



Interim Report **2011**



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

Contents

Corporate Information	2
Management Discussion and Analysis	3
Report on Review of Interim Financial Information	10
Condensed Consolidated Statement of Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	18
Notes to the Condensed Consolidated Financial Statements	20
Corporate Governance and Other Information	36

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*)
TO King Yan, Adam
WONG Hoi Ki

NOMINATION COMMITTEE

CHAN William (*Chairman*)
HO Kwok Wah, George
WONG Hoi Ki

COMPANY SECRETARY

YIP Chun Kwok

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China Guangfa Bank Co., Ltd.
Standard Chartered Bank (Hong Kong)
Limited
Oversea-Chinese Banking Corporation
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

25/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

MEDIA RELATIONS CONTACT

iPR Ogilvy Limited
Units 2008-12, 20/F
The Center
99 Queen's Road Central
Central
Hong Kong

INVESTOR RELATIONS CONTACT

College Hill
Room B, 21/F, Pico Tower
66 Gloucester Road
Wan Chai
Hong Kong

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

During the six-month period ended 30 September 2011 (the “Period”) under review, Sundart International Holdings Limited 承達國際控股有限公司 (the “Company”) and its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$870 million (1H 2010/2011: HK\$593 million), with the gross profit of HK\$118 million (1H 2010/2011: HK\$115 million) and a gross profit margin of 14% (1H 2010/2011: 19%). The basic earnings per share were HK11 cents (1H 2010/2011: HK15 cents). The Board of Directors (the “Board”) declared an interim dividend per share of HK5 cents, equivalent to a dividend payout ratio of approximately 47%.

As at 30 September 2011, total assets of the Group were HK\$2,046 million (31 March 2011: HK\$1,555 million) of which current assets were HK\$1,957 million (31 March 2011: HK\$1,468 million), representing 3.6 times (31 March 2011: 3.3 times) of current liabilities. The equity attributable to the owners of the Company was HK\$915 million (31 March 2011: HK\$861 million).

Revenue and Gross Profit

During the Period, the Group recorded a revenue of HK\$870 million (1H 2010/2011: HK\$593 million) and achieved a gross profit of HK\$118 million (1H 2010/2011: HK\$115 million). The revenue from fitting-out works was HK\$834 million (1H 2010/2011: HK\$583 million), whilst HK\$36 million (1H 2010/2011: HK\$10 million) was contributed from the manufacturing, sourcing and distribution of interior decorative materials.

The revenue of the Group is dependent on the progress of the individual projects. Compared with the corresponding period in the financial year of 2010/2011, more projects were delivered during the Period, particularly in Hong Kong.

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 contributed HK\$449 million and HK\$353 million to the Group's revenue respectively.

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

The Hong Kong market remained the major revenue contributor of the Group. The revenue from fitting-out works in Hong Kong increased from HK\$159 million for the six-month period ended 30 September 2010 to HK\$449 million for the Period under review. The gross profit was HK\$50 million for the Period, an increment of HK\$22 million as compared to the corresponding period in the financial year of 2010/2011. The increase in revenue was mainly because several sizable projects including Tamar Development Project and Renaissance Harbour View Hotel were commenced and completed or nearly completed during the Period.

The gross profit margin, however decreased from 18% for six-month period ended 30 September 2010 to 11% for the Period under review. The residential and hotel fitting-out projects maintained a steady gross profit margin of approximately 14%. The reduction in gross profit margin was mainly attributed to a lower gross profit margin for providing fitting-out service for Tamar Development Project due to its tight working schedule. The Group also strategically and purposely competed and explored the renovation and alteration market by accepting a renovation project with a very low profit margin of refurbishing of an old industrial building in Yuen Long which further reduced the gross profit margin during the Period.

(ii) *Fitting-out works in Macau*

Most revenue was driven from large-scale hotel projects in Cotai during the Period, such as Galaxy Resort & Casino Cotai City. The revenue from fitting-out works in Macau decreased by 13% from HK\$406 million for the six-month period ended 30 September 2010 to HK\$353 million for the Period. The decrease was due to relatively less progress falling into the Period as substantial progress was made on these sizable projects in the previous year or will be recognized in the second half of this financial year.

