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

2018

INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Tak Kwan *(Chief Executive Officer)*
Mr. Leung Kai Ming
Mr. Xie Jianyu *(Chief Financial Officer)*
Mr. Ng Chi Hang
Mr. Pong Kam Keung *(resigned on 1 February 2018)*

Non-Executive Director

Mr. Liu Zaiwang *(Chairman)*

Independent Non-Executive Directors

Mr. Tam Anthony Chun Hung
Mr. Huang Pu
Mr. Li Zheng

AUDIT COMMITTEE

Mr. Tam Anthony Chun Hung *(Chairman)*
Mr. Huang Pu
Mr. Li Zheng

REMUNERATION COMMITTEE

Mr. Huang Pu *(Chairman)*
Mr. Ng Tak Kwan
Mr. Tam Anthony Chun Hung

NOMINATION COMMITTEE

Mr. Liu Zaiwang *(Chairman)*
Mr. Huang Pu
Mr. Li Zheng

INTERNAL CONTROL COMMITTEE

Mr. Pong Kam Keung *(Chairman)*
(resigned on 1 February 2018)
Mr. Liu Zaiwang *(Chairman)*
(appointed on 1 February 2018)
Mr. Xie Jianyu

COMPANY SECRETARY

Ms. Chui Muk Heung

AUTHORISED REPRESENTATIVES

Mr. Xie Jianyu
Mr. Pong Kam Keung *(resigned on 1 February 2018)*
Ms. Chui Muk Heung *(appointed on 1 February 2018)*

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Pinsent Masons
50/F, Central Plaza
18 Harbour Road
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Guangfa Bank Co., Ltd., Macau Branch
Citibank, N.A., Hong Kong Branch

REGISTERED OFFICE

Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands, VG1110

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BVI PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (BVI) Limited
Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands, VG1110

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

1568

COMPANY'S WEBSITE

www.sundart.com

INVESTOR RELATIONS CONTACT

PR ASIA Consultants Limited
5/F, Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

Management Discussion and Analysis

MARKET REVIEW

During the six months ended 30 June 2018 (the "**Period**"), the Hong Kong economy stayed vibrant in the first quarter of 2018. According to Census and Statistics Department of the government of Hong Kong ("**C&SD**"), the gross domestic product ("**GDP**") increased by 4.7% year-on-year in real terms in the first quarter of 2018.

According to the provisional results of the "Report on the Quarterly Survey of Construction Output" from C&SD, the total gross value of construction works performed by main contractors in Hong Kong in the first quarter of 2018 amounted to HK$65.9 billion, representing a year-on-year increase of 12.1% in nominal terms. The gross value of construction works performed at private sector sites in the first quarter of 2018 amounted to HK$19.8 billion, representing a year-on-year increase of 8.9% in nominal terms. The gross value of construction works performed at construction sites in respect of residential buildings in the first quarter of 2018 amounted to HK$17.9 billion, representing a year-on-year increase of 16.2% in nominal terms. Further, the gross value of construction works performed by main contractors at locations other than construction sites in the first quarter of 2018 amounted to HK$22.7 billion, representing a year-on-year increase of 13.8% in nominal terms. The growth of construction activities in Hong Kong may benefit the fitting-out market in Hong Kong.

According to the information from the Statistics and Census Service of the government of Macau, the gross floor area of new buildings constructed in the first six months of 2018 was 730,423 square meters ("**m^2**"), representing a year-on-year increase of 28.0%. The Macau's GDP increased by 6.0% year-on-year in real term which was mainly driven by export of service and individual consumption. The external demand of Macau has further expanded and boosting overall services, including gaming and tourism industries. Besides this, the opening of Hong Kong-Zhuhai-Macao Bridge is likely to bring more industrial impetus to Macau and such factors will also stimulate the interior fitting-out market in Macau.

According to the information from National Bureau of Statistics, the GDP of the People's Republic of China (the "**PRC**") increased to approximately Renminbi ("**RMB**") 41,896.1 billion in the first six months of 2018, representing a year-on-year increase of 10.0%. The gross output value of construction industry reached RMB9,479.0 billion, and the output value of fitting-out works reached RMB518.6 billion, representing year-on-year increase of 10.4% and 8.2%, respectively. During the Period, the floor area under construction by the PRC's real estate development enterprises accounted for 7.1 billion m^2, representing a year-on-year increase of 2.5%, of which, the floor area of residential building construction area was 4.9 billion m^2, representing a year-on-year increase of 3.2%. During the Period, real estate regulation policies actively focused on solving the mismatch between supply and demand structures, thereby boosting the demand for construction activities and fitting-out works. Major cities in the PRC have issued various policies and open channels in terms of land supply, development, inventory and other aspects to further ensure effective supply. Construction industry is expected to remain stable in the second half of the year. Accordingly, the fitting-out works market is expected to experience stable growth.

BUSINESS REVIEW

SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "**Company**") and its subsidiaries (collectively, the "**Group**") is one of the leading integrated fitting-out contractors in Hong Kong, Macau and the PRC, 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, a majority of the Group's revenue was derived from its fitting-out works in the private sector.

Benefitting from the economic growth, the Group continued to deliver solid financial performance during the Period. With its established reputation, proven track record and long working relationships with customers, the Group obtained several sizeable new fitting-out projects during the Period. These new projects will ensure stable and healthy development of the Group in the coming years.

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, Macau and the PRC. During the Period, the fitting-out business remained as the key contributor to the Group's revenue and profit.

During the Period, the Group completed a total of eight fitting-out projects, including one, three and four projects in Hong Kong, Macau and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum of those projects amounted to HK$2,048.5 million, out of which a total revenue of HK$321.9 million was recognised during the Period. As at 30 June 2018, the Group had 49 projects on hand (including contracts in progress and signed contracts yet to commence), including 25, five and 19 projects in Hong Kong, Macau and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum and the value of the remaining works for such projects as at 30 June 2018 amounted to approximately HK$7,391.7 million and HK$3,849.7 million, respectively.

During the Period, the Group's revenue derived from its fitting-out business increased by HK$226.5 million or 12.3% year-on-year to HK$2,063.3 million (six months ended 30 June 2017 (the "**Previous Period**"): HK$1,836.8 million). Such increase was primarily attributable to (i) the recovery of Macau's construction market where the gross floor area of new buildings constructed has increased by 28.0% year-on-year in the first six months of 2018; and (ii) a relatively low revenue in the Previous Period as a result of the delay in progress of some projects in Macau, and thus leading to the increase in the Group's revenue derived from its fitting-out business during the Period.

The Group's gross profit derived from its fitting-out business during the Period increased by HK$54.3 million or 20.8% year-on-year to HK$315.3 million (Previous Period: HK$261.0 million). The increase in gross profit was attributable to the increase in revenue and slight increase of gross profit margin for its fitting-out business from 14.2% for the Previous Period to 15.3% for the Period.

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 in Hong Kong. Kin Shing's key services include construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, hotels, factories and commercial buildings in Hong Kong.

