



2020
INTERIM REPORT

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

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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

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. Liu Zaiwang (*Chairman*)

Mr. Xie Jianyu

COMPANY SECRETARY

Ms. Chui Muk Heung

AUTHORISED REPRESENTATIVES

Mr. Xie Jianyu

Ms. Chui Muk Heung

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

35/F, One Pacific Place

88 Queensway

Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Kenneth Chong Law Office

Unit B, 16/F, Tesbury Centre

28 Queen's Road East

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

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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

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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

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Management Discussion and Analysis

MARKET REVIEW

During the six months ended 30 June 2020 (the “**Period**”), Hong Kong’s economy experienced serious disruptions by Sino-US trade dispute, local social unrest and outbreak of the coronavirus disease 2019 (COVID-19) (“**Covid-19**”). According to Census and Statistics Department (“**C&SD**”) of the government of Hong Kong (the “**Hong Kong Government**”), Hong Kong’s gross domestic product (“**GDP**”) decreased drastically by 9.1% year-on-year in real terms in the first quarter of 2020, having its worst quarterly contraction on record.

According to the provisional results of the “Report on the Quarterly Survey of Construction Output” released by C&SD, the total gross value of construction works carried out by the main contractors in Hong Kong decreased by 6.5% in nominal terms year-on-year to HK\$52.3 billion in the first quarter of 2020, while the gross value of construction works carried out at private sector sites decreased by 7.8% in nominal terms year-on-year to HK\$15.3 billion in the first quarter of 2020. The gross value of construction works carried out at residential building construction sites decreased by 19.0% in nominal terms year-on-year to HK\$12.0 billion in the first quarter of 2020. Despite the aforesaid decreases, the Hong Kong Government continues to increase the supply of residential units, which will support the long-term development of both local construction and real estate markets, and hence sustaining a stable demand for the fitting-out industry in Hong Kong.

Although there was comparatively less of a serious outbreak of Covid-19 in Macau, the strict lockdown measures imposed around the world unavoidably hit its economy, which relies heavily on tourism and exports of services. Information from Statistics and Census Service of the government of Macau (the “**Macau Government**”) indicated that Macau’s GDP decreased by 58.2% year-on-year in real terms in the first half of 2020. With the implementation of vigorous measures to limit inbound travel, the number of tourists decreased by 83.9% in the first half of 2020 in accordance with the information from Macao Government Tourism Office. Meanwhile, Gaming Inspection and Coordination Bureau of Macau indicated that revenue from the gambling sector decreased by 77.4% year-on-year to Macau Pataca (“**MOP**”) 33.7 billion in the first half of 2020. Given the aforesaid decreases, the Macau Government launched several major schemes to boost the tourism and leisure industries and accelerate the development of the Guangdong-Macau intensive cooperation zone in Hengqin, all of which are expected to revitalise the tourism and gambling industries as well as stimulate the fitting-out sector in Macau.

The outbreak of Covid-19 had dragged the economy of the People’s Republic of China (the “**PRC**”) into contraction. According to information from National Bureau of Statistics of China, the PRC’s GDP decreased by 1.6% year-on-year to Renminbi (“**RMB**”) 45,661.4 billion in the first half of 2020, while the gross output value of construction industry decreased by 1.9% year-on-year to RMB2,853.5 billion in the first half of 2020. During the first half of 2020, the investment in office buildings decreased by 3.1% year-on-year to RMB272.7 billion, and the investment in commercial buildings decreased by 5.4% year-on-year to RMB585.0 billion. However, business activities had gradually resumed as the outbreak of Covid-19 had appeared to be under control in the PRC. Some temporarily suspended real estate projects are expected to resume in the second half of 2020, boosting demand for the fitting-out industry.

BUSINESS REVIEW

SUNDART HOLDINGS LIMITED 承達集團有限公司 (the “**Company**”) and its subsidiaries (together with the Company, 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. The Group is also engaged in alteration and addition and construction business in Hong Kong and manufacturing, sourcing and distribution of interior decorative materials business internationally. During the Period, over 94.9% of the Group’s revenue was derived from its fitting-out works.

Despite the far-reaching economic impact brought from the ongoing Sino-US trade dispute and the outbreak of Covid-19, the Group had managed to maintain its solid financial status and smooth business development during the Period. Leveraging its positive brand reputation, professional project management capabilities and scale advantages, the Group obtained several sizeable fitting-out projects during the Period. These new projects are expected to sustain stable 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 10 fitting-out projects, including four in Hong Kong, one in Macau and five in the PRC, with the individual contract sum being not less than HK\$50.0 million. The total contract sum of such projects amounted to HK\$3,050.8 million, out of which a total revenue of HK\$504.6 million was recognised during the Period. As at 30 June 2020, the Group had 63 projects on hand (including contracts in progress and contracts signed but yet to commence), including 28 in Hong Kong, six in Macau and 29 in the PRC, with the individual contract sum being not less than HK\$50.0 million. The total contract sum and value of the remaining works for such projects as at 30 June 2020 amounted to HK\$8,605.3 million and HK\$4,660.9 million, respectively.

During the Period, the Group's revenue derived from its fitting-out business increased by HK\$455.9 million or 24.4% year-on-year to HK\$2,327.7 million (six months ended 30 June 2019 (the "**Previous Period**"): HK\$1,871.8 million). Although the outbreak of Covid-19 had adversely impacted the global economic activities, there had been no apparent or serious impact on the business operation of the Group, as the Group has been working on several sizeable fitting-out projects, which were delayed and/or at early stage in the Previous Period. As a result, the Group's revenue derived from its fitting-out business in Hong Kong and Macau increased by HK\$167.9 million and HK\$532.4 million, respectively, as compared to the Previous Period.