The gross profit was HK\$56 million for the Period, with a decrement of HK\$29 million as compared to the corresponding period in the financial year of 2010/2011.

Management Discussion and Analysis

(iii) *Fitting-out works in the People's Republic of China (the "PRC")*

The revenue contributed by fitting-out works in the PRC increased by 78% from HK\$18 million for the six-month period ended 30 September 2010 to HK\$32 million for the Period. The increase is attributed to orders which were secured and commenced during the Period. However, some major secured orders were still in a preliminary stage and progress will be recognized in the second half of this financial year or the first half of the coming financial year.

(iv) *Manufacturing, sourcing and distribution of interior decorative materials*

The revenue and gross profit contributed by the manufacturing, sourcing and distribution of interior decorative materials were HK\$36 million (1H 2010/2011: HK\$10 million) and HK\$8 million (1H 2010/2011: HK\$0.4 million) respectively. The majority of revenue was contributed by orders mainly from United States of America and Macau.

Loss on Disposal of Subsidiaries

The amount represents the disposal of Sundart Development Limited to Mr. Leung Kai Ming ("Mr. Leung"), as mentioned in note 19 to the condensed consolidated financial statements.

Administrative Expenses

Administrative expenses increased by 72% from HK\$25 million for the six-month period ended 30 September 2010 to HK\$43 million for the Period. The increase was mainly attributed to the acquisition of Sundart Living Limited, which resulted in an increase in general administrative expenses, particularly in staff costs. In addition, an increase in number of staff and a rise in general salaries within the Group also triggered an increase in staff costs. More expenses were also incurred for the expansion of the Group's business into the PRC market.

Other Service Costs

The other service costs represent the non-cash transactions on share-based payment to Mr. Leung, as mentioned in note 4 to the condensed consolidated financial statements.

Share of Loss of an Associate

Amount represents the loss shared from our associate, Kailong REI Holdings Limited, during the Period.

Management Discussion and Analysis

Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the periods attributable to the owners of the Company and on the weighted average number of ordinary shares issued during the periods. For details, please refer to note 8 to the condensed consolidated financial statements.

BUSINESS REVIEW

Major Projects in Progress

As at 30 September 2011, the Group had an estimated value of contracts to be completed of approximately HK\$1,630 million of which HK\$774 million, HK\$335 million and HK\$471 million are fitting-out works in Hong Kong, Macau and the PRC respectively while the remaining amount of HK\$50 million are from manufacturing and trading business.

Properties under Development for Sale

The properties under development for sale represents our Hoi Bun Road property development project. The amount increased from HK\$336 million as at 31 March 2011 to HK\$737 million as at 30 September 2011.

Good progress has been made in relation to the property development of our Hoi Bun Road project. The land premium of HK\$385,000,000 has already been accepted and paid to the Government and the documents in relation to the lease modification are all duly executed in September 2011. In relation to the construction works, the demolition works of the existing building on the property has been completed and the foundation works are now in progress. It is expected that a high end commercial building be completed around June 2013.

Management Discussion and Analysis

The followings are summary of 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)	Shopping Centre at Yau Tong Re-Development Phase 4			√	
2)	Renovation Work to Guestroom Floors (Stage 2) for Renaissance Harbour View Hotel	√			
3)	Tai Wai Maintenance Centre Phase 3 Property Development		√		
4)	Residential Development at Sands Street Kennedy Town		√		
5)	Tai Po Monastery Development				√
6)	Fitting-out Works at 10 Peking Road	√			
7)	Fitting-out Works at 28 Hennessy Road			√	
8)	Fitting-out Works for Hotel at King's Road	√			
9)	Residential Development at Caine Road		√		
10)	Residential Development at Aberdeen		√		
11)	Renovation of Industrial Building at Yuen Long				√
Macau					
1)	Galaxy Resort & Casino Cotai City, Macau (Sky Casino)	√			
2)	Cotai Parcel 5 and 6 Hotels Fitting-out Works	√			
China					
1)	Chongqing B2-1/01 Residential Development		√		
2)	Chongqing B12-1/02 Commercial Development			√	
3)	Shopping Arcade at Tianjin			√	
4)	Shanghai Huaihai Road Residential Development		√		
5)	Chengdu Residential Development		√		
6)	Hotel at Zhujiajiao in Shanghai	√			
7)	Service Apartment Fitting-out Works in Shanghai	√			
8)	Hotel Fitting-out Works in Beijing	√			
9)	Hotel Fitting-out Works in Zhengzhou	√			

Management Discussion and Analysis

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

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.