During the Period, Kin Shing completed a total of 10 alteration and addition and construction projects, with a total contract sum of HK$254.1 million, out of which a total revenue of HK$36.4 million was recognised during the Period. As at 30 June 2018, Kin Shing had 13 projects on hand with a total contract sum of approximately HK$2,440.8 million. The value of the remaining works for those projects as at 30 June 2018 amounted to approximately HK$950.7 million.

During the Period, the Group's revenue derived from its alteration and addition and construction business increased by HK$281.5 million or 80.9% year-on-year to HK$629.6 million (Previous Period: HK$348.1 million). Such increase primarily resulted from two projects located in Chai Wan and Ting Kau, which commenced in the second half of 2017 and were almost completed during the Period.

The Group's gross profit derived from its alteration and addition and construction business increased by HK$9.2 million or 74.2% year-on-year to HK$21.6 million (Previous Period: HK$12.4 million), whilst the gross profit margin remained stable at 3.4% (Previous Period: 3.6%).

Manufacturing, sourcing and distribution of interior decorative materials

One of the Group's core competencies lies in its manufacturing base and research and development centre 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 a manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC with an aggregate gross floor area of over 40,000 m^2. Dongguan Sundart manufactures interior decorative timber products such as fire-rated timber doors and wooden furniture, and provides quality and reliable re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by the Group.

During the Period, the Group's revenue derived from its manufacturing, sourcing and distribution of interior decorative materials business increased by HK$0.8 million or 8.1% year-on-year to HK$10.7 million (Previous Period: HK$9.9 million). Such increase was primarily attributable to the increase in sales of wooden furniture to Hong Kong.

In addition, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK$4.2 million or 82.4% year-on-year to HK$0.9 million (Previous Period: HK$5.1 million), whilst the gross profit margin decreased to 8.4% (Previous Period: 51.5%). Such decrease was primarily due to completion of an order from the Philippines with relatively high gross profit margin in the Previous Period.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Period, the Group's revenue increased by HK$508.8 million or 23.2% year-on-year to HK$2,703.6 million (Previous Period: HK$2,194.8 million). The Group's gross profit increased by HK$59.3 million or 21.3% year-on-year to HK$337.8 million (Previous Period: HK$278.5 million). The Group's gross profit margin remained stable at 12.5% (Previous Period: 12.7%). Such increase in revenue was primarily due to the increase in its alteration and addition and construction business in Hong Kong and fitting-out business in Macau as discussed under the paragraph headed "Business review" above.

Other income, other gains and losses

The Group recorded other income, other gains and losses of HK$27.6 million for the Period (Previous Period: HK$10.9 million), which were primarily derived from a compensation received from the landlord for relocation of the Group's Shanghai office amounting to HK$16.3 million. The Group's new Shanghai office commenced operations in June 2018.

Profit for the period

The Group's profit for the period increased by HK$32.5 million or 18.6% year-on-year to HK$206.9 million (Previous Period: HK$174.4 million) as a result of the increase in gross profit as discussed above. However, it was partially offset by an increase in administrative expenses.

Basic earnings per share

The Company's basic earnings per share for the Period was HK9.59 cents (Previous Period: HK8.08 cents), increased by HK1.51 cents or 18.7% year-on-year and was in line with the increase in profit for the period. Details of earnings per share are set out in note 8 to the condensed consolidated financial statements.

Material acquisition and disposal

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

Investments

Financial assets at fair value through profit or loss ("FVTPL")/available-for-sale ("AFS") investments

As at 30 June 2018, the Group's financial assets at FVTPL/AFS investments comprised of HK$153.2 million and HK$127.3 million (31 December 2017: HK$126.4 million and HK$125.8 million) of listed equity securities and unlisted equity fund, respectively.

During the Period, the Group purchased HK$27.4 million of listed equity securities and disposed of HK$9.8 million of listed equity securities. Further, the Group recognised a net fair value gain of HK$9.2 million in profit or loss compared to that as at 31 December 2017. Up to 28 August 2018, there was a decline in the value of certain listed equity securities as the market price of those listed equity securities held by the Group retreated.

Note receivable

During the Period, the Group subscribed for a short term note matured on 18 October 2018 with a fixed interest rate of 3.0% per annum at a consideration of HK$30.0 million.

The Group is subject to the market risks associated with its investments. The management of the Group will closely monitor the performance of the Group's investments from time to time and will consider taking risk management actions should the need arise.

Future plans for material investments or capital assets

As at the date of this report, the Group did not have any plans for material investments or capital assets.

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 the financial and operational risks it is exposed to. During the Period, the Group mainly relies on internally generated funds, bank and other borrowings to finance its operations.

The Group continued to maintain a solid financial and cash position. As at 30 June 2018, the Group's working capital stood at HK$1,725.4 million, representing an increase of HK$123.6 million from HK$1,601.8 million as recorded as at 31 December 2017. Bank balances and cash in total amounted to HK$273.7 million, representing a decrease of HK$354.0 million from HK$627.7 million as recorded as at 31 December 2017. Such decrease was mainly due to the decrease in trade and other payables and bank borrowings.

As at 30 June 2018, the Group had bank borrowings and other borrowings of HK$151.3 million and HK$52.2 million, respectively (31 December 2017: HK$307.6 million and HK$34.1 million, respectively), of which HK$113.5 million, HK$60.0 million and HK$30.0 million (31 December 2017: HK$221.7 million, HK$60.0 million and HK$60.0 million) will be repayable within one year, one to two years and three to five years, respectively. There is no seasonality issue on the Group's borrowings.

The Group continued to maintain a healthy liquidity position. As at 30 June 2018, the Group's current assets and current liabilities amounted to HK$3,943.5 million and HK$2,218.1 million, respectively (31 December 2017: HK$4,447.2 million and HK$2,845.4 million, respectively). The Group's current ratio increased slightly to 1.8 times (31 December 2017: 1.6 times) and it has maintained sufficient liquid assets to finance its operations.

As at 30 June 2018, the Group's gearing ratio of total debts divided by total equity was 9.3% (31 December 2017: 16.8%). The decrease in gearing ratio was primarily due to the net decrease in the Group's borrowings.

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to HK$1,246.8 million and HK$2,189.4 million, respectively (31 December 2017: HK$1,246.8 million and HK$2,031.8 million, respectively).

Charge on the Group's assets

As at 30 June 2018, the Group had pledged financial assets at FVTPL and bank deposits of HK$153.2 million and HK$24.4 million, respectively (31 December 2017: HK$126.4 million and HK$63.3 million, respectively) to secure other borrowings, certain performance bonds, certain advance payment bonds, certain tender bonds and certain bills payable for its operations.

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017, respectively.

As at 30 June 2018, the Group had capital commitments of HK$0.9 million in relation to acquisition of property, plant and equipment (31 December 2017: HK$2.1 million) and HK$20.7 million in relation to contribution to the capital of equity fund (31 December 2017: HK$22.2 million).

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, RMB and United States Dollars. All of the Group's bank borrowings were made at floating rates. As at the date of this report, the Group had not implemented 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 measures to reduce the risks.

Credit risk exposure

During the Period, the Group has adopted prudent credit policies to deal with credit risk exposure. The Group's major customers include reputable property developers, hotel owners and main contractors. Save as disclosed below, the Group was not exposed to any significant credit risk during the Period. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time with a view to keeping the credit risk exposure of the Group at a relatively low level.