The Group's gross profit derived from its fitting-out business during the Period increased by HK\$78.1 million or 30.2% year-on-year to HK\$337.0 million (Previous Period: HK\$258.9 million). The increase in gross profit was mainly attributable to the increase in revenue and the slight increase of gross profit margin for its fitting-out business from 13.8% for the Previous Period to 14.5% 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 principal services scope 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 four alteration and addition and construction projects, with a total contract sum of HK\$1,189.0 million, out of which a total revenue of HK\$10.4 million was recognised during the Period. As at 30 June 2020, Kin Shing had four projects on hand with a total contract sum of HK\$756.2 million. The value of the remaining works for such projects as at 30 June 2020 amounted to HK\$204.8 million.

During the Period, the Group's revenue derived from its alteration and addition and construction business decreased by HK\$438.6 million or 78.3% year-on-year to HK\$121.2 million (Previous Period: HK\$559.8 million). Such decrease was primarily attributable to the fact that the Group undertook four sizable projects in the Previous Period but only undertook two sizeable projects during the Period.

The Group's gross profit derived from its alteration and addition and construction business decreased by HK\$17.3 million or 86.1% year-on-year to HK\$2.8 million (Previous Period: HK\$20.1 million), in line with the aforesaid decrease in revenue. The Group's gross profit margin for its alteration and addition and construction business decreased from 3.6% for the Previous Period to 2.3% for the Period. Such decrease was primarily attributable to the additional overheads incurred for several commercial and residential projects due to the extension of construction period of the projects.

Management Discussion and Analysis

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, Dongguan Sundart Home Furnishing Co., Ltd. (東莞承達家居有限公司) ("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 square meters. 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 external customers of its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$1.4 million or 31.1% year-on-year to HK\$3.1 million (Previous Period: HK\$4.5 million). Such decrease was primarily attributable to the decrease in acceptance of orders from external customers due to the reservation of certain manufacturing capacity of Dongguan Sundart to the fitting-out projects carried out by and internally referred from other subsidiaries of the Group.

In addition, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$2.4 million or 82.8% year-on-year to HK\$0.5 million (Previous Period: HK\$2.9 million), whilst the gross profit margin decreased to 16.1% (Previous Period: 64.4%). Such decrease was primarily due to the completion of an order from the PRC with a relatively high gross profit margin during the Previous Period.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Period, the Group's revenue increased by HK\$15.8 million or 0.6% year-on-year to HK\$2,452.0 million (Previous Period: HK\$2,436.2 million). The Group's gross profit increased by HK\$58.4 million or 20.7% year-on-year to HK\$340.3 million (Previous Period: HK\$281.9 million). The Group's gross profit margin increased to 13.9% (Previous Period: 11.6%). Such increase in revenue, gross profit and gross profit margin were primarily due to the increase in its fitting-out business as discussed under the paragraph headed "Business review" above.

Other income, other gains and losses

The Group recorded net other losses of HK\$35.7 million for the Period (Previous Period: net other income of HK\$11.5 million), primarily derived from a loss of HK\$44.5 million from changes in fair value of financial assets at fair value through profit or loss ("FVTPL"), as the market price of the listed equity securities and unlisted equity fund held by the Group decreased during the Period, which was partially offset by HK\$3.9 million of recovery of trade receivables written off. Details of other income, other gains and losses are set out in note 4 to the condensed consolidated financial statements.

Profit for the period

The Group's profit for the period decreased by HK\$15.9 million or 12.5% year-on-year to HK\$111.3 million (Previous Period: HK\$127.2 million) as a result of the increase in net other losses as discussed above and impairment losses on trade and unbilled receivables and contract assets.

Basic earnings per share

The Company's basic earnings per share for the Period was HK5.16 cents (Previous Period: HK5.90 cents), decreased by HK0.74 cents or 12.5% year-on-year, in line with the decrease 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 was carried out by the Group during the Period.

Financial assets at FVTPL

As at 30 June 2020, the Group's financial assets at FVTPL comprised of HK\$64.7 million and HK\$110.0 million (31 December 2019: HK\$92.9 million and HK\$123.6 million) of listed equity securities and unlisted equity fund, respectively.

During the Period, the Group further injected HK\$2.7 million to the unlisted equity fund to fulfill capital commitment in capacity as a limited partner. Further, the Group recognised a fair value loss of HK\$44.5 million in profit or loss, as discussed above, compared to that as at 31 December 2019. Up to 27 August 2020, 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 had decreased. In terms of prospects of the Group's financial assets at FVTPL, the performance of the listed equity securities and unlisted equity fund held will be subject to the performances of the relevant financial and property markets which may change rapidly and unpredictably in the future. The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments to make timely and appropriate adjustments on its investments holding in order to generating favorable returns to the shareholders of the Company (the "**Shareholders**").

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

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 27 August 2020, the Group did not have any plan 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 relied on internally generated funds and bank borrowings to finance its operations.

During the Period, the Group continued to maintain a solid financial and cash position. As at 30 June 2020, the Group's working capital stood at HK\$1,913.4 million, representing a decrease of HK\$66.0 million from HK\$1,979.4 million as recorded as at 31 December 2019, whilst bank balances and cash in total amounted to HK\$609.8 million, representing a decrease of HK\$468.3 million from HK\$1,078.1 million as recorded as at 31 December 2019. Such decrease was mainly resulting from the use of funds for the operating activities, purchase of property, plant and equipment and repayment of bank borrowings.

As at 30 June 2020, the Group had bank borrowings of HK\$249.5 million (31 December 2019: HK\$373.3 million), and its repayment schedule is set out in note 17 to the condensed consolidated financial statements. There is no seasonality on the Group's borrowings.

During the Period, the Group continued to maintain a healthy liquidity position. As at 30 June 2020, the Group's current assets and current liabilities amounted to HK\$4,466.8 million and HK\$2,553.4 million, respectively (31 December 2019: HK\$5,172.1 million and HK\$3,192.7 million, respectively). The Group's current ratio increased to 1.7 times (31 December 2019: 1.6 times) and it has maintained sufficient liquid assets to finance its operations.

As at 30 June 2020, the Group's gearing ratio of total debts (bank borrowings) divided by total equity was 9.5% (31 December 2019: 14.7%). The decrease in gearing ratio was primarily due to the decrease in the Group's bank borrowings.