As at 30 September 2011, the Group's total debt (represents total bank borrowings) to total assets ratio was 28.8% (31 March 2011: 23.6%). The gearing ratio (net debt to equity attributable to owners of the Company) was 24.5% (31 March 2011: nil) as the Group has net borrowings (total debt less bank balances and cash) of HK\$224 million as at 30 September 2011 (31 March 2011: net cash HK\$67 million).

The bank borrowings of the Group were mainly for financing the property development of our Hoi Bun Road project. The borrowings of HK\$416 million were secured by the properties under development for sale and will be repayable in 2013 or upon sales of our Hoi Bun Road project. Further costs for developing Hoi Bun Road project will be financed by our unutilised bank facilities designated for the project.

The liquidity of the Group's remains strong and healthy as the current ratio (current assets/current liabilities) of the Group as at period end is 3.6 (31 March 2011: 3.3), which is remained stable in both periods. The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek for development opportunities with a view to balancing the risk and opportunity in maximizing shareholders' value.

Pledge of Assets

As at 30 September 2011, the Group had pledged properties under development for sale to secure the term loan facility granted to the Group. The aggregate carrying value of the pledged assets was HK\$737 million (31 March 2011: HK\$336 million).

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities as at 30 September 2011 and 31 March 2011. For capital commitments, please refer to note 18 to the condensed consolidated financial statements.

Management Discussion and Analysis

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

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

The Group operates in various regions with different foreign currencies including Macau Pataca, United States Dollar 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 2011, the Group had approximately 965 (1H 2010/2011: 311) full-time employees, including 347 (1H 2010/2011: 311) staff from its fitting-out business and 618 (1H 2010/2011: Nil) staff from the timber product manufacturing plant. The total remuneration of the employees (including the directors' remuneration) were approximately HK\$93 million for the Period (1H 2010/2011: HK\$41 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.

Report on Review of Interim Financial Information

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 12 to 35, 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 2011 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.

Report on Review of Interim Financial Information

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

21 November 2011

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2011

		1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
	<i>NOTES</i>		
Revenue	3	870,211	592,811
Cost of sales		(752,282)	(478,105)
Gross profit		117,929	114,706
Other income, other gains and losses		(1,056)	725
Loss on disposal of subsidiaries	19	(1,356)	–
Selling expenses		(3,203)	(1,218)
Administrative expenses		(42,913)	(24,988)
Other service costs	4	(1,867)	(4,667)
Other expenses		(451)	(365)
Finance costs		(1,192)	(3)
Share of loss of an associate		(2,921)	(107)
Profit before taxation		62,970	84,083
Income tax expense	5	(11,608)	(12,477)
Profit for the period	6	51,362	71,606
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		3,650	642
Release of translation reserve upon disposal of subsidiaries		(6)	–
Share of translation reserve of an associate		197	(23)
Gain on revaluation of property upon transfer to investment property		1,720	–
Other comprehensive income for the period		5,561	619
Total comprehensive income for the period		56,923	72,225

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 September 2011

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
<i>NOTES</i>		
Profit (loss) for the period attributable to:		
Owners of the Company	51,379	71,606
Non-controlling interests	(17)	–
	<u>51,362</u>	<u>71,606</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	56,940	72,225
Non-controlling interests	(17)	–
	<u>56,923</u>	<u>72,225</u>
Earnings per share		
Basic (HK cents)	8	<u>11</u>
		<u>15</u>