In 2016, a dispute between the Group and a main contractor of two fitting-out projects undertaken by the Group for a hotel in Macau regarding amounts receivable in respect of such projects had arisen and the parties have almost agreed on the settlement during the Period.

EVENTS AFTER THE REPORTING PERIOD

Since 5 July 2018, the ordinary shares of Steve Leung Design Group Limited, a subsidiary of an associate of the Group, have been listed and traded on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Save as disclosed herein, there are no other significant events subsequent to 30 June 2018 which may materially affect the Group's operating and financial performance as at the date of the condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 1,401 full-time employees (31 December 2017: 1,475). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Discretionary bonuses and share options may also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides training programmes to its employees to equip themselves with requisite skills and knowledge.

The Group's gross staff costs (including the emoluments of the Company's directors (the "**Directors**")) was HK$198.0 million for the Period (Previous Period: HK$154.9 million). The increase in gross staff costs was mainly attributable to the increase of number of full-time employees.

PROSPECTS AND STRATEGIES

The Hong Kong property market is expected to maintain its positive development momentum in the first half of 2018, benefitting from a strong local consumption, rebound of the number of visitors in Hong Kong and a very low level of unemployment rate. The market holds an optimistic atmosphere. Moreover, following the proposed implementation of tax on vacant first-hand private residential properties, the real estate developers in the second half of 2018 may accelerate the sales of new properties. In addition, Hong Kong's strategic position in the Guangdong-Hong Kong-Macao Greater Bay Area, along with the development of the Hong Kong-Zhuhai-Macao Bridge, the Shenzhen-Hong Kong high-speed rail and the Lok Ma Chau Loop, will also bring more development opportunities to Hong Kong's real estate and construction industry. The Group believes that there is bright market prospect.

The Hong Kong-Zhuhai-Macao Bridge will commence operation soon. The government of Macau's support policies for small and medium-sized enterprises over the years will play a positive role in promoting Macau's economy. In addition to the benefits to the gaming industry and the tourism industry, Macau is positioned in the Guangdong-Hong Kong-Macao Greater Bay Area as "the World Tourism and Leisure Center". Apart from visitors from the Mainland China, it will also be promoted to visitors from Asia, Europe, the United States, Australia and New Zealand. Macau's economy is expected to be strengthened by its active cooperation with other cities in Guangdong-Hong Kong-Macao Greater Bay Area. The Group will seize the opportunities brought to the real estate, construction and decoration industry by the gaming, tourism, hotel and exhibition industry in Macau.

According to the information from China International Capital Corporation Limited, the fundamentals of the real estate industry in the PRC are stable, and the growth rate of the national sales area will increase steadily in the second half of 2018. The performance of the first- and second-tier markets will be better than that of the third- and fourth-tier market. It is expected that revenue of the leading real estate companies will grow at a rate of 30%-40% this year. The PRC's domestic consumption will also maintain its growth momentum in the second half of the year. The Group strives to expand its business in the PRC riding on the growth of the real estate market in the future.

Looking ahead, the Group will continue to benefit from the opportunities in Hong Kong, Macau and the PRC. With the policy of the PRC's "One Belt, One Road" and Guangdong-Hong Kong-Macau Greater Bay Area, the Group will also build a one-stop construction industry chain in Hong Kong and Macau. The business model with continuous optimisation and integration will be developed. The Group will also combine the advantages of different regions to continuously improve product and services in the future, strictly control the quality of fitting-out projects, expand business and enhance profitability to create more value for the shareholders of the Company (the "**Shareholders**").

Corporate Governance and Other Information

INTERIM DIVIDEND

Pursuant to a meeting held on 28 August 2018, the board of Directors (the "**Board**") has resolved to declare an interim dividend (the "**Interim Dividend**") of HK2 cents per share of the Company (the "**Share**", collectively , the "**Shares**") for the Period, amounting to approximately HK$43.2 million. The Interim Dividend is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on 14 September 2018. The Interim Dividend will be paid on or about 26 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2018 to 14 September 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Interim Dividend, all transfers 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 Tuesday, 11 September 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Nature of interests/capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Liu Zaiwang (劉載望) ("**Mr. Liu**") *(note)*	Interest in controlled corporation	1,500,000,000	69.5%

Note:

江河創建集團股份有限公司 (Jangho Group Co., Ltd.) ("**Jangho Co**") was approximately 27.35% beneficially owned by 北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.) ("**Beijing Jiangheyuan**") (a company which was 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu Haixia (富海霞) ("**Ms. Fu**"), respectively) and approximately 25.07% beneficially owned by Mr. Liu and therefore, Mr. Liu was deemed to be interested in the Shares indirectly held by Jangho Co through Jangho Hong Kong Holdings Limited ("**Jangho HK**") and REACH GLORY INTERNATIONAL LIMITED ("**Reach Glory**") under the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors and the chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) or entities who had an interest or a short position in the Shares and the underlying Shares (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Long positions in the Shares and underlying Shares

Name of substantial shareholders	Nature of interests/capacity	Number of Shares held	Approximate percentage of shareholding *(Note 1)*
Reach Glory	Beneficial owner	1,500,000,000	69.5%
Jangho HK *(note 2)*	Interest in controlled corporation	1,500,000,000	69.5%
Jangho Co *(note 3)*	Interest in controlled corporation	1,500,000,000	69.5%
Beijing Jiangheyuan *(note 4)*	Interest in controlled corporation	1,500,000,000	69.5%
Ms. Fu *(note 5)*	Interest of spouse	1,500,000,000	69.5%

Notes:

1. On the basis of 2,158,210,000 Shares in issue as at 30 June 2018.

2. Reach Glory was beneficially wholly-owned by Jangho HK and therefore Jangho HK was deemed to be interested in the Shares held by Reach Glory under the SFO.

3. Jangho HK was beneficially wholly-owned by Jangho Co and therefore Jangho Co was deemed to be interested in the Shares held by Jangho HK through Reach Glory under the SFO.

4. Ms. Fu, the spouse of Mr. Liu, was the sole director of Beijing Jiangheyuan. The board of directors of Jangho Co was controlled by Beijing Jiangheyuan and therefore Beijing Jiangheyuan was deemed to be interested in the Shares held by Jangho Co through Jangho HK and Reach Glory under the SFO.

5. Ms. Fu is the spouse of Mr. Liu and was therefore deemed to be interested in the Shares held by Mr. Liu under the SFO.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at 30 June 2018, no other person (other than the Directors or the chief executive of the Company) had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution passed on 1 December 2015. As at 30 June 2018, no share option under the share option scheme has been granted.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Period.

CHANGES IN DIRECTOR'S INFORMATION

Mr. Pong Kam Keung resigned as an executive Director with effect from 1 February 2018.

Mr. Li Zheng, an independent non-executive Director, resigned as an independent director of Dalian Sunasia Tourism Holding Co. Ltd (大連聖亞旅遊控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600593) with effect from 12 February 2018.

