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SUNDART HOLDINGS LIMITED

承達集團有限公司

(incorporated under the laws of British Virgin Islands with limited liability)

(Stock Code: 1568)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

(in million HK dollars, unless otherwise stated)

	For the six months ended 30 June		Year-on- Year Increase/ (Decrease)
	2016 (Unaudited)	2015 ^{Note} (Unaudited)	
Revenue	1,739.1	1,977.2	(12.0%)
Gross profit	319.6	269.7	18.5%
Gross profit margin	18.4%	13.6%	35.3%
Profit attributable to owners of the Company			
– from continuing and discontinued operations	246.5	193.5	27.4%
– from continuing operations	246.5	183.8	34.1%
Basic earnings per share			
– from continuing and discontinued operations (HK cents)	12.32	12.90	(4.5%)
– from continuing operations (HK cents)	12.32	12.26	0.5%
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	Increase
Equity attributable to owners of the Company	1,477.0	1,409.5	4.8%

Note: From/for continuing operations only, unless otherwise stated.

INTERIM DIVIDEND

The Board declared an interim dividend of HK5 cents per Share.

The board (the “**Board**”) of directors (the “**Directors**”) of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016 (the “**Period**”) together with the comparative figures for corresponding six months ended 30 June 2015 (the “**Previous Period**”) as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	1,739,141	1,977,201
Cost of sales		(1,419,556)	(1,707,465)
Gross profit		319,585	269,736
Other income, other gains and losses		6,310	(7,417)
Loss on disposal of subsidiaries		–	(11)
Loss on disposal of an associate		–	(766)
Selling expenses		(4,098)	(4,247)
Administrative expenses		(46,532)	(46,637)
Other expenses		(432)	(420)
Share of profits of associates		5,245	4,538
Finance costs		(843)	(1,583)
Profit before taxation		279,235	213,193
Income tax expense	5	(32,761)	(29,338)
Profit for the period from continuing operations	6	246,474	183,855
Discontinued operations			
Profit for the period from discontinued operations	7	–	9,372
Profit for the period		246,474	193,227

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** *(Continued)*

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently</i>		
<i>to profit or loss:</i>		
Fair value change on available-for-sale investments	(17,351)	108,216
Release of translation reserve upon disposal of subsidiaries	–	(12,248)
Exchange differences arising on translation of foreign operations	(1,643)	130
	<hr/>	<hr/>
Other comprehensive (expense) income for the period	(18,994)	96,098
	<hr/>	<hr/>
Total comprehensive income for the period	227,480	289,325
	<hr/>	<hr/>
Profit (loss) for the period attributable to:		
Owners of the Company	246,474	193,506
Non-controlling interests	–	(279)
	<hr/>	<hr/>
	246,474	193,227
	<hr/>	<hr/>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	227,480	289,601
Non-controlling interests	–	(276)
	<hr/>	<hr/>
	227,480	289,325
	<hr/>	<hr/>
Earnings per share	8	
From continuing and discontinued operations		
Basic <i>(HK cents)</i>	12.32	12.90
	<hr/>	<hr/>
From continuing operations		
Basic <i>(HK cents)</i>	12.32	12.26
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		17,025	17,265
Goodwill		1,510	1,510
Available-for-sale investments		171,309	132,382
Interest in an associate		108,043	103,442
		297,887	254,599
Current assets			
Inventories		29,651	58,097
Amount due from a fellow subsidiary		–	3,404
Trade and other receivables	10	525,603	555,328
Bills receivable		–	902
Amounts due from customers for contract work		745,960	857,626
Retentions receivable	10	369,602	346,927
Tax recoverable		4,423	8,660
Bank balances and cash		610,845	895,433
		2,286,084	2,726,377
Current liabilities			
Trade and other payables	11	810,475	1,184,974
Bills payable	11	4,580	3,940
Amounts due to fellow subsidiaries		10,034	11,250
Amounts due to customers for contract work		129,527	58,117
Tax payable		88,528	58,611
Bank borrowings	12	63,827	254,564
		1,106,971	1,571,456
Net current assets		1,179,113	1,154,921
Total assets less current liabilities		1,477,000	1,409,520
Capital and reserves			
Share capital	13	669,250	669,250
Reserves		807,750	740,270
Total equity		1,477,000	1,409,520

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institutes of Certified Public Accountants (the “HKICPA”) as well as 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 “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE

Revenue represents the net amounts received and receivable for fitting-out works, alteration and addition and construction works rendered and manufacturing, sourcing and distribution of interior decorative materials by the Group to customers, net of discounts.

