-	-	-	(700)	-	-
Reserve arising from group reorganisation completed on 3 August 2009 (note c)	(40)	(66,799)	-	-	-	-	-	66,839	-	-
Capitalisation of share premium (note 16)	2,900	(2,900)	-	-	-	-	-	-	-	-
Issue of shares on 21 August 2009 (note 16)	1,200	500,400	-	-	-	-	-	-	-	501,600
Transaction costs attributable to issue of new shares (note 5)	-	(25,247)	-	-	-	-	-	-	-	(25,247)
Dividends paid (note 8)	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Shareholders' contribution (note 4)	-	-	-	-	-	6,615	-	-	-	6,615
Recognition of other service costs (note 4)	-	-	-	-	-	-	10,263	-	-	10,263
At 30 September 2009 (audited)	4,800	472,253	49	-	5,089	6,615	10,263	66,139	191,116	756,324
At 1 April 2010 (audited)	4,800	472,253	49	690	5,225	6,615	20,534	66,139	205,267	781,572
Exchange differences arising on translation of foreign operations	-	-	-	-	642	-	-	-	-	642
Share of translation reserve of an associate	-	-	-	-	(23)	-	-	-	-	(23)
Profit for the period	-	-	-	-	-	-	-	-	71,606	71,606
Total comprehensive income for the period	-	-	-	-	619	-	-	-	71,606	72,225
Dividends paid (note 8)	-	-	-	-	-	-	-	-	(45,600)	(45,600)
Recognition of other service costs (note 4)	-	-	-	-	-	-	4,667	-	-	4,667
At 30 September 2010 (unaudited)	4,800	472,253	49	690	5,844	6,615	25,201	66,139	231,273	812,864

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 September 2010

Notes:

- (a) In accordance with the provisions of the Macao Commercial Code, one of the subsidiaries of the Company in Macao is required to transfer a minimum of 25% of its profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of that subsidiary. This reserve is not distributable to the shareholders.
- (b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiary established in the PRC shall set aside 10% of its net profit to the statutory reserve before the distribution of the net profit each year until the balance reaches 50% of its paid-in capital. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary to offset accumulated losses or increase capital.
- (c) Pursuant to a deed for sale and purchase dated 3 August 2009 entered into between Tiger Crown Limited, Scenemay Holdings Limited, Mr. Ng Tak Kwan ("Mr. Ng"), Mr. Leung Kai Ming ("Mr. Leung") and Mr. Wong Kim Hung, Patrick ("Mr. Wong") as vendors (collectively referred to as the "Vendors"), and the Company as purchaser, the Company issued 69,990,000 shares of HK\$0.01 each amounting to approximately HK\$700,000 to the Vendors for acquiring the entire issued capital of Sundart Holdings Limited ("Sundart Holdings") in proportion to their respective holding in Sundart Holdings. The acquisition of Sundart Holdings by the Company is accounted for as a group reorganisation involving interspersing the Company between the Vendors and Sundart Holdings. The condensed consolidated financial statements are prepared as a continuation of Sundart Holdings and its subsidiaries. Special reserve of the Group amounting to approximately HK\$66,139,000 represents the difference between the nominal value of the shares issued by the Company and the issued share capital and share premium of Sundart Holdings at the date of the share swap.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 September 2010

		1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
	<i>NOTES</i>		
Operating activities			
Profit before taxation		84,083	142,876
Adjustments for:			
Other service costs	4	4,667	10,263
Other non-cash items		1,152	1,407
Operating cash flows before movements in working capital		89,902	154,546
Increase in trade and other receivables		(158,751)	(68,917)
Increase in amounts due from customers for contract work		(46,658)	(2,757)
Decrease (increase) in retentions receivable		361	(30,998)
Increase in trade and other payables		10,889	23,325
Other operating cash flows		21,756	(6,455)
Cash (used in) generated from operations		(82,501)	68,744
Interest paid		(3)	(393)
Income tax paid		(15,225)	(6,780)
Net cash (used in) generated from operating activities		(97,729)	61,571
Investing activities			
Purchases of other intangible assets		–	(1,823)
Deposits paid for acquisition of investment properties	11	(31,500)	–
Deposit paid for acquisition of a subsidiary	11	(3,600)	–
Acquisition of an associate	10	(20,771)	–
Other investing cash flows		88	328
Net cash used in investing activities		(55,783)	(1,495)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 September 2010

NOTES	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
Financing activities		
New bank borrowings raised	–	94,958
Repayments of bank borrowings	(1,667)	(118,292)
Net proceeds from issue of shares	–	476,353
Dividends paid	(45,600)	(120,000)
(Repayment to) advance from a jointly controlled entity	(534)	7,955
Net cash (used in) from financing activities	(47,801)	340,974
Net (decrease) increase in cash and cash equivalents	(201,313)	401,050
Cash and cash equivalents at the beginning of the reporting period	657,506	191,074
Effect of foreign exchange rate changes	578	54
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	456,771	592,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except as described below.