As at 30 June 2020, the share capital and equity attributable to owners of the Company amounted to HK\$1,246.8 million and HK\$2,633.4 million, respectively (31 December 2019: HK\$1,246.8 million and HK\$2,535.3 million, respectively).

Management Discussion and Analysis

Charge on the Group's assets

As at 30 June 2020, the Group pledged a commercial property and bank deposits of HK\$99.1 million and HK\$47.1 million, respectively (31 December 2019: HK\$100.9 million and HK\$56.9 million, respectively) to secure certain bank borrowings, certain bills payable, certain performance bonds and tender bonds for its operations.

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 30 June 2020 and 31 December 2019, respectively.

As at 30 June 2020, the Group had capital commitments of HK\$2.4 million (31 December 2019: HK\$1.7 million) in relation to acquisition of property, plant and equipment and HK\$28.9 million (31 December 2019: HK\$9.4 million) in relation to contribution to the capital of unlisted equity fund.

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

The Group operates in various regions with different foreign currencies including MOP, Euro, RMB and United States Dollars. All of the Group's bank borrowings were made in Hong Kong dollars ("**HK dollars**") and RMB at floating rates and fixed rates, respectively, and, cash and cash equivalents held were mainly in HK dollars, MOP and RMB. As at 27 August 2020, the Group did not implement any foreign currencies and interest rates hedging policies. However, the Group's management will closely monitor the movement of both exchange rate and interest rate and will consider to hedge against any significant aforesaid exposure when necessary.

Credit risk exposure

During the Period, the Group has adopted prudent credit policies to deal with credit risk exposure. The Group's major customers included 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 reviewed the recoverability of trade receivables and closely monitored the financial position of the customers from time to time with a view to keep the credit risk exposure of the Group at a relatively low level.

Reference is made to the disclosure under the section headed "Management Discussion and Analysis" in the 2019 Annual Report of the Company. It was agreed by the parties that the subject main contractor (the "**Main Contractor**") would make payment of the agreed amount (the "**Agreed Amount**") to Sundart Engineering Services (Macau) Limited ("**Sundart Macau**") in relation to the subject fitting-out projects. However, as the Main Contractor had failed to settle the Agreed Amount after two instalments of payment since August 2018, Sundart Macau resumed the arbitration proceedings in December 2018 (the "**Resumed Arbitration**"). Although the Resumed Arbitration was under progress, the Main Contractor settled four instalments of payment during 2019. On 24 June 2020, the Main Contractor and Sundart Macau signed the final account statements and the Main Contractor settled the payment in accordance with the payment schedule stated on the final account statements up to 27 August 2020. The director(s) of the Company (the "**Director(s)**") are of the opinion that the aforesaid trade receivables will not materially affect the Group's operating and financial performance.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group had leased two floors of a commercial building in the PRC to a related company in which Mr. Liu Zaiwang (劉載望) (“**Mr. Liu**”) and his spouse have in aggregate 95% beneficial interest as its office use for one year in exchange of rental. Thus, its respective carrying value of HK\$40.1 million was transferred to investment properties at fair value at the end of its own occupation. Such lease constituted de minimis connected transaction pursuant to Rule 14A.76(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

In July 2020, certain employees of Kin Shing were confirmed infected with Covid-19. As a result, one construction site and its office had been closed for 14 days and 18 days, respectively. The Directors are of the view that there had been no material adverse impact on the overall business operation of the Group in this regard. Nonetheless, the management of the Group will closely monitor the financial impact of Covid-19 to the Group.

Save as disclosed herein, there were no other significant events subsequent to the Period and up to 27 August 2020 which may materially affect the Group’s operating and financial performance.

EMPLOYEES AND REMUNERATION POLICIES

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 for its employees to equip themselves with requisite skills and knowledge.

As at 30 June 2020, the Group employed 1,735 full-time employees (31 December 2019: 1,632). The Group’s gross staff costs (including the Directors’ emoluments) increased by HK\$5.0 million or 2.4% year-on-year to HK\$213.9 million for the Period (Previous Period: HK\$208.9 million). Despite the average number of full-time employees increased by 9.0% year-on-year, staff costs only increased by 2.4% was primarily attributable to no bonus was provided for the management of the Group during the Period due to the outbreak of Covid-19.

PROSPECTS AND STRATEGIES

Hong Kong’s economy has come to a standstill and consumer confidence has declined as a result of the uncertainty caused by Sino-US trade dispute and continued social unrest. While the outbreak of Covid-19 is expected to continue, many countries maintain the imposition of travel restrictions and border controls, and it is expected that Hong Kong’s core industries, including hotels, tourism, catering and retailing, will take time to recover. To stimulate domestic consumption, the Hong Kong Government announced a “HK\$10,000 Cash Payout Scheme”, under which approximately HK\$70 billion will be distributed to all eligible residents. On the other hand, the Hong Kong Government will continue to increase the land supply, along with the continuation of a low interest rate environment in Hong Kong. Given the persistent housing shortage and strong demand for residential properties, it is expected to have a steady demand for fitting-out works in Hong Kong.

The outbreak of Covid-19 has left Macau in a state of uncertainty. The Macau Government has released border restrictions to a limited extent. To revitalise Macau’s economy, Macao Government Tourism Office announced a three-phase recovery plan for Macau’s tourism industry, which includes a free half-day tour for overnight visitors. The Macau Government also announced that it would spend MOP280 million for a programme “Macao Ready Go! Local Tours”, which dedicated to all Macau residents, in an effort to revitalise the tourism industry. Meanwhile, several casino operators expressed their plans to increase investment in hotels and integrated resorts in terms of expansion, renovation and remodeling to prepare for the long-term demands of tourism and leisure services, and hence benefitting the development of construction and fitting-out industries in Macau.