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Contract revenue from fitting-out works	1,483,413	1,733,179
Contract revenue from alteration and addition and construction works	223,435	240,968
Manufacturing, sourcing and distribution of interior decorative materials	32,293	3,054
	<u>1,739,141</u>	<u>1,977,201</u>

4. SEGMENT INFORMATION

The executive Directors are the chief operating decision makers. Information reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance focuses on three principal business activities.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (a) Fitting-out works in Hong Kong and others, except Macau and the Peoples's Republic of China (the "PRC");
- (b) Fitting-out works in Macau;
- (c) Alteration and addition and construction works in Hong Kong; and
- (d) Manufacturing, sourcing and distribution of interior decorative materials.

The Group also engaged in fitting-out works in the PRC which was classified as discontinued operations during the Previous Period, details were set out in note 7.

Information regarding the above segments is reported below:

Segment revenue and results

Continuing operations

For the six months ended 30 June 2016

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000 (Unaudited)	Fitting-out works in Macau HK\$'000 (Unaudited)	Alteration and addition and construction works in Hong Kong HK\$'000 (Unaudited)	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000 (Unaudited)	Segment total HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue							
External revenue	313,455	1,169,958	223,435	32,293	1,739,141	-	1,739,141
Inter-segment revenue	70	-	-	203,741	203,811	(203,811)	-
Segment revenue	<u>313,525</u>	<u>1,169,958</u>	<u>223,435</u>	<u>236,034</u>	<u>1,942,952</u>	<u>(203,811)</u>	<u>1,739,141</u>
Segment profit	<u>38,981</u>	<u>199,325</u>	<u>4,953</u>	<u>50,612</u>	<u>293,871</u>	<u>-</u>	<u>293,871</u>
Corporate expenses							(20,163)
Corporate income							1,125
Share of profit of an associate							5,245
Finance costs							(843)
Profit before taxation							<u>279,235</u>

For the six months ended 30 June 2015

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000 (Unaudited)	Fitting-out works in Macau HK\$'000 (Unaudited)	Alteration and addition and construction works in Hong Kong HK\$'000 (Unaudited)	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000 (Unaudited)	Segment total HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue							
External revenue	443,867	1,289,312	240,968	3,054	1,977,201	-	1,977,201
Inter-segment revenue	1,383	-	3	107,945	109,331	(109,331)	-
Segment revenue	<u>445,250</u>	<u>1,289,312</u>	<u>240,971</u>	<u>110,999</u>	<u>2,086,532</u>	<u>(109,331)</u>	<u>1,977,201</u>
Segment profit (loss)	<u>44,553</u>	<u>181,878</u>	<u>8,611</u>	<u>(11,275)</u>	<u>223,767</u>	<u>-</u>	<u>223,767</u>
Corporate expenses							(13,132)
Corporate income							380
Loss on disposal of subsidiaries							(11)
Loss on disposal of an associate							(766)
Share of profits of associates							4,538
Finance costs							(1,583)
Profit before taxation							<u>213,193</u>

Inter-segment revenue is charged at prevailing market rates.

Segment profit (loss) represents the profit earned by (loss from) each segment, excluding income and expenses of the corporate function, which include certain other income, certain selling expenses, certain administrative expenses, certain other expenses, share of profits of associates, loss on disposals of subsidiaries and an associate and finance costs. This is the measure reported to the executive Directors for the purpose of resource allocation and assessment of segment performance.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	4,420	7,240
Macau Complementary Tax	27,934	22,083
PRC Enterprise Income Tax	830	15
	<u>33,184</u>	<u>29,338</u>
Overprovision in prior periods:		
Hong Kong Profits Tax	(15)	–
PRC Enterprise Income Tax	(408)	–
	<u>(423)</u>	<u>–</u>
	<u>32,761</u>	<u>29,338</u>

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

Macau Complementary Tax is calculated at 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 the PRC subsidiaries is 25% for both periods.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,514	2,778
Amortisation of other intangible assets	–	1,800
Total depreciation and amortisation	1,514	4,578
Cost of inventories recognised as expense	25,211	5,514
Allowance (reversal of allowance) for inventories (included in cost of sales)	762	(174)
Contract costs recognised as expense		
Fitting-out works	1,179,910	1,474,897
Alteration and addition and construction works	213,673	227,228
	1,393,583	1,702,125
Staff costs		
Gross staff costs (including directors' emoluments)	105,772	106,364
Less: Staff costs capitalised to contract costs	(62,885)	(62,386)
	42,887	43,978
Net foreign exchange gain	(387)	(1,101)
Write off of trade and other receivables	–	10,192
	<u> </u>	<u> </u>

7. DISCONTINUED OPERATIONS

On 16 April 2015, the Group entered into a sale and purchase agreement with Jangho Curtain Wall Hongkong Limited (“**Jangho Hongkong**”), the then immediate holding company, to dispose of the Group’s 50% equity interests in Sundart Engineering & Contracting (Beijing) Limited (“**Sundart Beijing**”), which carried out fitting-out works in the PRC, to Jangho Hongkong. The disposal was completed on 24 April 2015.