In the current period, the Group acquired an associate and has newly adopted HKAS 28 "Investments in Associates".

Interest in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

In addition, the Group has applied, for the first time a number of new and revised standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 3 (Revised) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

The Group applies HKFRS 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)") prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" ("HKAS 27 (Revised)") in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010. As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other new HKFRSs are applicable.

Amendment to HKAS 17 "Leases"

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" ("HKAS 17") has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of HKAS 17 had no material effect on the condensed consolidated financial statements of the Group.

The application of the other new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 7 (Amendment)	Disclosures – transfer of financial assets ⁴
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement ²
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 January 2011.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 July 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Based on the internal reports that are regularly reviewed by the chief operating decision maker, i.e. the Company's executive directors, the Group's operating segments are as follows:

- (a) Fitting-out works in Hong Kong;
- (b) Fitting-out works in Macau;
- (c) Fitting-out works in the PRC; and
- (d) Sourcing and distribution of interior decorative materials.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 September 2010 (unaudited)

	Fitting-out works in Hong Kong HK\$'000	Fitting-out works in Macau HK\$'000	Fitting-out works in the PRC HK\$'000	Sourcing and distribution of interior decorative materials HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue						
External revenue	158,846	405,995	17,610	10,360	-	592,811
Inter-segment revenue	-	-	-	42,915	(42,915)	-
Total	158,846	405,995	17,610	53,275	(42,915)	592,811
Segment profit (loss)	21,987	81,954	(2,514)	(2,497)	-	98,930
Corporate expenses						(15,358)
Corporate income						621
Share of loss of an associate						(107)
Finance costs						(3)
Profit before taxation						84,083

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 September 2009 (audited)

	Fitting-out works in Hong Kong HK\$'000	Fitting-out works in Macau HK\$'000	Fitting-out works in the PRC HK\$'000	Sourcing and distribution of interior decorative materials HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue						
External revenue	548,539	614,702	38,985	10,011	-	1,212,237
Inter-segment revenue	-	-	-	39,420	(39,420)	-
Total	548,539	614,702	38,985	49,431	(39,420)	1,212,237
Segment profit (loss)	54,352	121,294	(1,332)	3,774	-	178,088
Corporate expenses						(35,618)
Corporate income						799
Finance costs						(393)
Profit before taxation						142,876

Segment profit (loss) represents the profit earned by (loss from) each segment, excluding income and expenses of the corporate function, including certain other income, certain administrative expenses, other service costs, certain other expenses, listing expenses, share of loss of an associate and finance costs. This is the measure reported to the Company's executive directors for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's assets by operating segment:

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Segment assets		
Fitting-out works in Hong Kong	254,284	233,924
Fitting-out works in Macau	293,814	113,586
Fitting-out works in the PRC	32,967	33,630
Sourcing and distribution of interior decorative materials	25,083	21,424
Total segment assets	606,148	402,564
Unallocated corporate assets		
– Property, plant and equipment	745	514
– Interest in an associate	20,641	–
– Other deposits	35,100	–
– Other receivables	4,108	1,040
– Tax recoverable	116	92
– Banks balances and cash	456,771	657,506
Total consolidated assets of the Group	1,123,629	1,061,716

All assets are allocated to operating segments other than certain property, plant and equipment, interest in an associate, other deposits, certain other receivables, tax recoverable and bank balances and cash which are commonly used by different segments or used for corporate operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

4. MAJOR NON-CASH TRANSACTIONS

Pursuant to the agreement dated 14 March 2009, Mr. Leung acquired 520 shares in the share capital of Sundart Holdings, representing approximately 10.2% interest in Sundart Holdings (the "Sale Shares"), from Golden Tiger Group Limited ("Golden Tiger"), a then shareholder of Sundart Holdings, at a consideration of HK\$26,874,710 ("Share Consideration"), which was determined based on and represented 10.2% of the net asset value of Sundart Holdings as at 31 March 2009. Mr. Leung was also required to procure Sundart Products Group Limited ("SPG") and Dongguan Sundart Timber Products Co., Ltd. ("DSTP") to sell registrations and patents related to door products and timber panels ("Patents") to the Group at a consideration of HK\$1.8 million ("Patent Consideration"). According to the valuation conducted by an independent valuer, the fair values of the Sale Shares and the Patents were approximately HK\$67.1 million and HK\$8.4 million respectively.