Management Discussion and Analysis

The government of the PRC released the “2020 Government Work Report”, which stated that priority will be given to stabilising employment, ensuring living standards, enhancing consumers’ confidence, and supporting the recovery of several service industries, including food and beverage, brick and mortar shopping and tourism, in the second half of 2020. Also, the National Development and Reform Commission of the PRC issued the “Implementation Opinions on Promoting Consumption Expansion and Quality Improvement and Accelerating the Creation of a Strong Domestic Market”, which focuses on improving the consumption environment, promoting a strong domestic market, upgrading cultural and tourism consumption, and building consumption centers in accordance with the regional development layout. With the gradual control of the outbreak of Covid-19, the PRC’s economy and social order are gradually returning to normal, and the demand for tourism, catering and retail services is slowly breaking free from Covid-19. The Group will adapt to the latest market and policy trends in the PRC in order to capitalise on business opportunities presented by high-end and large-scale fitting-out projects for shopping malls and hotels.

Looking ahead, considering the fact that the global economy is still teetering and another wave of the outbreak of Covid-19 is looming, the Group will continue to take heed of the latest developments in the global economy as well as pandemic outbreaks, and manage its operations and finances in the most prudent manner. Meanwhile, the Group will leverage its vast business networks in Hong Kong, Macau and the PRC and take advantage of the opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area scheme and the Belt and Road Initiative. The Group will continue to develop its fitting-out business in the PRC, and hold fast to its market share in Hong Kong and Macau, while making good use of scale and synergistic advantages to maximise its profit margin, paving the way for healthy development in the long term.

Corporate Governance and Other Information

INTERIM DIVIDEND

The board of Directors (the “**Board**”) did not recommend the payment of an interim dividend for the Period.

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

As at 30 June 2020, 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 of Hong Kong Limited (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 as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company (the “**Share**”, collectively, the “**Shares**”) and underlying Shares

Name of Director	Nature of interests/capacity	Number of Shares held	Approximate percentage of interests in the Company
Mr. Liu (<i>note</i>)	Interest in controlled corporation	1,178,426,653	54.60%

Note:

These Shares were indirectly held by 江河創建集團股份有限公司 (Jangho Group Co., Ltd.) (“**Jangho Co**”) through Jangho Hong Kong Holdings Limited (“**Jangho HK**”) and REACH GLORY INTERNATIONAL LIMITED (“**Reach Glory**”). As 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, Mr. Liu was deemed to be interested in such Shares under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had any other 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 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 to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, 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 interests in the Company (Note 1)
Reach Glory	Beneficial owner	1,178,426,653	54.60%
Jangho HK (note 2)	Interest in controlled corporation	1,178,426,653	54.60%
Jangho Co (note 3)	Interest in controlled corporation	1,178,426,653	54.60%
Beijing Jiangheyuan (note 4)	Interest in controlled corporation	1,178,426,653	54.60%
Ms. Fu (note 5)	Interest of spouse	1,178,426,653	54.60%
Caiyun International Investment Limited ("Caiyun International") (note 6)	Beneficial owner	353,815,347	16.39%
雲南省城市建設投資集團有限公司 (Yunnan Metropolitan Construction Investment Group Co., Ltd.) ("Yunnan Metropolitan Construction") (note 7)	Interest in controlled corporation	353,815,347	16.39%

Notes:

- 2,158,210,000 Shares were in issue as at 30 June 2020.
- 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.
- Jangho HK was beneficially wholly-owned by Jangho Co and therefore Jangho Co was deemed to be interested in the Shares indirectly held by Jangho HK through Reach Glory under the SFO.
- 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 indirectly held by Jangho Co through Jangho HK and Reach Glory under the SFO.
- Ms. Fu is the spouse of Mr. Liu and was therefore deemed to be interested in the Shares indirectly held by Mr. Liu under the SFO.
- Pursuant to a sale and purchase agreement dated 28 December 2018 and a series of supplemental agreements, including the third supplemental agreement dated 11 March 2020, Caiyun International was beneficially interested in an aggregate of 353,815,347 Shares.
- Caiyun International was beneficially wholly-owned by Yunnan Metropolitan Construction and therefore Yunnan Metropolitan Construction was deemed to be interested in the Shares held by Caiyun International 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 2020, 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's share option scheme was adopted pursuant to a resolution passed on 1 December 2015. No share options under the share option scheme were granted, exercised, cancelled or lapsed during the Period. No share options were outstanding at the beginning and the end of the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Period, neither the Company, any of its subsidiaries, nor 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

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 2020 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.

As at 30 June 2020, the Group has not used any funds raised through the Stock Exchange, 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 and Other Information

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 interests of Shareholders and stakeholders, and create values for Shareholders. The Group's corporate governance policy is designed to achieve these objectives and is implemented through a framework of processes, policies and guidelines.

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 to gain and develop a balanced understanding of the views of the Shareholders. The non-executive Director and two independent non-executive Directors were absent from the last annual general meeting of the Company held on 3 June 2020 due to travel restrictions imposed as the outbreak of Covid-19.

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 inside information of the Company. To the best knowledge of the Directors, there was no incident of non-compliance with the Model Code by the relevant employees during the Period.

AUDIT COMMITTEE REVIEW

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

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 set out on pages 16 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

27 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3A		
Contract revenue from fitting-out works		2,327,706	1,871,842
Contract revenue from alteration and addition and construction works		121,193	559,819
Manufacturing, sourcing and distribution of interior decorative materials		3,098	4,490
Total revenue		2,451,997	2,436,151
Cost of sales		(2,111,691)	(2,154,212)
Gross profit		340,306	281,939
Other income, other gains and losses	4	(35,742)	11,502
Impairment losses under expected credit loss model	13	(45,580)	(16,783)
Selling expenses		(3,671)	(3,224)
Administrative expenses		(99,960)	(111,955)
Other expenses		(2,383)	(1,844)
Share of losses of associates		–	(2,609)
Finance costs		(5,284)	(5,181)
Profit before tax		147,686	151,845
Income tax expense	5	(36,376)	(24,605)
Profit for the period attributable to owners of the Company	6	111,310	127,240
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(11,983)	(2,906)
Share of other comprehensive (expense) income of an associate		(1,268)	814
Other comprehensive expense for the period		(13,251)	(2,092)
Total comprehensive income for the period attributable to owners of the Company		98,059	125,148
Earnings per share			
Basic (HK cents)	8	5.16	5.90