Accordingly, the operating results of Sundart Beijing and its subsidiary for the period from 1 January 2015 to 24 April 2015 are presented as discontinued operations in the interim financial statements.

8. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic earnings per share for the Period is based on the profit for the period attributable to owners of the Company of HK\$246,474,000 and the weighted average number of ordinary shares of the Company (the “Shares”) of 2,000,000,000 in issue during the Period.

The calculation of basic earnings per share for the Previous Period is based on the profit for the period attributable to owners of the Company of HK\$193,506,000 and on 1,500,000,000 Shares, which included the capitalisation issue as detailed in note 13(c) and deemed to have been issued since 1 January 2015.

No diluted earnings per share are presented for both periods as there were no potential Shares in issue.

From continuing operations

The calculation of the basic earnings per share for continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	246,474	193,506
Less: Profit for the period from discontinued operations attributable to owners of the Company	—	(9,651)
Profit for the period attributable to owners of the Company from continuing operations	<u>246,474</u>	<u>183,855</u>

The denominators used are the same as those detailed above.

From discontinued operations

Basic earnings per share from the discontinued operations for the Period is nil (Previous Period: HK0.64 cent per Share), based on the profit for the period from the discontinued operations attributable to owners of the Company of nil (Previous Period: HK\$9,651,000) and the denominators detailed above for the basic earnings per share.

9. DIVIDENDS

An interim dividend of approximately HK\$88,235 per Share amounting to HK\$450,000,000 in total, was declared to the shareholder during the Previous Period.

A final dividend for the year ended 31 December 2015 of HK8 cents per Share, amounting to HK\$160,000,000 in aggregate was declared and paid during the Period.

An interim dividend for the Period of HK5 cents per Share, amounting to approximately HK\$107,911,000 in aggregate has been declared in the directors' meeting on 25 August 2016.

10. OTHER FINANCIAL ASSETS

Trade and other receivables and retentions receivable at the end of each reporting period comprise receivables from third parties as follows:

Trade and other receivables

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Trade receivables	268,562	269,696
Prepayments and deposits	245,266	275,434
Other receivables	11,775	10,198
	<u>525,603</u>	<u>555,328</u>

The Group allows an average credit period of 30 to 45 days to their trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of each reporting period.

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
1–30 days	226,393	178,801
31–60 days	31,155	48,582
61–90 days	647	33,052
Over 90 days	10,367	9,261
	<u>268,562</u>	<u>269,696</u>

Retentions receivable

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Retentions receivable which:		
– will be recovered within twelve months	271,791	247,584
– will be recovered more than twelve months after the end of the reporting period	97,811	99,343
	<u>369,602</u>	<u>346,927</u>

11. OTHER FINANCIAL LIABILITIES

Trade and other payables

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 14 to 30 days.

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Contract creditors and suppliers	384,048	562,908
Retentions payable	200,750	206,561
	<u>584,798</u>	<u>769,469</u>
Deposits received	186,315	330,859
Other payables	39,362	84,646
	<u>810,475</u>	<u>1,184,974</u>
Total	<u>810,475</u>	<u>1,184,974</u>

The aged analysis of contract creditors and suppliers is stated based on invoice date as follows:

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
1–30 days	296,551	506,711
31–60 days	22,019	33,484
61–90 days	7,250	10,928
Over 90 days	58,228	11,785
	<u>384,048</u>	<u>562,908</u>

As at 30 June 2016, the Group's retentions payable of HK\$61,942,000 (31 December 2015: HK\$55,837,000) is expected to be paid after one year.

Bills payable

At the end of both reporting periods, bills payable are repayable within 60 days.