Condensed Consolidated Statement of Financial Position

At 30 September 2011

	NOTES	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		29,255	27,690
Investment property	9	6,255	–
Goodwill		1,510	1,510
Other intangible assets		18,620	21,264
Interest in an associate		18,323	21,047
Available-for-sale investment		15,519	15,023
		89,482	86,534
Current assets			
Properties under development for sale	10	736,962	336,472
Inventories		32,258	40,249
Trade and other receivables	11	252,924	234,017
Bills receivable	11	1,899	15,805
Amounts due from customers for contract work		433,321	272,592
Retentions receivable	11	131,235	131,963
Tax recoverable		2,275	2,652
Bank balances and cash		366,049	434,307
		1,956,923	1,468,057
Current liabilities			
Trade and other payables	12	357,629	283,227
Bills payable	12	1,271	–
Amount due to a jointly controlled entity		–	5,346
Amounts due to customers for contract work		14,625	10,552
Dividend payable		40,800	–
Tax payable		25,095	26,640
Bank borrowings	13	100,975	123,123
		540,395	448,888
Net current assets		1,416,528	1,019,169
Total assets less current liabilities		1,506,010	1,105,703

Condensed Consolidated Statement of Financial Position

At 30 September 2011

	NOTES	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Capital and reserves			
Share capital	14	4,800	4,800
Reserves		909,882	856,531
Equity attributable to owners of the Company		914,682	861,331
Non-controlling interests		7,899	–
Total equity		922,581	861,331
Non-current liabilities			
Bank borrowings	13	488,581	243,973
Amounts due to non-controlling interests	15	93,953	–
Deferred taxation		895	399
		583,429	244,372
		1,506,010	1,105,703

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2011

	Attributable to owners of the Company													Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Statutory reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Shareholders' contribution reserve	Other reserves	Special reserve	Accumulated profits	Total		
	HKS'000	HKS'000	HKS'000 (Note e)	HKS'000 (Note a)	HKS'000 (Note b)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000 (Note c)	HKS'000 (Note d)	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2010 (audited)	4,800	472,253	-	49	690	-	-	5,225	6,615	20,534	66,139	205,267	781,572	-	781,572
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	642	-	-	-	-	642	-	642
Share of translation reserve of an associate	-	-	-	-	-	-	-	(23)	-	-	-	-	(23)	-	(23)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	71,606	71,606	-	71,606
Total comprehensive income for the period	-	-	-	-	-	-	-	619	-	-	-	71,606	72,225	-	72,225
Dividends recognised as distribution (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(45,600)	(45,600)	-	(45,600)
Recognition of other service costs (Note 4)	-	-	-	-	-	-	-	-	-	4,667	-	-	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	-	812,864
At 1 April 2011 (audited)	4,800	472,253	-	49	690	3,151	-	8,085	6,615	29,867	66,139	269,682	861,331	-	861,331
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	3,650	-	-	-	-	3,650	-	3,650
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Share of translation reserve of an associate	-	-	-	-	-	-	-	197	-	-	-	-	197	-	197
Gain on revaluation of property upon transfer to investment property	-	-	-	-	-	-	1,720	-	-	-	-	-	1,720	-	1,720
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	51,379	51,379	(17)	51,362
Total comprehensive income for the period	-	-	-	-	-	-	1,720	3,841	-	-	-	51,379	56,940	(17)	56,923
Dividends recognised as distribution (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(40,800)	(40,800)	-	(40,800)
Recognition of other service costs (Note 4)	-	-	-	-	-	-	-	-	-	1,867	-	-	1,867	-	1,867
Disposal of partial interest in a subsidiary (Note 20)	-	-	-	-	-	-	-	-	-	37,546	-	-	37,546	(7)	37,539
Transfer to legal reserve	-	-	-	12	-	-	-	-	-	-	-	(12)	-	-	-
Repurchase of shares	-	-	(2,202)	-	-	-	-	-	-	-	-	-	(2,202)	-	(2,202)
Deemed capital contribution from non-controlling interests (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	-	7,923	7,923
At 30 September 2011 (unaudited)	4,800	472,253	(2,202)	61	690	3,151	1,720	11,926	6,615	69,280	66,139	280,249	914,682	7,899	922,581

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 September 2011

Notes:

- (a) In accordance with the provisions of the Macao Commercial Code, two of the subsidiaries of the Company in Macao are required to transfer a minimum of 25% of their profits for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of the subsidiaries. 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) Other reserves include (i) recognition of other service costs of HK\$31,734,000 (30 September 2010: HK\$25,201,000) as set out in note 4 and (ii) amount recognised upon disposal of partial interest in a subsidiary of HK\$37,546,000 (30 September 2010: nil) as set out in note 20.
- (d) 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. Leung Kai Ming ("Mr. Leung") and Mr. Wong Kim Hung, Patrick 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.
- (e) In September 2011, the Company repurchased 1,751,000 ordinary shares at a total consideration of HK\$2,202,000. These repurchased shares have been cancelled subsequent to the end of the interim reporting period.