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	395,325	188,884
Right-of-use assets		18,670	21,318
Investment properties		9,855	10,001
Goodwill		1,510	1,510
Financial assets at fair value through profit or loss	10	174,695	216,539
Interests in associates	11	131,526	132,794
		731,581	571,046
Current assets			
Inventories		41,391	55,212
Trade and other receivables and bills receivable	12A	1,913,628	2,168,051
Amount due from a related company	14	–	9,027
Contract assets	12B	1,853,592	1,804,833
Tax recoverable		1,242	–
Pledged bank deposits		47,109	56,902
Bank balances and cash		609,810	1,078,103
		4,466,772	5,172,128
Current liabilities			
Trade and other payables	15	1,893,241	2,389,418
Bills payable	15	271,034	275,215
Amount due to a fellow subsidiary	16	–	153
Lease liabilities		9,223	8,329
Contract liabilities		54,773	77,931
Tax payable		75,589	68,347
Bank borrowings	17	249,493	373,333
		2,553,353	3,192,726
Net current assets		1,913,419	1,979,402
Total assets less current liabilities		2,645,000	2,550,448
Capital and reserves			
Share capital	18	1,246,815	1,246,815
Reserves		1,386,564	1,288,505
Equity attributable to owners of the Company		2,633,379	2,535,320
Non-current liabilities			
Deferred tax liabilities		968	987
Lease liabilities		10,653	14,141
		11,621	15,128
		2,645,000	2,550,448

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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)	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 2019 (<i>audited</i>)	1,246,815	19,700	60	40,366	1,241	6,615	(22,648)	(277,406)	1,283,886	2,298,629
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,906)	-	-	(2,906)
Share of other comprehensive income of an associate	-	-	-	-	-	-	814	-	-	814
Profit for the period	-	-	-	-	-	-	-	-	127,240	127,240
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(2,092)	-	127,240	125,148
Dividend paid (<i>note 7</i>)	-	-	-	-	-	-	-	-	(107,911)	(107,911)
At 30 June 2019 (<i>unaudited</i>)	1,246,815	19,700	60	40,366	1,241	6,615	(24,740)	(277,406)	1,303,215	2,315,866
At 1 January 2020 (<i>audited</i>)	1,246,815	19,700	60	50,266	1,241	6,615	(37,065)	(277,406)	1,525,094	2,535,320
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(11,983)	-	-	(11,983)
Share of other comprehensive expense of an associate	-	-	-	-	-	-	(1,268)	-	-	(1,268)
Profit for the period	-	-	-	-	-	-	-	-	111,310	111,310
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(13,251)	-	111,310	98,059
At 30 June 2020 (<i>unaudited</i>)	1,246,815	19,700	60	50,266	1,241	6,615	(50,316)	(277,406)	1,636,404	2,633,379

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") and its subsidiaries (collectively referred to as the "Group") in Macau are required to transfer a minimum of 25% of their profit for the year to the 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 included (i) a credit amount of 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, which represented the merger reserve of the acquisition of 100% equity interests 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, in prior years.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash used in operating activities	(172,315)	(449,409)
Investing activities		
Interest received	1,066	5,150
Dividends from financial assets at fair value through profit or loss	1,140	–
Proceeds from disposal of property, plant and equipment	–	50
Purchase of financial assets at fair value through profit or loss	(2,664)	(5,550)
Purchase of property, plant and equipment	(222,381)	(6,234)
Withdrawal of a deposit at a broker	50,000	–
Redemption of notes receivable	–	90,000
Additions to notes receivable	–	(180,000)
Withdrawal of pledged bank deposits	57,452	50,123
Placement of pledged bank deposits	(48,755)	(60,719)
Net cash used in investing activities	(164,142)	(107,180)
Financing activities		
Dividend paid	–	(107,911)
Repayments of bank borrowings	(175,818)	(245,747)
Repayments of leases liabilities	(3,893)	(3,268)
New bank borrowings raised	51,978	395,874
Net cash (used in) from financing activities	(127,733)	38,948
Net decrease in cash and cash equivalents	(464,190)	(517,641)
Cash and cash equivalents at the beginning of the period	1,078,103	887,829
Effect of foreign exchange rate changes	(4,103)	2,563
Cash and cash equivalents at the end of the period	609,810	372,751

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of the coronavirus disease 2019 (COVID-19) (“Covid-19”) and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped its manufacturing activities and suspended several construction sites for a short period due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. On the other hand, the government of Hong Kong and the government of Macau have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group.

Although the outbreak of Covid-19 has adversely impacted the global economic activities during the current interim period, there has been no apparent or serious impact on the business operation of the Group, as the Group has been working on several sizeable fitting-out projects. It is noted that the demand on residential and commercial buildings was picking up gradually in June 2020, nonetheless, the management of the Group will closely monitor the financial impact of Covid-19 to the Group.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied *the Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”.

Except as described below, the application of *the Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs *(Continued)*

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “*Definition of Material*”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 “*Covid-19-Related Rent Concessions*”

2.2.1 Accounting policies

Leases

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “*Leases*” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.2.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK\$339,000 due to Covid-19 in the profit or loss for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs *(Continued)*

2.3 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, other gains and losses".