12. BANK BORROWINGS

During the current interim period, the Group raised new bank loans amounting to HK\$63,430,000 (year ended 31 December 2015: HK\$494,511,000). As at 30 June 2016, all of the bank borrowings are variable-rate borrowings which are unsecured, repayable within one year, bear interest at 0.90% to 2.35% (31 December 2015: 0.90% to 2.35%) over Hong Kong Interbank Offered Rate per annum and interest is repriced every one to three months. As at 30 June 2016, the ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's variable-rate borrowings are 1.05% to 2.52% (31 December 2015: 1.03% to 3.25%) per annum. The proceeds were used to finance the daily operating uses.

13. SHARE CAPITAL

	Number of shares	Share capital	
		USD	HK\$'000
Authorised:			
At 1 January 2015			
– Shares of USD1 each	50,000	50,000	390
	<hr/>	<hr/>	<hr/>
At 31 December 2015 (<i>note a</i>)			
– with no par value	N/A	N/A	N/A
	<hr/>	<hr/>	<hr/>
Issued and fully paid:			
At 1 January 2015	5,100	5,100	40
Issue of Shares (<i>note b</i>)	500,000,000	N/A	654,210
Capitalisation issue (<i>note c</i>)	1,499,994,900	N/A	15,000
	<hr/>	<hr/>	<hr/>
At 31 December 2015 (Audited) and 30 June 2016 (Unaudited)			
– with no par value	2,000,000,000		669,250
	<hr/>		<hr/>

- (a) On 11 August 2015, pursuant to written resolutions of REACH GLORY INTERNATIONAL LIMITED (“**Reach Glory**”), the sole shareholder of the Company, the Company disappplied Part IV of Schedule 2 of the British Virgin Islands Companies Act and immediately after the disapplication, the Company was authorised to issue up to 50,000 Shares of United States dollars (“**USD**”) 1 par value each. On 1 September 2015, the Company increased its authorised Shares to an unlimited number comprising Shares of USD1 par value each. On the same day, the Company repurchased the then existing 5,100 Shares of par value of USD1 each in issue for a consideration of USD5,100, and 5,100 new Shares of no par value were issued to Reach Glory, for a consideration of USD5,100. On 7 September 2015, the Company further amended its authorised Shares by a further amendment of its memorandum of association to an unlimited number comprising Shares of no par value.
- (b) On 29 December 2015, 500,000,000 Shares with no par value were issued at a price of HK\$1.38 by way of initial public offering. Those Shares rank pari passu with the existing Shares. On the same date, the Shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The proceeds of HK\$690,000,000, net of transaction costs amounting to HK\$35,790,000, were credited to the Company's share capital.
- (c) On 29 December 2015, the Company capitalised HK\$15,000,000 standing to the credit of share premium of the Company and applied such amount in paying up in full 1,499,994,900 Shares for allotment and issue to Reach Glory. The new Shares rank pari passu in all respects with the issued Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Period, the economy of Hong Kong faced challenges. Notably, the gross domestic product (“GDP”) by expenditure component of Hong Kong only increased by 0.8% year-on-year in real terms in the first quarter of 2016 (first quarter of 2015: 2.4%), according to the Census and Statistics Department (“C&SD”) of the Hong Kong Government.

Nevertheless, the total gross value of construction works performed by main contractors in Hong Kong in the first quarter of 2016 increased by 8.9% in nominal terms over the same period of 2015, according to the provisional results provided by C&SD. Thanks to the launch of several large-scale construction projects in both public and private sectors, the construction industry’s development remained steady in Hong Kong. According to C&SD, the gross value of construction works performed at private sector sites totalled HK\$17.6 billion in the first quarter of 2016, increased by 13.1% year-on-year in nominal terms. In addition, the gross value of construction works performed by main contractors at construction sites for residential buildings, commercial and service projects grew by 15.4%, 36.9% and 27.6% year-on-year, respectively, in nominal terms in the first quarter of 2016. However, such growth was partially offset by the keen price competition and the rising costs of labour and raw materials in the construction and fitting-out industry.

Information from the Statistics and Census Service of the Macau Government indicated that Macau’s economy has experienced downturn for seven consecutive quarters as at 31 March 2016, mainly due to the continuous decline in its gaming industry. The GDP of Macau decreased by 13.3% year-on-year in real terms in the first quarter of 2016, while the export value generated by the gaming services in Macau dropped by 17.1% year-on-year in the first quarter of 2016 in real terms. However, according to the Macau Government, new developments in the Cotai Strip will open from late 2016 to boost the casino and hotel capacity, which will add impetus to the local economy, particularly the hotel and leisure industry in Macau.

BUSINESS REVIEW^{Note}

The Group is one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. In addition, the Group also generated revenue from alteration and addition and construction works in Hong Kong and from manufacturing, sourcing and distribution of interior decorative materials business for sales globally. During the Period, the majority of our revenue were derived from our fitting-out works in private sector.