As a condition of the above transaction, Mr. Leung signed a service contract with the Group for three years and became a director of the Company and took the lead to develop the business of sourcing and distribution of interior decorative materials.

The difference between the fair value of the Sale Shares of HK\$67.1 million and Share Consideration of HK\$26.9 million amounting to HK\$40.2 million was allocated into two components for accounting purposes. The difference between the fair value of the Patents of HK\$8.4 million and the Patent Consideration of HK\$1.8 million amounting to HK\$6.6 million represented contribution from the shareholder in respect of the Patents and was credited directly to equity in the six-month period ended 30 September 2009. The remaining balance of HK\$33.6 million would be expensed over the three years' vesting period in accordance with the terms under the service contract with the Group and the share transfer arrangement between Golden Tiger and Mr. Leung. During the current period, approximately HK\$4,667,000 (six-month period ended 30 September 2009: HK\$10,263,000) is charged to profit or loss as expense.

5. LISTING EXPENSES

The amount represented professional fees and other expenses related to listing of the Company's shares on the Stock Exchange in the six-month period ended 30 September 2009. Transaction costs were accounted for as a deduction from equity to the extent they were incremental costs directly attributable to issue of shares that otherwise would have been avoided. HKAS 32 "Financial Instruments: Presentation" requires transaction costs that relate jointly to more than one transaction to be allocated to those transactions using a basis of allocation that is rational and consistent with similar transaction. Other listing expenses were recognised as an expense in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

6. INCOME TAX EXPENSES

	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
Current tax		
Hong Kong Profits Tax	2,435	8,730
Macau Complementary Tax	10,085	14,595
PRC Enterprise Income Tax	10	–
	12,530	23,325
Overprovision in prior years		
Macau Complementary Tax	(66)	–
Deferred taxation		
Current period	13	–
	12,477	23,325

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Macau Complementary Tax is calculated at progressive rates from 9% to 12% of the estimated assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of a PRC subsidiary is 25% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

7. PROFIT FOR THE PERIOD

	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
Profit for the period has been arrived at after charging (crediting):		
Interest income	(611)	(365)
Loss on disposal of property, plant and equipment	298	97
Net foreign exchange gain	(334)	(1,259)
Depreciation of property, plant and equipment	511	440
Amortisation of other intangible assets	844	842
Total depreciation and amortisation	1,355	1,282

8. DIVIDENDS

Pursuant to the directors' meeting of Sundart Holdings, a subsidiary of the Company, on 30 July 2009, interim dividends of HK\$23,529 per share amounting to HK\$120,000,000 in total, were declared and distributed to the then shareholders according to their respective shareholdings on 5 August 2009.

Pursuant to the annual general meeting on 16 September 2010, a final dividend of HK 9.5 cents per share amounting to HK\$45,600,000 in total, was approved by the shareholders of the Company and distributed to the shareholders on 21 September 2010.

An interim dividend of HK 6.5 cents per share amounting to HK\$31,200,000 has been declared in the directors' meeting on 24 November 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company and on the weighted average number of shares as follows:

	1.4.2010 to 30.9.2010 (Unaudited)	1.4.2009 to 30.9.2009 (Audited) <i>(Note)</i>
Weighted average number of ordinary shares issued	480,000,000	386,842,398

Note: The number of shares for the purpose of calculating basic earnings per share was based on the weighted average number of shares in issue after taking into account the effect of the share swap under which 69,990,000 shares of the Company were issued in exchange for the 5,100 shares of Sundart Holdings pursuant to the group reorganisation and adjusted for the 290,000,000 shares of the Company issued pursuant to the capitalisation issue on 3 August 2009.