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2020

3A. REVENUE

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Contract revenue from fitting-out works (<i>note a</i>)	2,327,706	1,871,842
Contract revenue from alteration and addition and construction works (<i>note a</i>)	121,193	559,819
Manufacturing, sourcing and distribution of interior decorative materials (<i>note b</i>)	3,098	4,490
	2,451,997	2,436,151

For the six months ended 30 June 2020

	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	805,613	121,193	–
Macau	1,002,304	–	2,838
The PRC	519,789	–	97
The United Kingdom	–	–	163
Total	2,327,706	121,193	3,098
Timing of revenue recognition			
A point in time	–	–	3,098
Over time	2,327,706	121,193	–
Total	2,327,706	121,193	3,098

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3A. REVENUE *(Continued)*

For the six months ended 30 June 2019

	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	637,755	559,819	–
Macau	469,938	–	989
The PRC	764,149	–	789
The United Kingdom	–	–	1,883
Others	–	–	829
Total	1,871,842	559,819	4,490
Timing of revenue recognition			
A point in time	–	–	4,490
Over time	1,871,842	559,819	–
Total	1,871,842	559,819	4,490

Notes:

- (a) 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 based on the stage of completion of contract over time using input method. The Group normally receives progress payment from customers on a monthly basis with reference to the value of works done. The Group requires certain customers to provide upfront deposits range from 5% to 30% of total contract sum, when the Group receives a deposit before the project commences, this will give rise to contract liabilities at the start of a contract, until the full amount of deposit is deducted proportionately from monthly progress payment.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when progress certificate/invoice is issued.

Retentions receivable, prior to expiration of maintenance period, are classified as contract assets, which usually ranges from one to two years from the date of the practical completion of the project. The relevant amount of contract assets is reclassified to trade receivables when the maintenance period expires, and/or the maintenance/payment certificate is issued, and/or the final account is issued. The maintenance period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

- (b) The Group also generates revenue from manufacturing, sourcing and distribution of interior decorative materials business. This revenue is recognised at a point in time when the goods have been delivered to specific location and customers obtain control of the materials.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3B. OPERATING SEGMENTS

The Company's 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:

Segment revenue and results

For the six months ended 30 June 2020

	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	805,613	1,002,304	519,789	121,193	3,098	2,451,997	-	2,451,997
Inter-segment revenue	1,803	-	-	-	131,332	133,135	(133,135)	-
Segment revenue	807,416	1,002,304	519,789	121,193	134,430	2,585,132	(133,135)	2,451,997
Segment profit (loss)	50,571	155,358	(6,689)	(1,361)	13,394	211,273	-	211,273
Corporate expenses								(60,761)
Corporate income								2,458
Finance costs								(5,284)
Profit before tax								147,686

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3B. OPERATING SEGMENTS *(Continued)*

For the six months ended 30 June 2019

	Fitting-out works in Hong Kong HK\$'000 <i>(Unaudited)</i>	Fitting-out works in Macau HK\$'000 <i>(Unaudited)</i>	Fitting-out works in the PRC HK\$'000 <i>(Unaudited)</i>	Alteration and addition and construction works in Hong Kong HK\$'000 <i>(Unaudited)</i>	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000 <i>(Unaudited)</i>	Segment total HK\$'000 <i>(Unaudited)</i>	Elimination HK\$'000 <i>(Unaudited)</i>	Consolidated HK\$'000 <i>(Unaudited)</i>
Revenue								
External revenue	637,755	469,938	764,149	559,819	4,490	2,436,151	-	2,436,151
Inter-segment revenue	-	-	-	-	83,158	83,158	(83,158)	-
Segment revenue	637,755	469,938	764,149	559,819	87,648	2,519,309	(83,158)	2,436,151
Segment profit	72,442	43,177	49,320	7,190	136	172,265	-	172,265
Corporate expenses								(23,452)
Corporate income								10,822
Share of losses of associates								(2,609)
Finance costs								(5,181)
Profit before tax								151,845

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 losses of associates and finance costs. This was the measure reported to the Company's executive directors for the purposes of resource allocation and assessment of segment performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3B. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

The following was an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30 June 2020 HK\$'000 <i>(Unaudited)</i>	At 31 December 2019 HK\$'000 <i>(Audited)</i>
Segment assets		
Fitting-out works in Hong Kong	1,266,629	1,224,221
Fitting-out works in Macau	898,167	966,380
Fitting-out works in the PRC	1,624,284	1,475,367
Alteration and addition and construction works in Hong Kong	277,881	352,606
Manufacturing, sourcing and distribution of interior decorative materials	102,322	124,448
Total segment assets	4,169,283	4,143,022
Segment liabilities		
Fitting-out works in Hong Kong	385,140	453,483
Fitting-out works in Macau	301,357	437,370
Fitting-out works in the PRC	1,337,634	1,564,884
Alteration and addition and construction works in Hong Kong	155,063	243,226
Manufacturing, sourcing and distribution of interior decorative materials	54,535	51,848
Total segment liabilities	2,233,729	2,750,811

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other income		
Dividends from financial assets at fair value through profit or loss ("FVTPL")	1,140	–
Interest income	1,066	5,150
Rent concessions	339	–
Government funding for anti-epidemic	328	–
Rental income	252	264
Consultancy fee and entrustment fee income	156	372
Others	782	449
	4,063	6,235
Other gains and losses		
Recovery of trade receivables written off	3,864	–
Net foreign exchange gains (losses)	871	(78)
Net (loss) gain from changes in fair value of financial assets at FVTPL	(44,508)	5,358
Loss on disposal of property, plant and equipment	(32)	(13)
	(39,805)	5,267
	(35,742)	11,502

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	5,230	9,491
Macau Complementary Tax	22,502	4,673
PRC Enterprise Income Tax	6,265	9,068
	33,997	23,232
(Over) under provision in prior periods		
Hong Kong Profits Tax	(97)	–
PRC Enterprise Income Tax	2,476	1,373
	2,379	1,373
	36,376	24,605

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 subsidiaries was 25% for both periods. Two PRC subsidiaries obtained approval from the relevant tax bureaus and are qualified as High and New Technology Enterprises which are entitled to a tax reduction from 25% to 15%.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	8,868	5,289
Depreciation of right-of-use assets	4,306	3,482
	13,174	8,771
Gross rental income from investment property	(252)	(264)
Less: Direct operating expenses incurred for investment property that generated rental income during the period	29	27
	(223)	(237)
Covid-19-related rent concessions	(339)	–
Cost of inventories recognised as expense	2,595	1,527
Allowance for inventories (included in contract costs and cost of sales)	5,762	91
Contract costs recognised as expense		
Fitting-out works	1,984,977	1,612,896
Alteration and addition and construction works	118,357	539,698
	2,103,334	2,152,594
Staff costs		
Gross staff costs (including directors' emoluments)	213,908	208,883
Less: Staff costs capitalised to contract costs and inventories	(157,875)	(140,111)
	56,033	68,772

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. DIVIDENDS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend for the year ended 31 December 2019: nil (year ended 31 December 2018: HK5 cents) per share	–	107,911

Subsequent to the end of the current interim period, the directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK2.5 cents per share, in an aggregate amount of HK\$53,955,000).