Note: Disclosures in relation to the Previous Period only relate to the Group’s continuing operations during the Previous Period, unless otherwise stated.

Despite the fiercer market competition and stronger pressure of competitive pricing from other competitors, the Group continued to deliver a solid financial performance and encouraging profit growth. Thanks to our established reputation and proven track record of undertaking sizeable fitting-out projects, the Group continued to obtain several sizeable new projects during the Period. The Directors believe that the Group's new projects in the pipeline could ensure the Group's steady business development and profitability in the future.

Fitting-out works

The Group's fitting-out business primarily includes the fitting-out works carried out for hotels, serviced apartments, residential properties and other properties in Hong Kong and Macau. During the Period, the fitting-out business remained as the key contributor to the Group's revenue and profit.

The revenue derived from the Group's fitting-out business decreased by HK\$249.8 million or 14.4% year-on-year to HK\$1,483.4 million (Previous Period: HK\$1,733.2 million). In 2015, the Group completed certain large-scale fitting-out projects in Hong Kong and Macau, including 21 projects with individual contract sum of not less than HK\$50.0 million. These projects had brought HK\$1,215.6 million of revenue to the Group during the Previous Period. In addition, the Group could only recognise limited revenue from a project during its early stage. As at 30 June 2016, 17 out of 30 fitting-out projects on hand with individual contract sum of not less than HK\$50.0 million were at the early stages; whilst as at 30 June 2015, only 11 out of 30 fitting-out projects on hand with individual contract sum of not less than HK\$50.0 million were at the early stages. As a result, the Group's revenue derived from fitting-out business during the Previous Period was relatively higher than the revenue derived from fitting-out business during the Period.

Notwithstanding the decrease in revenue during the Period, the Group's gross profit derived from its fitting-out business increased by HK\$45.2 million or 17.5% year-on-year to HK\$303.5 million (Previous Period: HK\$258.3 million) and the Group's gross profit margin for its fitting-out business increased to 20.5% (Previous Period: 14.9%). Such increases were primarily attributable to the effective cost control of the Group as a result of the increased use of the interior decorative materials manufactured by the Group in its fitting-out works for several sizeable hotel and casino fitting-out projects in Macau during the Period.

As at 30 June 2016, the Group had a total of 30 fitting-out projects in progress with individual contract sum of not less than HK\$50.0 million, including 21 and 9 projects in Hong Kong and Macau, respectively. The total contract sum and value of remaining works for such projects in progress amounted to approximately HK\$6,789.6 million and HK\$3,818.8 million, respectively.

Alteration and addition and construction works

The Group carries out alteration and addition and construction business in Hong Kong through Kin Shing (Leung's) General Contractors Limited ("**Kin Shing**"), a registered general building contractor. Kin Shing's key services include construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, hotels, factories, and commercial projects in Hong Kong.

During the Period, Kin Shing completed a total of 5 alteration and addition and construction projects with a total contract sum of approximately HK\$505.5 million, out of which a total revenue of HK\$97.7 million was recognised during the Period.

The revenue derived from its alteration and addition and construction business decreased by HK\$17.6 million or 7.3% year-on-year to HK\$223.4 million (Previous Period: HK\$241.0 million). In 2015, the Group completed most of the work for a redevelopment of a residential property located at Yuen Long, Hong Kong, and the Group had recognised revenue of HK\$50.0 million from this project during the Previous Period. As a result, the Group's revenue derived from alteration and addition and construction business during the Previous Period was relatively higher than the revenue derived from alteration and addition and construction business during the Period.

During the Period, the Group's gross profit derived from its alteration and addition and construction business decreased by HK\$3.9 million or 28.5% year-on-year to HK\$9.8 million (Previous Period: HK\$13.7 million) and the Group's gross profit margin for such business was 4.4% (Previous Period: 5.7%). In 2015, the Group completed a five star hotel project located at North Point, Hong Kong, with a higher profit margin. As a result, the Group's gross profit margin for its alteration and addition and construction business during the Previous Period was relatively higher than the gross profit margin for its alteration and addition and construction business during the Period.

As at 30 June 2016, Kin Shing had 7 alteration and addition and construction projects in progress with a total contract sum and value of remaining works amounted to approximately HK\$672.0 million and HK\$386.6 million, respectively.