Save as disclosed herein, there was no change to the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and each of the controlling shareholders of the Company, namely Mr. Liu, Ms. Fu, Beijing Jiangheyuan, Jangho Co, Jangho HK and Reach Glory, each of the controlling shareholders of the Company as a covenantor (the "**Covenantor**") executed an amended and restated deed of non-competition dated 25 July 2017 in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which, each of the Covenantors undertakes, *inter alia,* that it/he/she will not, and will use its/his/her best endeavours to procure, its/his/her close associates (other than any member of the Group) not to, whether directly or indirectly, whether for profit or not, participate in or engage in any business which, directly or indirectly, competes or may compete with the Group's business. For details, please refer to the announcements of the Company dated 17 May 2017 and 25 July 2017 and the circular of the Company dated 30 June 2017, respectively.

SANCTIONS

During the Period, a meeting of the internal control committee of the Board was held on 27 March 2018 to review, *inter alia*, the Group's guidelines and procedures with respect to the sanction law matters. The internal control committee of the Board was of the view that such guidelines and procedures, which have been complied with, were effective and well-functioned.

The Group has not used any funds (whether internally or raised elsewhere) to finance or facilitate, directly or indirectly, any activities or business in breach of the sanctions enacted, enforced or imposed by the United States government, the European Union and Australian government with respect to Russia.

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

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

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. It also recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Company and its ability to attract investment, protect the rights of shareholders and stakeholders, and create values for shareholders. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, polices and guidelines.

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules (the "**Code Provisions**") during the Period, except for the following deviation:

Paragraph A.6.7 of the Code Provisions specifies that the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the Shareholders. The non-executive Director and one independent non-executive Director were absent from the last annual general meeting of the Company held on 31 May 2018 due to other important business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 with the Model Code by the relevant employees was noted by the Company for the Period.

AUDIT COMMITTEE REVIEW

The audit committee of the Board has reviewed with the Group's management and auditor, Messrs. Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group, and the unaudited interim results of the Group for the Period.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SUNDART HOLDINGS LIMITED
承達集團有限公司
(incorporated in British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 15 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquires, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 June 2017 HK$'000 (Unaudited and restated)
Revenue	*3A*	**2,703,586**	2,194,752
Cost of sales		**(2,365,784)**	(1,916,265)
Gross profit		**337,802**	278,487
Other income, other gains and losses	*4*	**27,553**	10,923
Selling expenses		**(7,714)**	(3,614)
Administrative expenses		**(114,991)**	(90,910)
Other expenses		**(288)**	(775)
Share of profits of associates		**3,677**	7,309
Finance costs		**(4,154)**	–
Profit before taxation		**241,885**	201,420
Income tax expense	*5*	**(34,980)**	(27,042)
Profit for the period attributable to owners of the Company	*6*	**206,905**	174,378
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments		**–**	19,291
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale investments		**–**	(4,900)
Exchange differences arising on translation of foreign operations		**(5,475)**	13,513
Share of other comprehensive (expense) income of an associate		**(617)**	473
Release of translation reserve upon deregistration of a subsidiary		**–**	23
Other comprehensive (expense) income for the period		**(6,092)**	28,400
Total comprehensive income for the period attributable to owners of the Company		**200,813**	202,778
Earnings per share			
Basic *(HK cents)*	*8*	**9.59**	8.08

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**36,194**	33,518
Investment properties		**10,475**	10,545
Goodwill		**1,510**	1,510
Financial assets at fair value through profit or loss	9	**280,535**	–
Available-for-sale investments	9	**–**	252,229
Interests in associates	10	**136,276**	133,216
		464,990	431,018
Current assets			
Inventories		**55,448**	69,722
Trade and other receivables and bills receivable	11A	**1,642,905**	1,799,053
Amounts due from related companies	12	**45,836**	49,334
Amounts due from fellow subsidiaries		**129**	915
Amount due from ultimate holding company		**49**	–
Contract assets	11B	**1,820,929**	–
Amounts due from customers for contract work	11B	**–**	1,077,085
Retentions receivable		**–**	710,093
Tax recoverable		**41**	65
Note receivable		**80,000**	50,000
Pledged bank deposits		**24,432**	63,273
Bank balances and cash		**273,722**	627,658
		3,943,491	4,447,198
Current liabilities			
Trade and other payables	13	**1,773,896**	2,024,842
Bills payable	13	**81,507**	233,753
Amount due to a related company	12	**1,268**	–
Amount due to a fellow subsidiary	14	**2,591**	2,613
Contract liabilities		**91,833**	–
Amounts due to customers for contract work	11B	**–**	197,258
Tax payable		**63,432**	45,274
Bank borrowings	15	**151,304**	307,557
Other borrowings	16	**52,229**	34,139
		2,218,060	2,845,436
Net current assets		**1,725,431**	1,601,762
Total assets less current liabilities		**2,190,421**	2,032,780
Capital and reserves			
Share capital	17	**1,246,815**	1,246,815
Reserves		**942,605**	784,956
Equity attributable to owners of the Company		**2,189,420**	2,031,771
Non-current liability			
Deferred tax liabilities		**1,001**	1,009
		2,190,421	2,032,780

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Legal reserve *HK$'000* *(Note a)*	Statutory reserve *HK$'000* *(Note b)*	Investment revaluation reserve *HK$'000*	Property revaluation reserve *HK$'000*	Shareholders' contribution reserve *HK$'000*	Translation reserve *HK$'000*	Other reserves *HK$'000* *(Note c)*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 January 2017 (restated)	1,246,815	19,700	60	16,022	–	1,241	6,615	(23,183)	242,594	901,163	2,411,027
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	13,513	–	–	13,513
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	473	–	–	473
Release of translation reserve upon deregistration of a subsidiary	–	–	–	–	–	–	–	23	–	–	23
Fair value change on available-for-sale investments	–	–	–	–	19,291	–	–	–	–	–	19,291
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale investments	–	–	–	–	(4,900)	–	–	–	–	–	(4,900)
Profit for the period	–	–	–	–	–	–	–	–	–	174,378	174,378
Total comprehensive income for the period	–	–	–	–	14,391	–	–	14,009	–	174,378	202,778
Transfer back from statutory reserve to accumulated profits	–	–	–	(345)	–	–	–	–	–	345	–
Dividend declared *(note 7)*	–	–	–	–	–	–	–	–	–	(164,746)	(164,746)
At 30 June 2017 (unaudited and restated)	1,246,815	19,700	60	15,677	14,391	1,241	6,615	(9,174)	242,594	911,140	2,449,059
At 1 January 2018 (as previously stated)	**1,246,815**	**19,700**	**60**	**27,123**	**6,921**	**1,241**	**6,615**	**5,368**	**(277,406)**	**995,334**	**2,031,771**
Impact on initial application of HKFRS 9 *(note 2.2)*	**–**	**–**	**–**	**–**	**(6,921)**	**–**	**–**	**–**	**–**	**6,921**	**–**
Adjusted balance at 1 January 2018 (restated)	**1,246,815**	**19,700**	**60**	**27,123**	**–**	**1,241**	**6,615**	**5,368**	**(277,406)**	**1,002,255**	**2,031,771**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,475)**	**–**	**–**	**(5,475)**
Share of other comprehensive expense of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(617)**	**–**	**–**	**(617)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**206,905**	**206,905**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,092)**	**–**	**206,905**	**200,813**
Dividend paid *(note 7)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43,164)**	**(43,164)**
At 30 June 2018 (unaudited)	**1,246,815**	**19,700**	**60**	**27,123**	**–**	**1,241**	**6,615**	**(724)**	**(277,406)**	**1,165,996**	**2,189,420**