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 September 2011

	NOTES	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
Operating activities			
Profit before taxation		62,970	84,083
Adjustments for:			
Other service costs	4	1,867	4,667
Other non-cash items		12,831	1,152
		<hr/>	<hr/>
Operating cash flows before movements in working capital		77,668	89,902
Increase in properties under development for sale		(397,118)	–
Increase in trade and other receivables		(19,070)	(158,751)
Increase in amounts due from customers for contract work		(160,729)	(46,658)
Increase in trade and other payables		74,418	10,889
Deposits paid for properties under development for sale		–	(31,500)
Other operating cash flows		27,552	22,117
		<hr/>	<hr/>
Cash used in operations		(397,279)	(114,001)
Interest paid		(3,959)	(3)
Income tax paid		(12,303)	(15,225)
		<hr/>	<hr/>
Net cash used in operating activities		(413,541)	(129,229)
		<hr/>	<hr/>
Investing activities			
Purchases of property, plant and equipment		(9,951)	(525)
Deposit paid for acquisition of a subsidiary		–	(3,600)
Acquisition of an associate		–	(20,771)
Net cash outflow arising on disposal of subsidiaries	19	(6,542)	–
Other investing cash flows		352	613
		<hr/>	<hr/>
Net cash used in investing activities		(16,141)	(24,283)
		<hr/>	<hr/>

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 September 2011

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
<i>NOTES</i>		
Financing activities		
New bank borrowings raised	549,278	–
Repayments of bank borrowings	(326,817)	(1,667)
Proceeds from disposal of partial interest in a subsidiary without losing control	20 37,539	–
Proceeds from sale of shareholder's loan	20 50,311	–
Dividends paid	–	(45,600)
Repayment to a jointly controlled entity	(19)	(534)
Advance from non-controlling interests	50,960	–
Repurchase of shares	(2,202)	–
	<hr/>	<hr/>
Net cash from (used in) financing activities	359,050	(47,801)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(70,632)	(201,313)
Cash and cash equivalents at the beginning of the reporting period	434,307	657,506
Effect of foreign exchange rate changes	2,374	578
	<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	366,049	456,771
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

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 and Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011. In addition, the Group has applied the following accounting policies for (i) basis of consolidation, (ii) property, plant and equipment and investment property and (iii) equity instruments during the current interim period:

Basis of consolidation

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and investment property

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Equity instruments

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

In the current interim period, the Group has applied, for the first time, all of the new and revised standards, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The application of the New HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRS 7 (Amendments)	Disclosures – transfers of financial assets ¹
HKFRS 9	Financial instruments ²
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ⁴
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets ³
HKAS 19 (Revised 2011)	Employee benefits ²
HKAS 27 (Revised 2011)	Separate financial statements ²
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ²

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

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2012.

⁴ Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of these new and revised standards and amendments 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 reportable segments are as follows:

- (a) Fitting-out works in Hong Kong;
- (b) Fitting-out works in Macau;
- (c) Fitting-out works in the PRC;
- (d) Manufacturing, sourcing and distribution of interior decorative materials; and
- (e) Property development.