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	111,310	127,240

	Number of shares Six months ended 30 June	
	2020 '000	2019 '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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

9. PROPERTY, PLANT AND EQUIPMENT

In January 2020, the Group acquired a commercial building of HK\$215,508,000 (six months ended 30 June 2019: nil), including deed tax, in the PRC from a related company in which Mr. Liu Zaiwang, the non-executive director of the Company, and his spouse have in aggregate 60% beneficial interest, in order to accelerate the development of the Group in the PRC market.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Listed equity securities	64,695	92,937
Unlisted equity fund	110,000	123,602
	174,695	216,539

During the current period, loss from changes in fair value of financial assets at FVTPL of HK\$28,242,000 (six months ended 30 June 2019: HK\$3,882,000) was recognised in profit or loss from listed equity securities.

During the current period, the Group further injected HK\$2,664,000 (six months ended 30 June 2019: HK\$5,550,000) to the unlisted equity fund to fulfill capital commitment in capacity as a limited partner. As at 30 June 2020, the Group's interest in the unlisted equity fund remained at 18.71% (31 December 2019: 18.71%). The general partner of the unlisted equity fund is a subsidiary of a related company listed in Hong Kong. The unlisted equity fund was in relation to commercial buildings development in Hong Kong. It was measured at fair value at the end of the reporting period. The unlisted equity fund with more than 12 months operation period from the end of reporting period was classified as non-current assets in the condensed consolidated statement of financial position. The Group has committed to contribute a predetermined capital amount in the unlisted equity fund and loss from changes in fair value of the fund of HK\$16,266,000 (six months ended 30 June 2019: a gain of HK\$9,240,000) was recognised in profit or loss during the period. The unlisted equity fund may call upon further capital contribution if required up to the pre-determined capital amount. There was no capital returned to the Group from the unlisted equity fund during the six months ended 30 June 2020 and 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. INTERESTS IN ASSOCIATES

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Unlisted shares, at cost	–	–
Deemed contribution to an associate	80,800	80,800
Share of post-acquisition profits and other comprehensive income, net of dividends received	50,726	51,994
	131,526	132,794

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 of the Company, the loan is in substance formed part of investment in an associate.

12A. 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 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade receivables (gross carrying amount)		
– fitting-out works	618,071	682,790
– alteration and addition and construction works	31,835	102,006
– manufacturing, sourcing and distribution of interior decorative materials	1,584	994
	651,490	785,790
Unbilled receivables (gross carrying amount) (note)	843,246	833,479
Trade and unbilled receivables (gross carrying amount)	1,494,736	1,619,269
Less: Allowance for credit losses	(78,015)	(33,516)
Trade and unbilled receivables (net carrying amount)	1,416,721	1,585,753
Prepayments and deposits	459,361	568,648
Other receivables	3,785	3,704
Bills receivable	33,761	9,946
	1,913,628	2,168,051

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12A. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Trade receivables

The Group allows a credit period of 7 to 90 days to its trade customers. The following was an ageing analysis of trade receivables, net of allowance for credit losses, presented based on invoice date at the end of each reporting period.

	At 30 June 2020 HK\$'000 <i>(Unaudited)</i>	At 31 December 2019 HK\$'000 <i>(Audited)</i>
1–30 days	411,405	564,295
31–60 days	97,856	101,931
61–90 days	21,175	9,807
Over 90 days	72,365	94,135
	602,801	770,168

Prepayments and deposits

As at 31 December 2019, prepayments and deposits included a deposit of HK\$50,000,000 placed at a broker, which was non-interest bearing and withdrawn during the period.

Bills receivable

As at 30 June 2020, total bills receivable amounting to HK\$33,761,000 (31 December 2019: HK\$9,946,000) were held by the Group for settlement. The Group continued to recognise their full carrying amounts at the end of the reporting period. All bills receivable held by the Group was with a maturity period of less than one year.

Ageing of bills receivable was as follows:

	At 30 June 2020 HK\$'000 <i>(Unaudited)</i>	At 31 December 2019 HK\$'000 <i>(Audited)</i>
1–30 days	5,211	5,582
31–60 days	–	1,005
61–90 days	2,190	1,923
Over 90 days	26,360 ^(Note)	1,436
	33,761	9,946

Note: As at 30 June 2020, the relevant bills receivable amounting to HK\$8,853,000 was issued by a related company in which Mr. Liu Zaiwang and his spouse have in aggregate 95% beneficial interest.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12B. CONTRACT ASSETS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Contract assets (gross carrying amount)		
– fitting-out works	1,658,395	1,612,038
– alteration and addition and construction works	224,968	221,856
– manufacturing, sourcing and distribution of interior decorative materials	–	551
	1,883,363	1,834,445
Less: Allowance for credit losses	(29,771)	(29,612)
Shown under current assets	1,853,592	1,804,833

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when progress certificate/invoice is issued. As at 30 June 2020, contract assets included retentions receivable of HK\$807,557,000 from external customers (31 December 2019: HK\$844,293,000). The Group generally provides their customers with one to two years maintenance period from the date of the practical completion of the project. Upon the expiration of maintenance period, the customers will provide a maintenance certificate and pay the retentions within the term specified in the contract. The details of the typical payment terms which impact on the amount of contract assets recognised are set out in note 3A.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group applies the simplified approach to provide the expected credit loss ("ECL") prescribed by HKFRS 9. Impairment loss of HK\$435,000 (six months ended 30 June 2019: HK\$6,818,000) was recognised during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND CONTRACT ASSETS SUBJECT TO ECL MODEL

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Impairment loss recognised in respect of:		
– trade and unbilled receivables	45,145	9,965
– contract assets	435	6,818
	45,580	16,783

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

14. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company in which Mr. Liu Zaiwang and his spouse have in aggregate 95% beneficial interest and the balance represented trade receivable.