Notes:

(a) In accordance with the provisions of the Macau Commercial Code, the subsidiaries of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "**Company**") in Macau are required to transfer a minimum of 25% of their profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of these 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 subsidiaries established in the PRC shall set aside 10% of their net profits based on statutory accounts prepared in accordance with the relevant regulations and accounting principles generally accepted in the PRC 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 as at 30 June 2018 included (i) a credit amount of HK$33,600,000 (31 December 2017: HK$33,600,000) of recognition of other service costs, which represented the difference between the fair value and consideration (represented by the net assets attributable to) of the acquisition of 10.2% equity interests in the Company by a director, and (ii) a debit amount of HK$311,006,000 (31 December 2017: HK$311,006,000), which represented the merger reserve of the acquisition of 100% equity interest in Sundart Engineering & Contracting (Beijing) Limited ("**Sundart Beijing**") in relation to the application of merger accounting to the acquisition of Sundart Beijing, being a business combination involving entities under common control as described in note 1.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited and restated)*
Net cash used in operating activities	**(163,454)**	(618,354)
Investing activities		
Purchase of property, plant and equipment	**(8,872)**	(4,454)
Purchase of financial assets at fair value through profit or loss	**(28,882)**	–
Purchase of available-for-sale investments	**–**	(50,050)
Additions to note receivable	**(30,000)**	–
Interest received	**2,126**	2,739
Proceeds from disposal of financial assets at fair value through profit or loss	**9,781**	–
Proceeds from disposal of available-for-sale investments	**–**	48,611
Placement of pledged bank deposits	**(19,566)**	(38,463)
Release of pledged bank deposits	**57,867**	60,382
Repayment from a fellow subsidiary	**–**	7,685
Other investing activities	**–**	14
Net cash (used in) from investing activities	**(17,546)**	26,464
Financing activities		
New bank borrowings raised	**76,786**	–
New other borrowings raised	**29,421**	–
Repayments of bank borrowings	**(233,039)**	–
Repayments of other borrowings	**(11,331)**	–
Dividend paid	**(43,164)**	–
Net cash used in financing activities	**(181,327)**	–
Net decrease in cash and cash equivalents	**(362,327)**	(591,890)
Cash and cash equivalents at the beginning of the period	**627,658**	1,689,549
Effect of foreign exchange rate changes	**8,391**	13,560
Cash and cash equivalents at the end of the period	**273,722**	1,111,219

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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 Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Merger accounting for business combination involving entities under common control

Sundart Beijing had been a wholly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "**Group**") since its establishment until 26 November 2012 when Sundart Beijing increased its registered capital by HK$26,700,000, representing approximately 25% of its enlarged registered capital after such capital was increased. Such increased capital was subscribed and fully contributed by Jangho Group Co., Ltd. ("**Jangho Co**"), ultimate holding company of the Company. Since then Sundart Beijing was beneficially owned as to 75% and 25% by the Group and Jangho Co, respectively. On 24 April 2015, the Group disposed of 50% equity interest it held in Sundart Beijing to Jangho Hong Kong Holdings Limited ("**Jangho HK**"), an intermediate holding company of the Company. Further, the Group disposed of the remaining 25% equity interest it held in Sundart Beijing to Jangho HK on 25 June 2015. Upon the change of the shareholding which was effective on 25 June 2015, the Group ceased to have any interest in Sundart Beijing.

On 17 May 2017, Sundart Engineering Investments Limited ("**Sundart Engineering**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jangho HK and Jangho Co, pursuant to which Sundart Engineering has agreed to acquire, and Jangho HK and Jangho Co have agreed to transfer, in aggregate 100% equity interest in Sundart Beijing at a total consideration of HK$520,000,000. The acquisition was completed on 10 August 2017. The principal activity of Sundart Beijing is provision of fitting-out works in the PRC.

The Group applied merger accounting to the acquisition of Sundart Beijing, being a business combination involving entities under common control, under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. The Group and the entities acquired are regarded as continuing entities.

The condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the prior period have been restated to include the revenue, cost of sales and other income, other gains and losses of Sundart Beijing as if the Group had not disposed of any equity interest of Sundart Beijing to its holding companies.

1. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

The effect of restatements described above on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017 by line items is as follows:

	Six months ended 30 June 2017 HK$'000 *(Unaudited and originally stated)*	Business combination of entities under common control HK$'000 *(Unaudited)*	Six months ended 30 June 2017 HK$'000 *(Unaudited and restated)*
Revenue	1,662,744	532,008	2,194,752
Cost of sales	(1,442,119)	(474,146)	(1,916,265)
Gross profit	220,625	57,862	278,487
Other income, other gains and losses	9,612	1,311	10,923
Selling expenses	(2,337)	(1,277)	(3,614)
Administrative expenses	(59,856)	(31,054)	(90,910)
Other expenses	(775)	–	(775)
Share of profits of associates	7,309	–	7,309
Profit before taxation	174,578	26,842	201,420
Income tax expense	(22,509)	(4,533)	(27,042)
Profit for the period attributable to owners of the Company	152,069	22,309	174,378
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments	19,291	–	19,291
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale investments	(4,900)	–	(4,900)
Exchange differences arising on translation of foreign operations	2,261	11,252	13,513
Share of other comprehensive income of an associate	473	–	473
Release of translation reserve upon deregistration of a subsidiary	23	–	23
Other comprehensive income for the period	17,148	11,252	28,400
Total comprehensive income for the period attributable to owners of the Company	169,217	33,561	202,778

1. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

The effect of the restatement on the Group's basic earnings per share for the six months ended 30 June 2017 is as follow:

Impact on basic earnings per share

	Six months ended 30 June 2017 *HK cents*
As unaudited and originally stated	7.05
Adjustments arising from business combination under common control	1.03
Unaudited and restated	8.08

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group provides fitting-out works and alteration and addition and construction works to its customers. Under the terms of contracts, the Group's performance creates and enhances the properties which the customers control during the course of work by the Group. Revenue from provision of contracting services is therefore recognised over time using input method. In addition, the Group also generates revenue from manufacturing, sourcing and distribution of interior decorative materials business. These revenue are recognised at a point of time when the customers obtain control of the materials.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments*. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1 January 2018 *HK$'000*
Current assets				
Contract assets	*(a)*	–	1,790,045	1,790,045
Retentions receivable from related companies	*(a)*	2,562	(2,562)	–
Retentions receivable from fellow subsidiaries	*(a)*	305	(305)	–
Amounts due from customers for contract work	*(a)*	1,077,085	(1,077,085)	–
Retentions receivable	*(a)*	710,093	(710,093)	–
Current liabilities				
Contract liabilities	*(a)*	–	243,943	243,943
Amounts due to customers for contract work	*(a)*	197,258	(197,258)	–
Advances received	*(b)*	50,801	(50,801)	–

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Retentions receivable from related companies of HK$2,562,000 and retentions receivable from fellow subsidiaries of HK$305,000 previously included in amounts due from related companies and amounts due from fellow subsidiaries, respectively, amounts due from customers for contract work of HK$1,077,085,000 and retentions receivable of HK$710,093,000 were reclassified to contract assets, whilst amounts due to customers for contract work of HK$197,258,000 were reclassified to contract liabilities.