The new businesses acquired during the year ended 31 March 2011, (i) manufacturing of interior decorative materials, is reported under segment (d) manufacturing, sourcing and distribution of interior decorative materials; and (ii) property development forms a separate reportable segment as (e) property development.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 September 2011 (unaudited)

	Fitting-out works in Hong Kong HK\$'000	Fitting-out works in Macau HK\$'000	Fitting-out works in the PRC HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Property development HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue							
External revenue	448,789	352,702	32,257	36,463	-	-	870,211
Inter-segment revenue	-	-	-	25,260	-	(25,260)	-
Total	448,789	352,702	32,257	61,723	-	(25,260)	870,211
Segment profit (loss)	36,952	53,671	(2,514)	(3,903)	(53)	-	84,153
Corporate expenses							(15,889)
Corporate income							175
Loss on disposal of subsidiaries							(1,356)
Finance costs							(1,192)
Share of loss of an associate							(2,921)
Profit before taxation							62,970

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

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
Finance costs						(3)
Share of loss of an associate						(107)
Profit before taxation						84,083

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, loss on disposal of subsidiaries, finance costs and share of loss of an associate. 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 2011

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets

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

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets		
Fitting-out works in Hong Kong	416,898	344,880
Fitting-out works in Macau	318,525	267,259
Fitting-out works in the PRC	38,129	20,916
Manufacturing, sourcing and distribution of interior decorative materials	123,917	105,899
Property development	736,962	336,472
	<hr/>	<hr/>
Total segment assets	1,634,431	1,075,426
Unallocated corporate assets		
– Property, plant and equipment	2,455	2,716
– Investment property	6,255	–
– Interest in an associate	18,323	21,047
– Available-for-sale investment	15,519	15,023
– Other receivables	1,098	3,420
– Tax recoverable	2,275	2,652
– Banks balances and cash	366,049	434,307
	<hr/>	<hr/>
Total consolidated assets of the Group	<u>2,046,405</u>	<u>1,554,591</u>

All assets are allocated to reportable segments other than certain property, plant and equipment, investment property, interest in an associate, available-for-sale investment, 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 2011

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 two companies in which he has controlling beneficial interest, Sundart Products Group Limited 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 as well as to expand the interior fitting-out business to the Middle East.

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 for the year ended 31 March 2010. 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\$1,867,000 (1.4.2010 to 30.9.2010: HK\$4,667,000) is charged to profit or loss as expense.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

5. INCOME TAX EXPENSE

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	4,398	2,435
Macau Complementary Tax	6,956	10,085
PRC Enterprise Income Tax	9	10
	11,363	12,530
Overprovision in prior periods		
Macau Complementary Tax	(228)	(66)
Deferred taxation		
Current period	473	13
	11,608	12,477

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 tax rate of PRC subsidiaries is 25% for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

6. PROFIT FOR THE PERIOD

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Allowance for inventories (included in cost of sales)	418	–
Depreciation of property, plant and equipment	4,312	511
Amortisation of other intangible assets	2,644	844
Total depreciation and amortisation	6,956	1,355
Rental income from investment property	(160)	–
Interest income	(352)	(611)
Loss on disposal of property, plant and equipment	340	298
Net foreign exchange loss (gain)	1,319	(334)

7. DIVIDENDS

Period ended 30 September 2011

Pursuant to the annual general meeting on 19 August 2011, a final dividend of HK8.5 cents per share amounting to HK\$40,800,000 in total, was approved by the shareholders of the Company and distributed to the shareholders on 11 October 2011.

An interim dividend of HK5.0 cents per share has been declared in the directors' meeting on 21 November 2011.

Period ended 30 September 2010

Pursuant to the annual general meeting on 16 September 2010, a final dividend of HK9.5 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.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

8. EARNINGS PER SHARE

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

	1.4.2011 to 30.9.2011 (Unaudited)	1.4.2010 to 30.9.2010 (Unaudited)
Weighted average number of ordinary shares issued	<u>479,945,990</u>	<u>480,000,000</u>

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

9. INVESTMENT PROPERTY

During the current interim period, the Group transferred an owner-occupied property to investment property with a revaluation gain of HK\$1,720,000 recognised in property revaluation reserve. The fair value at date of transfer has been arrived by an independent qualified professional valuer not connected with the Group, Savills Valuation and Professional Services Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

The fair value at 30 September 2011 of HK\$6,255,000 has been arrived by the directors. The valuation was determined by reference to recent market prices for similar properties in the same location and condition.

10. PROPERTIES UNDER DEVELOPMENT FOR SALE

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
At cost	<u>736,962</u>	<u>336,472</u>

As at 30 September 2011, the properties under development for sale were expected to be realised over twelve months since the end of the reporting period, were situated in Hong Kong under medium term lease and were pledged to secure bank borrowings granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

11. OTHER CURRENT ASSETS

Trade and other receivables

The Group allows an average credit period of 30 days to its trade customers.