Manufacturing, sourcing and distribution of interior decorative materials

One of the Group's core competencies lies in its manufacturing base and research and development center in the PRC. Through its subsidiary, 東莞承達家居有限公司 (Dongguan Sundart Home Furnishing Co., Ltd.) ("**Dongguan Sundart**"), the Group operates one manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC with an aggregate gross floor area of over 40,000 square meters. Dongguan Sundart manufactures interior timber products such as fire-rated timber doors and wooden furniture, and provides re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by the Group.

During the Period, the revenue derived from the Group's manufacturing, sourcing and distribution of interior decorative materials business increased by HK\$29.3 million or 976.7% year-on-year to HK\$32.3 million (Previous Period: HK\$3.0 million). The growth was primarily attributable to the increased sales of timber doors in Macau and Hong Kong. During the Period, the Group's gross profit derived from manufacturing, sourcing and distribution of interior decorative materials business increased by HK\$8.6 million year-on-year to HK\$6.3 million (Previous Period: gross loss of HK\$2.3 million) whereas gross profit margin for such business increased to 19.5% (Previous Period: gross loss margin of 76.7%). Such increases were primarily due to increase in the orders from Macau. In addition, gross loss from the Previous Period was primarily due to no substantial sales as well as the additional repair and modification works we performed at our own cost.

Revenue, gross profit and gross profit margin

During the Period, the Group's revenue decreased by HK\$238.1 million or 12.0% year-on-year to HK\$1,739.1 million (Previous Period: HK\$1,977.2 million). Notwithstanding the decrease in revenue during the Period, the Group's gross profit increased by HK\$49.9 million or 18.5% year-on-year to HK\$319.6 million (Previous Period: HK\$269.7 million). Gross profit margin increased to 18.4% (Previous Period: 13.6%). The increase in the Group's gross profit and gross profit margin were primarily due to the effective cost control of the Group as a result of the increased use of the interior decorative materials manufactured by the Group in its fitting-out works for several sizeable hotel and casino fitting-out projects in Macau during the Period.

Other income, other gains and losses

The Group recorded other income, other gains and losses of HK\$6.3 million for the Period (Previous Period: net other losses of HK\$7.4 million), primarily due to the Group's written-off of HK\$10.2 million of trade receivables in the Previous Period.

Profit for the period

The Group's profit for the period amounted to HK\$246.5 million, increased by HK\$62.7 million or 34.1% year-on-year (Previous Period: HK\$183.8 million). Such increase was mainly attributable to the increase of the gross profit and other income, other gains and losses as discussed above.

Basic earnings per share

The Company's basic earnings per share for the Period was HK12.32 cents (Previous Period (from continuing and discontinued operations): HK12.90 cents), decreased by HK0.58 cents or 4.5% year-on-year. The basic earnings per share for the Period are calculated based on the weighted average number of Shares of 2,000,000,000 in issue during the Period, whilst basic earnings per share for the Previous Period are calculated based on the weighted average number of Shares of 1,500,000,000. As such, the basic earnings per share for the Period are relatively lower than those for the Previous Period. For details, please see Note 8 — Earnings per share to the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income of this announcement.

Interim dividend

The Board declared an interim dividend of HK5 cents per Share (the “**Interim Dividend**”) for the Period, equivalent to approximately 43.8% of the profit available for distribution for the Period, which is in line with the dividend policy as stated in the Company's prospectus dated 11 December 2015 (the “**Prospectus**”).

Note: Disclosures in relation to the Previous Period only relate to the Group's continuing operations during the Previous Period, unless otherwise stated.

Material acquisition and disposal

No material acquisition and disposal of subsidiaries were conducted by the Group during the Period.

Available-for-sale investments

During the Period, the Group purchased available-for-sale investments in equity securities listed on the Main Board (the “**Main Board**”) of the Stock Exchange. The investments the Group held can be traded in the open market and are not subject to any selling restriction.

As at 30 June 2016, the Group’s available-for-sale investments amounted to HK\$171.3 million (31 December 2015: HK\$132.4 million) and the purchase price of such available-for-sale investments was HK\$160.6 million (31 December 2015: HK\$104.3 million), representing an increase of HK\$10.7 million (31 December 2015: HK\$28.1 million) from purchases price. However, up to the date of this announcement, there was a decline in the value of the investments as the share price retreated. The Group was subject to the market risks associated with its investments. The management will closely monitors the performance of the Group’s investments from time to time and would consider risk management actions should the need arise.

Future plans for material investments

As at the date of this announcement, the Group did not have any other plans for material investments.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The management and control of the Group’s financial, capital management and external financing functions are centralised at its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. During the Period, the Group mainly relies upon internally generated funds, bank borrowings and net proceeds from the issue of Shares by way of Hong Kong public offering and the international placing on 29 December 2015 (the “**Global Offering**”) to finance its operations.