No diluted earnings per share information has been presented as there were no potential ordinary shares outstanding for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

10. INTEREST IN AN ASSOCIATE

On 15 September 2010, the Group entered into a subscription agreement with independent third parties, pursuant to which the Group subscribed for 2,936 ordinary shares of US\$0.1 each representing 29.36% interest in Kailong REI Holdings Limited ("KLR Holdings") for a cash consideration of US\$2,667,500 or approximately HK\$20,771,000 ("Subscription of KLR Holdings"). On 14 September 2010, KLR Holdings has entered into a subscription agreement with Kailong REI Project Investment Consulting (Hong Kong) Co., Ltd. ("KLR Hong Kong") to subscribe for 10,000 ordinary shares of US\$5 each representing 1.54% interest in KLR Hong Kong ("Subscription of KLR Hong Kong"). On the same day, KLR Holdings has entered into a share purchase agreement with its controlling shareholder for the purchase of 340,050 ordinary shares of US\$5 each representing 52.48% interest in KLR Hong Kong ("Purchase of KLR Hong Kong"). The Subscription of KLR Hong Kong and Purchase of KLR Hong Kong, accounted for a total of 54.02% interest in KLR Hong Kong, were completed on 14 September 2010 for a total cash consideration of US\$4,250,000 or approximately HK\$33,094,000. The Subscription of KLR Holdings was completed on 15 September 2010.

KLR Holdings, incorporated in the British Virgin Islands, is an investment holding company whereas KLR Hong Kong is principally engaged in real estate investment fund management, real estate investment and asset management business in the PRC. The Group is able to exercise significant influence over KLR Holdings because it has the power to appoint one out of five directors under the provisions stated in the shareholders' deed entered on 15 September 2010. Details are set out in the Company's announcement dated 16 September 2010.

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Cost of investment in an unlisted associate	20,771	–
Share of post-acquisition loss and other comprehensive expense	(130)	–
	20,641	–

Included in the cost of investment in an associate is goodwill determined on a provisional basis of approximately HK\$10,963,000 (31 March 2010: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

11. OTHER DEPOSITS

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Deposits paid for acquisition of investment properties (<i>note a</i>)	31,500	–
Deposit paid for acquisition of a subsidiary (<i>note b</i>)	3,600	–
	35,100	–

Notes:

- a. On 31 May 2010, the Group entered into a provisional sale and purchase agreement with an independent third party for acquisition of a property located in Hong Kong at a consideration of HK\$315,000,000. As at 30 September 2010, the Group paid deposits of HK\$31,500,000. The acquisition is expected to be completed by 31 December 2010.
- b. On 30 August 2010, the Group entered into a share purchase agreement with independent third parties, pursuant to which the Group will purchase 10,200,000 ordinary shares of HK\$1 each representing 100% interest in Kin Shing (Leung's) General Contractors Limited ("Kin Shing") at a consideration of HK\$28,200,000. As at 30 September 2010, the Group paid deposit of HK\$3,600,000. The acquisition was completed on 15 October 2010 (see note 20(b)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

12. AMOUNTS DUE FROM RELATED COMPANIES

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Trade receivables from Waldo Hotel Limited ("Waldo") (note a)	–	3,000
Retentions receivable from Giant World Corporation Limited ("Giant World") (note b)	2,300	2,300
Deposits paid to DSTP for purchases of timber products (note c)	13,417	2,236
Total amounts due from related companies	15,717	7,536

Notes:

- a. Waldo is controlled by Ms. Li Wing Yin, a beneficial shareholder of the Company.
- b. Giant World is a company in which Mr. Chan William ("Mr. Chan") has beneficial interest that gives him significant influence over this company. Mr. Chan is a shareholder with significant influence and a director of the Company.
- c. DSTP is a company in which Mr. Leung, who has controlling interest, is a shareholder and a director of the Company.

The Group allows an average credit period of 30 days to its trade receivables due from a related company. All trade receivables due from a related company are aged within 30 days at the end of the reporting period.

At the end of the reporting period, all retentions receivable from a related company are expected to be recovered within twelve months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

13. OTHER CURRENT ASSETS

Trade and other receivables

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables presented based on invoice date (net of allowance for doubtful debts) at the end of the reporting period:

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Trade receivables analysed by age:		
1–30 days	118,084	42,881
31–60 days	42,251	1,064
61–90 days	5,681	2,731
Over 90 days	21,620	9,808
Total trade receivables	187,636	56,484
Prepayments and deposits paid to suppliers	51,889	28,958
Other receivables	10,530	5,862
	250,055	91,304

Other receivables comprise receivables from third parties are unsecured, interest free and recoverable within one year.