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Trade receivables analysed by age based on invoice date:		
1 – 30 days	149,520	90,018
31 – 60 days	–	59,564
61 – 90 days	217	4,824
Over 90 days	16,248	11,490
	<hr/>	<hr/>
Total trade receivables	165,985	165,896
Prepayments and deposits paid to suppliers	61,892	45,261
Other receivables	25,047	22,860
	<hr/>	<hr/>
	252,924	234,017
	<hr/>	<hr/>

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

Bills receivable

All bills receivable are aged within 90 days.

Retentions receivable

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Retentions receivable which:		
– will be recovered within twelve months	91,904	105,209
– will be recovered more than twelve months after the end of the reporting period	39,331	26,754
	<hr/>	<hr/>
	131,235	131,963
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

12. OTHER CURRENT LIABILITIES

Trade and other payables

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

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables analysed by age based on invoice date:		
1 – 30 days	180,536	159,123
31 – 60 days	4,478	10,758
61 – 90 days	1,995	2,292
Over 90 days	5,022	5,831
	<hr/>	<hr/>
Total trade payables	192,031	178,004
Retentions payable	79,765	64,470
Other payables	35,694	34,564
Deposits received from customers	50,139	6,189
	<hr/>	<hr/>
Total trade and other payables	357,629	283,227

As at 30 September 2011, retentions payable of approximately HK\$20,157,000 (31 March 2011: HK\$13,313,000) are expected to be paid after one year.

Bills payable

All bills payable are aged within 30 days.

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to HK\$549,278,000 (1.4.2010 to 30.9.2010: nil). HK\$416,375,000 of the new borrowings carry interest at 1.5% to 1.6% per annum over Hong Kong Interbank Offered Rate and is repayable in 2013. The proceeds were used to finance the property development business and the borrowings were secured by the properties under development for sale of HK\$736,962,000 as at 30 September 2011 (31 March 2011: HK\$336,472,000). Remaining new bank borrowings obtained are term loans and trust receipt loans with the same terms of the existing loans.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2010, 30 September 2010, 1 April 2011 and 30 September 2011	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2010, 30 September 2010, 1 April 2011 and 30 September 2011	<u>480,000,000</u>	<u>4,800</u>

There was no movement in share capital for both periods.

15. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts are unsecured, interest free and are repayable after settlement of a bank borrowing granted to Vital Success Development Limited, a wholly owned subsidiary of Wit Legend Investments Limited ("Wit Legend") (see note 20 for details of disposal of 35% interests in Wit Legend). The bank borrowing is repayable in 2013.

Fair value adjustment with effective interest rate of 3.2% per annum of HK\$7,923,000 is made at initial recognition and is recognised in equity as deemed capital contribution from non-controlling interests. During the period, imputed interest of HK\$605,000 is capitalised in properties under development for sale.

16. PERFORMANCE BONDS AND ADVANCE PAYMENT BONDS

As at 30 September 2011, the Group has issued performance bonds and advance payment bonds in respect of supply and installation contracts through the banks amounting to approximately HK\$177,485,000 (31 March 2011: HK\$127,895,000).

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

17. RELATED PARTY TRANSACTIONS

The Group had entered into the following significant transactions with its related parties:

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
Proceeds received on disposal of subsidiaries from Mr. Leung	4,400	–
Purchases of timber products from DSTP	<u>–</u>	<u>50,120</u>

Compensation of key management personnel

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

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (Unaudited)
Salaries and short-term benefits	11,037	10,311
Post-employment benefits	114	78
	<u>11,151</u>	<u>10,389</u>

The remuneration of key management personnel is determined by the remuneration committee or 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 2011

18. CAPITAL COMMITMENTS

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

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Acquisition of property, plant and equipment	<u>634</u>	<u>1,413</u>