The Group remained a solid financial and cash position. As at 30 June 2016, the Group had working capital of HK\$1,179.1 million, increased by HK\$24.2 million or 2.1% over HK\$1,154.9 million as recorded as at 31 December 2015. The Group’s bank balances and cash in total amounted to HK\$610.8 million, decreased by HK\$284.6 million or 31.8% from HK\$895.4 million as recorded as at 31 December 2015. The decrease was primarily due to the net repayment of HK\$190.8 million of bank borrowings during the Period.

As at 30 June 2016, the Group had bank borrowings of HK\$63.8 million (31 December 2015: HK\$254.6 million), all of which were repayable within one year. The Group's current assets and current liabilities were HK\$2,286.1 million (31 December 2015: HK\$2,726.4 million) and HK\$1,107.0 million (31 December 2015: HK\$1,571.5 million), respectively. The Group's current ratio increased to 2.1 times (31 December 2015: 1.7 times). The Group has maintained sufficient liquid assets to finance its operations.

As at 30 June 2016, the Group's gearing ratio of total debts divided by total equity was 4.3% (31 December 2015: 18.1%). The decrease in gearing ratio was primarily due to net repayment of bank borrowings of HK\$190.8 million during the Period.

As at 30 June 2016, the share capital and equity attributable to owners of the Company amounted to HK\$669.3 million and HK\$1,477.0 million, respectively (31 December 2015: HK\$669.3 million and HK\$1,409.5 million, respectively).

Charge on the Group's assets

As at 30 June 2016, the Group did not charge or pledge any assets (31 December 2015: nil).

Contingent liabilities and capital commitments

As at 30 June 2016, the Group had no significant contingent liabilities and capital commitment (31 December 2015: nil).

Exposure to fluctuations in exchange rates and interest rates and corresponding hedging arrangements

The Group operates in various regions with different foreign currencies including Macau Pataca, Euro, Renminbi and USD. The Group's bank borrowings were made at floating rates. As at the date of this announcement, the Group does not implement any foreign currencies and interest rates hedging policies. However, the Group's management will closely monitor exchange rate and interest rate movement and will take appropriate actions to reduce the risks in relation to exchange rates and interest rates.

Credit exposure

During the Period, the Group had adopted prudent credit policies to deal with credit exposure. The Group's major customers include reputable property developers, hotel owners and main contractors. The Group has established long working relationships with certain of them. Therefore, the Group is not exposed to significant credit risk. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time to keep the credit risk exposure of the Group at a relatively low level.

EVENTS AFTER THE REPORTING PERIOD

The Company completed the placing of existing Shares and top-up subscription of new Shares under general mandate on 25 July 2016 and 28 July 2016, respectively. Pursuant to the placing and subscription agreement dated 20 July 2016, an aggregate number of 158,210,000 existing Shares were placed by Reach Glory at HK\$3.80 per Share on 25 July 2016 (the “**Placing**”). After completion of the Placing, 158,210,000 Shares were subscribed by Reach Glory on 28 July 2016 at HK\$3.80 per Share (the “**Subscription**”). For details, please see the announcements of the Company dated 21 July 2016 and 28 July 2016.

The net proceeds from the Subscription amounted to approximately HK\$577.6 million. The Group intends to use the net proceeds of approximately HK\$577.6 million from the Subscription for the following purposes:

- (i) **expansion of the Group’s fitting-out and alteration and addition and construction business:** approximately HK\$375.4 million or 65% of the net proceeds from the Subscription will be used to pay for part of the start-up costs for newly awarded projects;
- (ii) **general working capital of the Group:** approximately HK\$57.8 million or 10% of the net proceeds from the Subscription will be used as general working capital of the Group, to improve the Group’s liquidity position and ensure that the Group is able to react promptly to market conditions and business opportunities; and
- (iii) **financing of any potential investment opportunities:** approximately HK\$144.4 million or 25% of the net proceeds from the Subscription will be used to finance any potential investment opportunities of the Group that may arise from time to time.

As at the date of this announcement, HK\$57.8 million of the net proceeds from the Subscription have been utilised to finance the Group’s general working capital and HK\$519.8 million of the remaining net proceeds are deposited in bank accounts.

Save as disclosed herein, there were no significant events subsequent to 30 June 2016 which would materially affect the Group’s operating and financial performance as of the date of the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES^{Note}

As at 30 June 2016, the Group employed 889 full-time employees (31 December 2015: 911). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Discretionary bonuses and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides training programmes for its employees to equip themselves with requisite skills and knowledge.