Bills receivable

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Bills receivable analysed by age:		
31–60 days	–	5,945
Over 90 days	661	–
	661	5,945

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

13. OTHER CURRENT ASSETS (Continued)

Retentions receivable

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Retentions receivable which:		
– will be recovered within twelve months	113,551	114,205
– will be recovered more than twelve months after the end of the reporting period	20,961	20,668
	134,512	134,873

14. OTHER CURRENT LIABILITIES

Trade and other payables

The average credit period taken for trade purchase is 30 days.

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Trade payables analysed by age:		
1–30 days	131,299	120,781
31–60 days	4,032	4,980
61–90 days	544	1,136
Over 90 days	8,483	5,903
Total trade payables	144,358	132,800
Retentions payable	66,330	69,753
Other payables	24,214	21,460
Total trade and other payables	234,902	224,013

As at 30 September 2010, retentions payable of approximately HK\$7,771,000 (31 March 2010: HK\$12,934,000) are expected to be paid after one year.

Bills payable

All bills payable are aged within 90 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

15. AMOUNTS DUE TO RELATED PARTIES

The average credit period taken by the Group for trade purchases from its related company is 30 days.

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Trade payables due to DSTP analysed by age:		
1–30 days	21,305	1,984
31–60 days	71	49
61–90 days	–	12
Total trade payables	21,376	2,045
Retentions payable due to DSTP	965	1,903
Total amount due to a related company	22,341	3,948

Retentions payable to a related company is expected to be paid after one year at the end of the reporting period.

The amount due to a jointly controlled entity is unsecured, interest free and repayable on demand. The balance is non-trading in nature.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
On the date of incorporation	39,000,000	390
Increased on 3 August 2009 (note a)	961,000,000	9,610
At 31 March 2010 and 30 September 2010	1,000,000,000	10,000
Issued and fully paid:		
On the date of incorporation (note b)	10,000	–
Issued on 3 August 2009 (note c)	69,990,000	700
Capitalisation on 3 August 2009 (note d)	290,000,000	2,900
Issued on 21 August 2009 (note e)	120,000,000	1,200
At 31 March 2010 and 30 September 2010	480,000,000	4,800

Pursuant to the group reorganisation completed on 3 August 2009, the Company became the holding company of the companies comprising the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

16. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to the written resolutions passed on 3 August 2009, the authorised share capital of the Company was increased from HK\$390,000 to HK\$10,000,000 by the creation of an additional 961,000,000 shares.
- (b) On 27 April 2009, one subscriber's share was transferred to Mr. Wong. On the same date, the Company issued and allotted for cash at par, 5,780 shares to Golden Tiger, 2,500 shares to Mr. Ng, 1,020 shares to Mr. Leung and 699 shares to Mr. Wong.
- (c) Pursuant to a deed for sale and purchase dated 3 August 2009 entered into between the Vendors and the Company, the Company issued 69,990,000 shares of HK\$0.01 each amounting to approximately HK\$700,000 to the Vendors for acquiring the entire issued share capital of Sundart Holdings in proportion to their respective holding in Sundart Holdings. Sundart Holdings became a wholly-owned subsidiary of the Company.
- (d) On 3 August 2009, the Company capitalised an amount of HK\$2,900,000 standing to the credit of its share premium account in paying-up in full 290,000,000 shares, each of which was subsequently allotted and issued to the existing shareholders whose names appear on the register of members of the Company in proportion to their shareholding of the Company on that date.
- (e) On 21 August 2009, the Company issued 120,000,000 new shares pursuant to the listing and the Company's shares were listed on the Stock Exchange on the same date.
- (f) All the shares issued during the period rank *pari passu* with the existing shares in all respects.

17. PERFORMANCE BONDS

As at 30 September 2010, the Group had issued performance bonds in respect of supply and installation contracts through the banks amounting to approximately HK\$57,664,000 (31 March 2010: HK\$77,385,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

18. RELATED PARTY TRANSACTIONS

Apart from the amounts due from (to) related parties as set out in notes 12 and 15, the Group had entered into the following significant transactions with its related companies in which the directors have controlling beneficial interests:

	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
Revenue from fitting-out works from		
– Giant World	–	35,525
– Waldo	–	26,151
Purchases of timber products from		
– DSTP	50,120	41,676
– Other related companies	–	25,457
Purchases of other intangible assets from DSTP and SPG	–	1,800

Other related companies are companies in which Mr. Leung has controlling interests.