The Group allows a credit period of 30 days to the related company. As at 31 December 2019, the trade receivable due from the related company was aged within over 90 days based on invoice date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

15. 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 credit period taken for trade purchase is 7 to 45 days.

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Contract creditors and suppliers	1,299,659	1,757,360
Retentions payable	438,521	443,262
	1,738,180	2,200,622
Other tax payable	92,857	84,684
Other payables and accruals	62,204	104,112
	1,893,241	2,389,418

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
1–30 days	928,170	1,302,557
31–60 days	72,953	151,948
61–90 days	27,352	47,901
Over 90 days	271,184	254,954
	1,299,659	1,757,360

As at 30 June 2020, the Group's retentions payable of HK\$153,809,000 (31 December 2019: HK\$192,107,000) was expected to be paid after one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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

Bills payable

As at 30 June 2020 and 31 December 2019, certain bills payable were secured by pledged bank deposits and were repayable as follows:

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
1–30 days	109,170	106,162
31–60 days	4,313	48,624
61–90 days	14,583	51,419
Over 90 days	142,968	69,010
	271,034	275,215

16. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

As at 31 December 2019, the balance represented retentions payable which was expected to be paid within one year.

17. BANK BORROWINGS

	At 30 June 2020		At 31 December 2019	
	The ranges of effective interest rates (Unaudited)	Carrying amount HK\$'000	The ranges of effective interest rates (Audited)	Carrying amount HK\$'000
Fixed-rate borrowings – unsecured	5.20%	10,947	–	–
Variable-rate borrowings – secured <i>(note a)</i>	1.94%	38,546	4.17%	42,400
– unsecured	1.95% to 1.97%	200,000	3.66% to 4.69%	330,933
		238,546		373,333
		249,493		373,333

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. BANK BORROWINGS (Continued)

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
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	94,857	209,042
– more than one year but not exceeding two years	87,709	72,509
– more than two years but not exceeding five years	66,927	87,927
– more than five years	–	3,855
	249,493	373,333

Notes:

- (a) As at 30 June 2020, the secured bank borrowings were secured by a commercial property (included in property, plant and equipment) with carrying amount of HK\$99,067,000 (31 December 2019: HK\$100,902,000).
- (b) The amounts due are based on scheduled repayment dates as set out in the banking facility letters.

18. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Issued and fully paid ordinary shares with no par value At 1 January 2019 (audited), 30 June 2019 (unaudited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	2,158,210	1,246,815

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The respective management team reports the findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets.

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 (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)	Fair value hierarchy
Financial assets at FVTPL			
Listed equity securities	64,695	92,937	Level 1
Unlisted equity fund	110,000	123,602	Level 3
Total	174,695	216,539	

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. 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

	Unlisted equity fund <i>HK\$'000</i>
At 1 January 2019 <i>(audited)</i>	128,760
Addition	5,550
Total gain in profit or loss	9,240
<hr/>	
At 30 June 2019 <i>(unaudited)</i>	143,550
<hr/>	
At 1 January 2020 <i>(audited)</i>	123,602
Addition	2,664
Total loss in profit or loss	(16,266)
<hr/>	
At 30 June 2020 <i>(unaudited)</i>	110,000

Of the loss for the period included in profit or loss HK\$16,266,000 (six months ended 30 June 2019: a gain of HK\$9,240,000) relating to financial assets of the unlisted equity fund that are measured at fair value at the end of each reporting period. Such fair value loss or gain are included in other gains and losses.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as detailed in above, the directors of the Company 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.

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For the six months ended 30 June 2020

20. PERFORMANCE BONDS AND TENDER BONDS

As at 30 June 2020, the Group has issued performance bonds and tender bonds in respect of certain supply and installation contracts through the banks amounting to HK\$620,788,000 (31 December 2019: HK\$626,390,000).

As at 30 June 2020 and 31 December 2019, certain performance bonds and tender bonds were secured by certain pledged bank deposits.

21. RELATED PARTY TRANSACTIONS

Apart from bills receivable, amount due from a related company and amount due to a fellow subsidiary as set out in notes 12A, 14 and 16, respectively, the Group has following significant transactions with its related parties:

Relationship	Transaction	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
A related company (note 9)	Acquisition of a commercial building	209,231	–
Ultimate holding company	Entrustment fee income	43	45
Fellow subsidiaries	Entrustment fee income	113	119
	Revenue from fitting-out works	791	–
	Specialised works subcontracting costs	665	–

In addition,

- (a) as at 30 June 2020, the ultimate holding company had outstanding performance bonds, advance payment bonds and a tender bond amounting to HK\$334,330,000 (31 December 2019: HK\$303,768,000) issued in favour of customers of Sundart Beijing through a bank.
- (b) as at 30 June 2020, three (31 December 2019: two) of Sundart Beijing's banking facilities was guaranteed by the ultimate holding company. Sundart Beijing did not pay any charges for the guarantee granted.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and short-term benefits	31,700	29,357
Post-employment benefits	151	217
	31,851	29,574

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

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group had leased two floors of a commercial building in the PRC to a related company in which Mr. Liu Zaiwang and his spouse have in aggregate 95% beneficial interest as its office use for one year in exchange of rental. Thus, its respective carrying value of HK\$40,094,000 was transferred to investment properties at fair value at the end of its own occupation. Such lease constituted de minimis connected transaction pursuant to Rule 14A.76(1) of the Listing Rules.

In July 2020, certain employees of Kin Shing (Leung's) General Contractors Limited, an indirect wholly-owned subsidiary of the Company, were confirmed infected with Covid-19. As a result, one construction site and its office had been closed for 14 days and 18 days, respectively. The directors of the Company are of the view that there had been no material adverse impact on the overall business operation of the Group in this regard. Nonetheless, the management of the Group will closely monitor the financial impact of Covid-19 to the Group.