The Group’s gross staff costs (including the directors’ emoluments) was HK\$105.8 million for the Period (Previous Period: HK\$106.4 million). The decrease in gross staff costs was mainly attributable to the decrease of number of full-time employees.

Note: Disclosures in relation to the Previous Period only relate to the Group’s continuing operations during the Previous Period, unless otherwise stated.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares have been listed and traded on the Main Board of the Stock Exchange since 29 December 2015. The net proceeds from the Global Offering amounted to HK\$627.8 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus. As at 30 June 2016 the net proceeds received were applied as follows:

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
To expand our fitting-out projects in Hong Kong	307.6	114.4	193.2
To expand our alteration and addition and construction business in Hong Kong	182.0	0.4	181.6
To expand our fitting-out projects in Macau	62.8	37.0	25.8
To hire additional staff for our business expansion	12.6	2.2	10.4
To finance the procurement of upgraded equipment and machinery for Dongguan Sundart and strengthen our research and development capabilities in re-engineering and pre-fabrication	6.3	0.1	6.2
General working capital	56.5	56.5	–
Total	<u>627.8</u>	<u>210.6</u>	<u>417.2</u>

As at 30 June 2016, the unutilised net proceeds were deposited in bank accounts.

PROSPECTS AND STRATEGIES

The Group remained confident about the opportunities for growth in the long run given the rapid urban development in Hong Kong and infrastructure developments in Macau. In addition, during the Period, the Group was awarded 12 fitting-out projects in Hong Kong and Macau and 2 alteration and addition and construction projects with total contract sum of approximately HK\$2,130 million and HK\$240 million, respectively. With its quality and reliable works, proven track record and solid working relationships with major property developers and hotel owners in Hong Kong and Macau, the Group is prudently optimistic about the industry outlook and remains confident in winning bids for sizeable projects in the future.

Looking in to the second half of 2016, the Group will enhance its advantages as well as solidify its leading position in the fitting-out markets in Hong Kong and Macau. In order to maintain its competitive advantage and drive business growth for the long term, the Group will continue to improve its manufacturing and research and development capabilities and technical leadership. Besides, it will focus on enhancing customer loyalty and satisfaction by continuously enriching its products and services, and distinguishing itself from their competitors by further improving its operational efficiency and productivity. It will also continue to emphasis and maintain high standards of the project planning, management and implementation. Furthermore, the Group will continue to expand its fitting-out business and intends to further explore and capture opportunities in alteration and addition and construction fields.

INTERIM DIVIDEND

On 25 August 2016, the Board has declared the Interim Dividend to be payable to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company at the close of business on Tuesday, 13 September 2016. The Interim Dividend will be paid on or about Friday, 23 September 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to the Interim Dividend, the register of members of the Company will be closed from Friday, 9 September 2016 to Tuesday, 13 September 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Interim Dividend, all transfer of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8 September 2016.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code of Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 of the Listing Rules during the Period, except for the following deviations:

- (i) code provision A.6.7 of the CG Code specifies that the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Two independent non-executive Directors were absent from the last annual general meeting held on 31 May 2016 due to other business commitments; and
- (ii) code provision C.1.2 of the CG Code specifies that the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the Period, the management of the Company provided monthly updates to all the executive Directors who were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company. The management also provided all Directors (including non-executive Director and independent non-executive Directors) regularly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail prior to the regular board meetings of the Company during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Period. The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Period.

REVIEW OF INTERIM RESULTS

The interim financial report for the Period is unaudited, but has been reviewed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, 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 HKICPA, whose unmodified review report will be included in the interim report to be sent to the Shareholders.

The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and the interim results and financial report of the Group for the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.sundart.com). The interim report for the Period containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the Shareholders in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its Shareholders, business partners and other professional parties for their support throughout the Period.

By order of the Board
SUNDART HOLDINGS LIMITED
承達集團有限公司
NG Tak Kwan

Chief Executive Officer and Executive Director

Hong Kong, 25 August 2016

As of the date of this announcement, the executive Directors are Mr. NG Tak Kwan, Mr. LEUNG Kai Ming, Mr. XIE Jianyu, Mr. NG Chi Hang and Mr. PONG Kam Keung; and the non-executive Director is Mr. LIU Zaiwang and the independent non-executive Directors are Mr. TAM Anthony Chun Hung, Mr. HUANG Pu and Mr. LI Zheng.