During the six-month period ended 30 September 2009, certain directors of the Company guaranteed the banking facilities of the Group. The directors did not charge the Group for such guarantee provided. Such guarantee was released by 10 December 2009.

Compensation of key management personnel

The remuneration of key management personnel of the Group is as follows:

	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (Audited)
Salaries and short-term benefits	10,311	15,723
Post-employment benefits	78	78
	10,389	15,801

The remuneration of key management personnel is determined by the remuneration committee and directors of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

19. CAPITAL COMMITMENTS

The Group has the following commitments contracted but not provided for in the condensed consolidated financial statements:

	30.9.2010 HK\$'000 (Unaudited)	31.3.2010 HK\$'000 (Audited)
Acquisition of investment properties	292,845	-
Acquisition of subsidiaries	68,266	-

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (a) On 13 August 2010, the Group entered into a sale and purchase agreement with SPG, pursuant to which SPG has agreed to sell to the Group 100% of the issued share capital of Sundart Living Limited ("SLL") and the loan owing by SLL to SPG. SLL is principally engaged in the manufacturing of timber products which include timber doors, wall panels and furniture. SPG is wholly owned by Mr. Leung. The transaction was approved in the extraordinary general meeting on 16 September 2010 and completed on 4 October 2010 at a consideration of approximately HK\$43,666,000.

	HK\$'000
Cash consideration	43,666

Assets and liabilities of SLL:

	HK\$'000
Current assets	
Inventories	31,714
Trade and other receivables	13,506
Amounts due from related companies	22,341
Bank balances and cash	2,999
Non-current asset	
Property, plant and equipment	20,149
Current liabilities	
Trade and other payables	(28,113)
Amounts due to related companies	(13,417)
Tax payable	(6,277)
	42,902

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

20. EVENTS AFTER THE END OF THE INTERIM PERIOD (Continued)

The receivables acquired with a fair value of approximately HK\$13,506,000 had gross contractual amounts of approximately HK\$13,506,000. The contractual cash flows were expected to be collected based on the best estimate at acquisition date.

The initial accounting for certain property, plant and equipment acquired in the above business combination with fair value of approximately HK\$20,149,000 have been determined by an independent valuer using the depreciated replacement cost approach.

Goodwill arising on acquisition	HK\$'000
Consideration transferred	43,666
Less: fair value of identifiable net assets acquired	<u>(42,902)</u>
Goodwill arising on acquisition	<u>764</u>

Goodwill arose on the acquisition of SLL because the acquisition of SLL would streamline the management of the Group's business and improve efficiency in allocation of resources.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:	HK\$'000
Cash consideration	43,666
Less: Cash and cash equivalents acquired	<u>(2,999)</u>
	<u>40,667</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 September 2010

20. EVENTS AFTER THE END OF THE INTERIM PERIOD (Continued)

(b) On 30 August 2010, the Group entered into a share purchase agreement with independent third parties, pursuant to which the Group purchased 10,200,000 ordinary shares of HK\$1 each representing 100% interest in Kin Shing at a consideration of HK\$28,200,000. Kin Shing holds various licenses and qualifications for building construction in Hong Kong. The transaction was completed on 15 October 2010.

	HK\$'000
Cash consideration	28,200
Assets recognised at the date of acquisition:	
	HK\$'000
Bank balances	10,200
Intangible assets	18,000
	28,200

Intangible assets are various licenses and qualifications for building construction.

Pursuant to the share purchase agreement, all revenues, rights, benefits, title and interests deriving from or arising out of the performance of the contracts entered by Kin Shing prior to the acquisition ("Contracts") shall absolutely belong and be accountable in full to the vendor. The vendor shall continue to manage, monitor and take care of the Contracts until they are fully performed to the satisfaction of the counterparties of the Contracts. As the principal assets acquired by the Group are bank balances and intangible assets, representing various licenses and qualifications for building construction, the acquisition is accounted for as acquisition of assets.

Net cash outflow arising on acquisition:

	HK\$'000
Cash consideration	28,200
Less: Cash and cash equivalents acquired	(10,200)
	18,000

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

On 24 November 2010, the Board declared an interim dividend of HK 6.5 cents per share to be payable to the shareholders of the Company whose names appear in the register of members of the Company on 9 February 2011. The interim dividend will be payable on 22 February 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 February 2011 to 11 February 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 9 February 2011.