19. DISPOSAL OF SUBSIDIARIES

On 31 August 2011, the Group entered into an agreement with Mr. Leung, an executive director and chief operating officer of the Company, to dispose of entire issued share capital of Sundart Development Limited for a cash consideration of HK\$4,400,000. The disposal was completed on 31 August 2011. Sundart Development Limited and Sundart Investments (Middle East) Limited ceased to be indirect wholly-owned subsidiaries of the Company and Sundart Interior Contracting (Middle East) L.L.C. ceased to be a jointly controlled entity of the Group which had been proportionate consolidated up to date of disposal.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 September 2011

19. DISPOSAL OF SUBSIDIARIES (Continued)

The assets and liabilities of Sundart Development Limited at the date of disposal were as follows:

	HK\$'000
Trade and other receivables	163
Bank balances and cash	10,942
Trade and other payables	(16)
Amount due to a jointly controlled entity	(5,327)
	<hr/>
Net assets disposed of	5,762
Exchange gain realised	(6)
	<hr/>
	5,756
Loss on disposal	(1,356)
	<hr/>
Total consideration satisfied by cash	4,400
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration received	4,400
Bank balances and cash disposed of	(10,942)
	<hr/>
	(6,542)
	<hr/>

20. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 14 June 2011, the Group entered into an agreement with two independent third parties, pursuant to which the Group has conditionally agreed to sell, and the two purchasers have conditionally agreed to purchase 35% of the issued share capital of Wit Legend, and 35% of the shareholder's loan of HK\$50,311,000, for an aggregate cash consideration of HK\$87.85 million. The disposal was completed on 24 June 2011.

The disposal, without losing the Group's control over Wit Legend, was accounted for as equity transaction. The difference between the fair value of cash consideration received of HK\$37,539,000 and 35% of net liabilities of HK\$7,000, amounting to HK\$37,546,000, was recognised directly in equity as other reserves and attributable to owners of the Company.

Corporate Governance and Other Information

INTERIM DIVIDEND

On 21 November 2011, the Board declared an interim dividend of HK5 cents per share to be payable to the shareholders of the Company whose names appear in the register of members of the Company on 19 December 2011. The interim dividend will be payable on 5 January 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 December 2011 to 21 December 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 19 December 2011.

USE OF NET PROCEEDS RECEIVED FROM THE LISTING

Up to 30 September 2011, the Company has utilized the net proceeds received from the listing in the manner consistent with that mentioned in the Prospectus under the section headed "Use of Proceeds" and in the Company's announcement dated on 31 August 2011 on "Change of Use of Proceeds". The balance of unutilized proceeds of approximately HK\$170 million were deposited in banks.

Corporate Governance and Other Information

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

As at 30 September 2011, 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 Future 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 ⁽³⁾
CHAN William	Long	Interest in a controlled corporation ⁽¹⁾	97,104,000	20.23
	Long	Other interest ⁽²⁾	97,104,000	20.23
			<hr/> 194,208,000 <hr/>	<hr/> 40.46 <hr/>
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	20,520,000	4.28

Notes:

1. 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.
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. Hence, CHAN William is also deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.
3. Based on the entire issued share capital of 480,000,000 shares as at 30 September 2011 before cancellation of repurchased shares.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, 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 ⁽⁴⁾
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

Corporate Governance and Other Information

Notes:

1. 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.
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. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, 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.
4. Based on the entire issued share capital of 480,000,000 shares as at 30 September 2011 before cancellation of repurchased shares.

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 2011, no share option under the share option scheme had been granted.

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

During the Period, the Company repurchased 1,751,000 shares of the Company on the Stock Exchange. Details of the repurchase were as follows:

Month of repurchase	Number of repurchased shares	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate consideration paid (HK\$)
September 2011	1,751,000	1.27	1.22	2,201,510

Subsequent to the reporting period, the Company repurchased 802,000 shares of the Company on the Stock Exchange in October 2011. These shares, together with 1,751,000 shares repurchased in September 2011 were cancelled by the Company in November 2011.

Other than disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the interim period and up to the date of this report.

Corporate Governance and Other Information

SUFFICIENT 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 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.

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 for the Group’s interim results for the Period.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our staff for their dedication and hard work, plus my sincere appreciation to all customers, business partners and shareholders for their continuing support.

By Order of the Board
Sundart International Holdings Limited
承達國際控股有限公司
Chan William
Chairman

Hong Kong, 21 November 2011