(b) As at 1 January 2018, advances received from customers of HK$50,801,000 previously included in trade and other payables were reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

2.1.2 *Summary of effects arising from initial application of HKFRS 15* *(Continued)*

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current assets			
Amounts due from related companies	45,836	2,540	48,376
Amounts due from fellow subsidiaries	129	181	310
Contract assets	1,820,929	(1,820,929)	–
Amounts due from customers for contract work	–	1,087,285	1,087,285
Retentions receivable	–	730,923	730,923
Current liabilities			
Trade and other payables	1,773,896	23,765	1,797,661
Contract liabilities	91,833	(91,833)	–
Amounts due to customers for contract work	–	68,068	68,068

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* *(Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9* *(Continued)*

*Financial assets at fair value through profit or loss ("**FVTPL**")*

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("**FVTOCI**") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company (the "**Directors**") reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bills receivable, amounts due from related companies, fellow subsidiaries and ultimate holding company, contract assets, note receivable, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings based on its historical default rates which are adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised as at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* *(Continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *HK$'000*	Financial assets at FVTPL required by HKFRS 9 *HK$'000*	Investment revaluation reserve *HK$'000*	Accumulated profits *HK$'000*
Closing balance at 31 December 2017 – HKAS 39	252,229	–	6,921	–
Effect arising from initial application of HKFRS 9:				
Reclassification From available-for-sale ("**AFS**") investments *(note)*	(252,229)	252,229	(6,921)	6,921
Opening balance at 1 January 2018	–	252,229	–	6,921

Note: At the date of initial application of HKFRS 9, the Group's equity investments of HK$252,229,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gain of HK$6,921,000 relating to those equity investments previously carried at fair value were transferred from investment revaluation reserve to accumulated profits.

Except as described above, the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3A. REVENUE

An analysis of the Group's revenue was as follows:

	Six months ended 30 June 2018 *HK$'000* *(Unaudited)*
Contract revenue from fitting-out works	2,063,293
Contract revenue from alteration and addition and construction works	629,639
Manufacturing, sourcing and distribution of interior decorative materials	10,654
	2,703,586

For the six months ended 30 June 2018

	Fitting-out works *HK$'000* *(Unaudited)*	Alteration and addition and construction works *HK$'000* *(Unaudited)*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* *(Unaudited)*
Geographical markets			
Hong Kong	804,032	629,639	8,147
Macau	699,648	–	719
The PRC	559,613	–	1,788
Total	2,063,293	629,639	10,654
Timing of revenue recognition			
A point in time	–	–	10,654
Over time	2,063,293	629,639	–
Total	2,063,293	629,639	10,654

3B. 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;

(b) Fitting-out works in Macau;

(c) Fitting-out works in the PRC;

(d) Alteration and addition and construction works in Hong Kong; and

(e) Manufacturing, sourcing and distribution of interior decorative materials.

Information regarding the above segments was reported below:

For the six months ended 30 June 2018

	Fitting-out works in Hong Kong *HK$'000* *(Unaudited)*	Fitting-out works in Macau *HK$'000* *(Unaudited)*	Fitting-out works in the PRC *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	804,032	699,648	559,613	629,639	10,654	2,703,586	–	2,703,586
Inter-segment revenue	–	–	–	88	190,177	190,265	(190,265)	–
Segment revenue	804,032	699,648	559,613	629,727	200,831	2,893,851	(190,265)	2,703,586
Segment profit	62,626	111,461	47,906	14,173	32,070	268,236	–	268,236
Corporate expenses								(38,151)
Corporate income								12,277
Share of profits of associates								3,677
Finance costs								(4,154)
Profit before taxation								241,885

3B. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2017

	Fitting-out works in Hong Kong *HK$'000* *(Unaudited and restated)*	Fitting-out works in Macau *HK$'000* *(Unaudited and restated)*	Fitting-out works in the PRC *HK$'000* *(Unaudited and restated)*	Alteration and addition and construction works in Hong Kong *HK$'000* *(Unaudited and restated)*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000* *(Unaudited and restated)*	Segment total *HK$'000* *(Unaudited and restated)*	Elimination *HK$'000* *(Unaudited and restated)*	Consolidated *HK$'000* *(Unaudited and restated)*
Revenue								
External revenue	778,751	525,282	532,711	348,078	9,930	2,194,752	–	2,194,752
Inter-segment revenue	49	–	–	–	41,002	41,051	(41,051)	–
Segment revenue	778,800	525,282	532,711	348,078	50,932	2,235,803	(41,051)	2,194,752
Segment profit (loss)	75,422	102,154	25,636	5,818	(1,448)	207,582	–	207,582
Corporate expenses								(22,319)
Corporate income								8,848
Share of profits of associates								7,309
Profit before taxation								201,420

Inter-segment revenue was charged at prevailing market rates.

Segment profit (loss) represented the profit earned by (loss from) each segment, excluding income and expenses of the corporate function, which included certain other income, certain selling expenses, certain administrative expenses, certain other expenses, share of profits of associates and finance costs. This was the measure reported to the executive Directors for the purpose of resource allocation and assessment of segment performance.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018 **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited and restated)
Other income		
Interest income	**2,126**	2,739
Consultancy fee, design fee and entrustment fee income	**786**	457
Rental income	**281**	440
Relocation compensation income *(note)*	**16,259**	–
Others	**669**	1,004
	20,121	4,640
Other gains and losses		
Net foreign exchange gain	**265**	1,425
Fair value gain on financial assets at FVTPL	**9,205**	–
Gain on disposal of AFS investments	**–**	4,900
Loss on disposal of property, plant and equipment	**(2,038)**	(19)
Loss on deregistration of a subsidiary	**–**	(23)
	7,432	6,283
	27,553	10,923

Note: In accordance with the requirements of the urban development plans in Yongdeng Road, Putuo District, Shanghai, China, Shanghai branch of Sundart Beijing entered into a relocation compensation agreement with its landlord on 9 May 2018 in order to cooperate with the planning arrangements of the Shanghai Municipal People's Government. The landlord agreed to pay Shanghai branch of Sundart Beijing a relocation compensation amounting to Renminbi ("**RMB**") 13,229,000 (approximately HK$16,259,000) in relation to the expenses of removal to new office and interruptions to the operations during relocation.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited and restated)
Current tax		
Hong Kong Profits Tax	**10,290**	11,571
Macau Complementary Tax	**16,489**	12,501
PRC Enterprise Income Tax	**8,463**	4,533
	35,242	28,605
Overprovision in prior periods		
Hong Kong Profits Tax	**(19)**	–
PRC Enterprise Income Tax	**(243)**	(1,563)
	(262)	(1,563)
	34,980	27,042