USE OF NET PROCEEDS RECEIVED FROM THE LISTING

In August 2009, net proceeds received from the listing, after deducting related expenses, were approximately HK\$457 million. Up to 30 September 2010, the Company has utilised such net proceeds in the manner consistent with that mentioned in the Prospectus under the section headed "Use of Proceeds", of which approximately HK\$19.6 million to finance the Group's fitting-out projects in the PRC; approximately HK\$2.7 million to set up the Group's own procurement office and for the Group's research and development; approximately HK\$41.1 million to finance the Group's fitting-out projects in Hong Kong and Macau; approximately HK\$1.6 million to finance the Group's fitting-out projects in the Middle East; approximately HK\$1.3 million for the Company's marketing activities; approximately HK\$24.4 million was used in acquisitions and approximately HK\$41.1 million were used for working capital requirements and other general corporate purposes, while the balance of unutilised proceeds were deposited in banks.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2010, the interests and short positions of the directors and chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
Chan William	Long	Interest in a controlled corporation ⁽¹⁾	97,104,000	20.23
	Long	Other interest ⁽²⁾	97,104,000	20.23
			194,208,000	40.46
Ng Tak Kwan	Long	Beneficial owner	84,000,000	17.50
Leung Kai Ming	Long	Beneficial owner	34,272,000	7.14
Wong Kim Hung, Patrick	Long	Beneficial owner	23,520,000	4.90

Notes:

- Chan William, as the sole beneficial owner of Tiger Crown Limited, is deemed to be interested in the shares of the Company owned by Tiger Crown Limited.
- Since Tiger Crown Limited, Scenemay Holdings Limited, Chan William, Li Chu Kwan and Li Wing Yin are regarded as a group of controlling shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other. Hence, Chan William is also deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders (other than the directors and chief executives of the Company) had notified the Company of relevant interests in the issued share capital of the Company:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
Tiger Crown Limited ⁽¹⁾	Long	Beneficial owner	97,104,000	20.23
	Long	Other interest ⁽²⁾	97,104,000	20.23
			<hr/> 194,208,000	<hr/> 40.46
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.23
	Long	Other interest ⁽²⁾	97,104,000	20.23
			<hr/> 194,208,000	<hr/> 40.46
Li Chu Kwan	Long	Interest in a controlled corporation ⁽³⁾	97,104,000	20.23
	Long	Other interest ⁽²⁾	97,104,000	20.23
			<hr/> 194,208,000	<hr/> 40.46
Li Wing Yin	Long	Interest in a controlled corporation ⁽³⁾	97,104,000	20.23
	Long	Other interest ⁽²⁾	97,104,000	20.23
			<hr/> 194,208,000	<hr/> 40.46

Notes:

1. Tiger Crown Limited is a controlled corporation of Chan William and so Chan William is deemed to be interested in the shares of the Company owned by Tiger Crown Limited.
2. Since Tiger Crown Limited, Scenemay Holdings Limited, Chan William, Li Chu Kwan and Li Wing Yin are regarded as a group of controlling shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other.
3. The entire issued share capital of Scenemay Holdings Limited is owned by Li Chu Kwan and Li Wing Yin in equal shares and so each of Li Chu Kwan and Li Wing Yin is deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to the written resolutions of all the shareholders passed on 3 August 2009. As at 30 September 2010, no share option under the share option scheme had been granted.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the interim reporting period.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained a sufficient public float throughout the interim reporting period as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

CORPORATE GOVERNANCE

During the interim reporting period, the Company had complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors and employees (the "Securities Code") with standards no less exacting than that of the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiries, all directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the interim reporting period.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of directors of the Company subsequent to the date of the 2010 Annual Report are set out below:

Mr. Chan William was appointed as an independent non-executive director and a member of the Audit Committee of Hao Tian Resources Group Limited (stock code: 00474) with effect from 1 September 2010.

AUDIT COMMITTEE REVIEW

The Audit Committee, which comprises all of the three independent non-executive directors, namely Mr. Ho Kwok Wah, George (Chairman of the Audit Committee), Mr. To King Yan, Adam and Mr. Wong Hoi Ki, has reviewed with the management the Group's interim results for the Period.