5. INCOME TAX EXPENSE *(Continued)*

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

Macau Complementary Tax was 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 subsidiary was 25% for both periods. A PRC subsidiary obtained approval from the relevant tax bureau and is qualified as High and New Technology Enterprise which is entitled to a tax reduction from 25% to 15% since 2014 and renewed in 2017.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited and restated)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**3,773**	2,775
Gross rental income from investment property	**281**	440
Less: Direct operating expenses incurred for investment property that generated rental income during the period	**(33)**	(37)
	248	403
Cost of inventories recognised as expense	**9,729**	4,803
Reversal of allowance for inventories (included in cost of sales)	**(2)**	–
Contract costs recognised as expense		
Fitting-out works	**1,748,020**	1,575,762
Alteration and addition and construction works	**608,037**	335,700
	2,356,057	1,911,462
Staff costs		
Gross staff costs (including Directors' emoluments)	**198,018**	154,881
Less: Staff costs capitalised to contract costs	**(114,683)**	(87,984)
	83,335	66,897

7. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited and restated)*
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend for the year ended 31 December 2017: HK2 cents (year ended 31 December 2016: HK3 cents) per share	**43,164**	64,746
Dividend declared by Sundart Beijing *(note)*	**–**	100,000
	43,164	164,746

Subsequent to the end of the reporting period, an interim dividend for the six months ended 30 June 2018 of HK2 cents (six months ended 30 June 2017: HK7 cents) per share, amounting to approximately HK$43,164,000 (six months ended 30 June 2017: HK$151,075,000) in aggregate, has been declared in the meeting of the board of Directors on 28 August 2018.

Note: On 22 June 2017, the dividend in a sum of HK$100,000,000 was declared by Sundart Beijing to Jangho HK and Jangho Co, the then shareholders of Sundart Beijing, before the completion of the combination of entities under common control by the Group on 10 August 2017 as described in note 1. Sundart Beijing paid the dividend on 27 July 2017.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company was based on the following data:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited and restated)*
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**206,905**	174,378

	Number of shares Six months ended 30 June	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,158,210**	2,158,210

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2018 ***HK$'000*** ***(Unaudited)***	At 31 December 2017 *HK$'000* *(Audited)*
Financial assets at FVTPL		
Listed equity securities	**153,255**	–
Unlisted equity fund	**127,280**	–
	280,535	–

	At 30 June 2018 ***HK$'000*** ***(Unaudited)***	At 31 December 2017 *HK$'000* *(Audited)*
AFS investments		
Listed equity securities	**–**	126,429
Unlisted equity fund	**–**	125,800
	–	252,229

As at 31 December 2017, the AFS investments were carried at fair value at the end of the reporting period and the changes in the fair value was recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. At the date of initial application of HKFRS 9, the Group's equity investments of HK$252,229,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gain of HK$6,921,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated profits as at 1 January 2018. During the current period, the fair value gain of HK$9,205,000 was recognised in profit or loss.

10. INTERESTS IN ASSOCIATES

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Unlisted shares, at cost	–	–
Deemed contribution to an associate	100,000	100,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	36,276	33,216
	136,276	133,216

Deemed contribution to an associate represents loan advanced to an associate which is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the loan is in substance formed part of investment in an associate.

11A. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Trade receivable	483,868	546,644
Unbilled receivable *(note)*	752,220	779,785
Prepayments and deposits	387,519	449,083
Other receivables	14,596	10,548
Bills receivable	4,702	12,993
	1,642,905	1,799,053

Note: Unbilled receivable represented the remaining balances of contract receivable to be billed for completed portion of construction contracts according to the contract terms.

11A. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Trade receivable

The Group allows an average credit period of 30 to 90 days to its trade customers. The following was an aged analysis of trade receivable presented based on invoice date at the end of each reporting period.

	At 30 June 2018 *HK$'000* *(Unaudited)*	At 31 December 2017 *HK$'000* *(Audited)*
1–30 days	**213,416**	272,401
31–60 days	**16,478**	90,908
61–90 days	**34,138**	8,295
Over 90 days	**219,836**	175,040
	483,868	546,644

As at 30 June 2018, included in the Group's trade receivable balances were debtors with an aggregate carrying amount of HK$250,486,000 (31 December 2017: HK$222,235,000), which were past due at the end of the reporting period for which the Group has not provided for impairment loss. The Directors were of the opinion that there has not been a significant change in credit quality and the balances were still considered fully recoverable due to the long-term/on-going relationship and good repayment record from these customers.

Since the adoption of HKFRS 9 on 1 January 2018, the Group applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and ageing categories.

Bills receivable

The bills receivable was aged within 180 days (31 December 2017: 60 days).

11B. CONTRACT ASSETS/AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

Contract assets

	At 30 June 2018 ***HK$'000*** ***(Unaudited)***
Fitting-out works	**1,578,902**
Alteration and addition and construction works	**242,027**
Shown under current assets	**1,820,929**

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on fitting-out works and alteration and addition and construction works. The contract assets are transferred to trade receivable when the rights become unconditional. The Group typically transfer its contract assets to trade receivable when progress certificate/invoice is issued.

The Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. The Directors considered that the lifetime ECL allowance was insignificant as at 30 June 2018.

Amounts due from/to customers for contract work

	At 31 December 2017 *HK$'000* *(Audited)*
Contracts in progress at the end of each reporting period:	
Contract costs incurred plus recognised profits less recognised losses	14,929,415
Less: Progress billings	(14,049,588)
	879,827
Analysed for reporting purposes as:	
Amounts due from contract customers	1,077,085
Amounts due to contract customers	(197,258)
	879,827

11B. CONTRACT ASSETS/AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK *(Continued)*

Amounts due from/to customers for contract work *(Continued)*

The Group's retentions held by customers and advances received from customers for contract work were as follows:

	At 31 December 2017 HK$'000 (Audited)
Retentions receivable for contract work	
External customers (included in retentions receivable and amounts due from related companies and fellow subsidiaries)	712,960
Advances received for contract work	
External customers (included in trade and other payables)	46,685

12. AMOUNTS DUE FROM/TO RELATED COMPANIES

Amounts due from related companies

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Trade receivable *(note)*	**45,557**	45,949
Retentions receivable	**–**	2,562
Other receivables	**279**	823
	45,836	49,334

Note: The amount due from a related company in which Mr. Liu Zaiwang, the non-executive Director, and his spouse have 95% beneficial interest.

Trade receivable from a related company

The Group allows a credit period of 30 days to its trade receivable due from a related company. As at 30 June 2018 and 31 December 2017, the trade receivable due from a related company was aged within 30 days based on invoice date.

Amount due to a related company

As at 30 June 2018, the amount represented trade payable due to a related company, a subsidiary of Rykadan Capital Limited, of which Mr. Ng Tak Kwan, the chief executive officer of the Company (the "**Chief Executive**"), is the substantial shareholder.

The related company does not allow a credit period to the Group. The trade payable due to the related company was aged within 30 days based on invoice date.

13. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Trade and other payables

Trade and other payables at the end of the reporting period comprised amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 14 to 90 days.

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Contract creditors and suppliers	**1,327,753**	1,550,152
Retentions payable	**311,040**	286,698
	1,638,793	1,836,850
Advances received	**4,219**	50,801
Other tax payable	**65,125**	61,964
Other payables and accruals	**65,759**	75,227
Total	**1,773,896**	2,024,842

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

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
1–30 days	**874,572**	1,156,003
31–60 days	**190,045**	126,115
61–90 days	**60,038**	82,823
Over 90 days	**203,098**	185,211
	1,327,753	1,550,152

As at 30 June 2018, the Group's retentions payable of HK$138,234,000 (31 December 2017: HK$111,401,000) was expected to be paid after one year.

13. TRADE AND OTHER PAYABLES AND BILLS PAYABLE *(Continued)*

Bills payable

As at 30 June 2018 and 31 December 2017, bills payable were secured by pledged bank deposits and were repayable as follows:

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 *HK$'000 (Audited)*
1–30 days	**26,586**	25,889
31–60 days	**12,270**	77,906
61–90 days	**7,279**	49,825
Over 90 days	**35,372**	80,133
	81,507	233,753

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 *HK$'000 (Audited)*
Trade payable	**1,741**	1,756
Retentions payable	**850**	857
	2,591	2,613

The fellow subsidiary allows a credit period of 30 days to the Group.

The trade payable due to the fellow subsidiary was aged over 90 days (31 December 2017: within 30 days) based on invoice date.

Retentions payable to a fellow subsidiary

The retentions payable due to the fellow subsidiary was expected to be paid after one year.

15. BANK BORROWINGS

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Bank borrowings – unsecured *(note a)*	**151,304**	307,557
Carrying amount of the above bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable as follows *(note b)*:		
– within one year	**61,304**	187,557
– more than one year but not exceeding two years	**60,000**	60,000
– more than two years but not exceeding five years	**30,000**	60,000
	151,304	307,557

Notes:

(a) As at 30 June 2018 and 31 December 2017, all of the Group's bank borrowings were unsecured. The bank borrowings bore interest at 1.50% (31 December 2017: 1.35% to 1.50%) over Hong Kong Interbank Offered Rate per annum or 1.50% (31 December 2017: 1.50%) over London Interbank Offered Rate per annum and interest was repriced from 1 to 4 months. As at 30 June 2018, the average and the ranges of effective interest rate (which is also equal to contracted interest rate) on the Group's bank borrowings was 3.54% and 3.44% to 3.74% (31 December 2017: 2.61% and 1.50% to 2.95%) per annum, respectively.

(b) The amounts due are based on scheduled repayment dates as set out in the banking facility letters.

16. OTHER BORROWINGS

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Carrying amount of secured other borrowings that contain a repayment on demand clause (shown under current liabilities)	**52,229**	34,139

As at 30 June 2018 and 31 December 2017, the Group had fixed rate other borrowings which bore interest at 8.00% per annum and secured by certain financial assets at FVTPL and AFS investments, respectively, as set out in note 9.

17. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Issued and fully paid ordinary shares with no par value		
At 1 January 2017 (audited), 30 June 2017 (unaudited), 1 January 2018 (audited) and 30 June 2018 (unaudited)	2,158,210	1,246,815

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following information is about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1, 2 or 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

	At 30 June 2018 ***HK$'000*** ***(Unaudited)***	At 31 December 2017 *HK$'000* *(Audited)*	Fair value hierarchy
Financial assets at FVTPL/AFS investments			
Listed equity securities	**153,255**	126,429	Level 1
Unlisted equity fund	**127,280**	125,800	Level 3
Total	**280,535**	252,229	

There were no transfers between Levels 1, 2 and 3 during the current period.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchanges.

The fair value of unlisted equity fund is determined with reference to market values of underlying asset, which mainly comprise investment property located in Hong Kong held by the investee fund and take into account the discount for lack of marketability. The valuation of the property was principally arrived at using the comparison method, in which property is valued on the assumption that the property can be sold with the benefit of vacant possession. Comparison based on prices realised on actual sales of comparable properties is made for similar properties in the similar location. The significant unobservable inputs include the discount for lack of marketability for the underlying asset. An increase in the rate to discounting for lack of marketability used in the valuation would result in a decrease in the fair value measurement of the unlisted equity fund and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL/AFS investments *HK$'000*
At 31 December 2017 (audited)	125,800
Addition	1,480
At 30 June 2018 (unaudited)	127,280

No fair value change of the unlisted equity fund was recognised in profit or loss during the current period.

Except as detailed in above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

19. PERFORMANCE BONDS, ADVANCE PAYMENT BONDS AND TENDER BONDS

As at 30 June 2018, the Group has issued performance bonds, advance payment bonds and tender bonds in respect of certain supply and installation contracts and a supply contract through the banks amounting to HK$630,267,000 (31 December 2017: HK$876,201,000).

As at 30 June 2018 and 31 December 2017, certain performance bonds, advance payment bonds and tender bonds were secured by certain pledged bank deposits.

20. RELATED PARTY TRANSACTIONS

Apart from amounts due from related companies and amounts due from/to group companies as set out in the condensed consolidated statement of financial position, the Group had entered into the following significant transactions with its related companies and group companies:

Relationship	Transaction	Six months ended 30 June	
		2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited and restated)
Ultimate holding company	Entrustment fee income	**48**	–
Fellow subsidiaries	Specialised works subcontracting costs	**38**	1,641
	Technical advisory services fee expenses	**–**	1,647
	Agency services fee income	**–**	7,686
	Entrustment fee income	**126**	–
	Revenue from fitting-out works	**20**	–
Subsidiaries of an associate	Design and consultancy fee income	**–**	215
	Revenue from fitting-out works	**–**	162
A subsidiary of a related company *(note)*	Materials purchased	**1,812**	–

Note: This related company refers to Rykadan Capital Limited, of which the Chief Executive is the substantial shareholder.

In addition,

(a) as at 30 June 2018, the ultimate holding company had outstanding performance bonds and advance payment bonds amounting to HK$42,289,000 (31 December 2017: HK$125,491,000) issued in favour of customers of Sundart Beijing through a bank.

(b) as at 30 June 2018, Sundart Beijing's certain banking facilities were guaranteed by Jangho Co. Sundart Beijing did not pay any charges for the guarantee granted.

20. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of key management personnel of the Group during the period was as follows:

	Six months ended 30 June	
	2018 **HK$'000** **(Unaudited)**	2017 *HK$'000* *(Unaudited and restated)*
Salaries and short-term benefits	**30,068**	26,848
Post-employment benefits	**216**	207
	30,284	27,055

The remuneration of key management personnel was determined by the Directors having regard to the performance of individuals and the Group.

21. EVENTS AFTER THE REPORTING PERIOD

Since 5 July 2018, the ordinary shares of Steve Leung Design Group Limited, a subsidiary of an associate of the Group, have been listed and traded on the main board of The Stock Exchange of Hong Kong Limited.