



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



2021
Interim Report

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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

BDO Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong
(Appointed on 8 July 2021)

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
(Resigned on 29 June 2021)

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

BNP Paribas
China Construction Bank (Asia) Corporation Limited
China Guangfa Bank Co., Ltd., Macau Branch
Citibank, N.A., Hong Kong Branch
Hang Seng Bank Limited

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

19/F, Millennium City 3
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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

Email: ir@sundart.com

Management Discussion and Analysis

MARKET REVIEW

In Hong Kong, the coronavirus disease 2019 (COVID-19) (“**Covid-19**”) pandemic was controlled effectively, accompanied with a strong growth in exports of goods. 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**”) increased by 8.0% year-on-year in real terms in the first quarter of 2021, ending six consecutive quarters of contraction.

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 0.6% in nominal terms year-on-year to HK\$55.5 billion in the first quarter of 2021, while the gross value of construction works carried out at private sector sites decreased by 2.9% in nominal terms year-on-year to HK\$15.2 billion in the first quarter of 2021. However, the gross value of construction works carried out at residential building sites increased by 4.6% in nominal terms year-on-year to HK\$12.8 billion in the first quarter of 2021. As mentioned by the Chief Executive of Hong Kong in July 2021, the Hong Kong Government will continue to increase the supply of residential buildings in order to cope with strong housing demand. This will support the long-term development of both local construction and real estate markets, sustaining a stable demand for the fitting-out industry in Hong Kong.

In Macau, its situation of Covid-19 pandemic has long been under control, despite lockdown measures imposed around the world still affecting its tourism and service industries. Information from the Statistics and Census Service of the government of Macau (the “**Macau Government**”) indicated that the Macau’s GDP decreased by 0.9% year-on-year in real terms in the first quarter of 2021. With the Macau Government’s implementation of strict measures to limit inbound travel, the number of tourists decreased by 46.0% in the first quarter of 2021, according to statistics from Macao Government Tourism Office. Meanwhile, Gaming Inspection and Coordination Bureau of Macau indicated that revenue from the gambling sector decreased by 22.5% year-on-year to Macau Pataca (“**MOP**”) 23.6 billion in the first quarter of 2021. Nevertheless, the Macau Government has ramped up efforts to promote tourism to the People’s Republic of China (the “**PRC**”) residents, such as strengthening tourism cooperation between Macau and Hengqin. Coupled with the rollout of Covid-19 vaccination programme in Macau and the PRC, the tourism and gambling industries are expected to revive, providing a fillip to Macau’s fitting-out sector.

The PRC’s economy has resumed steadily in the first half of 2021. According to information from National Bureau of Statistics of China, the PRC’s GDP increased by 12.7% year-on-year to Renminbi (“**RMB**”) 53,216.7 billion in the first half of 2021, while the gross output value of construction industry increased by 18.8% year-on-year to RMB11,984.4 billion in the first half of 2021. During the first half of 2021, investments in national real estate development increased by 15.0% year-on-year to RMB7,217.9 billion, among which, investments in residential buildings increased by 17.0% year-on-year to RMB5,424.4 billion and investments in office buildings increased by 6.7% year-on-year to RMB291.0 billion. The demand for construction activities on real estate projects is expected to remain strong, with the implementation of the policies of the government of the PRC (the “**PRC Government**”) that aims to accelerate high quality development of new urbanisation and to enhance the stability of the real estate market, hence, bolstering demand for the fitting-out industry in the PRC.

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, commercial building and hotel projects. The Group is also engaged in the provision of alteration and addition and construction works in Hong Kong, and the provision of manufacturing, sourcing and distribution services of interior decorative materials internationally. During the six months ended 30 June 2021 (the “**Period**”), about 98.0% of the Group’s revenue was derived from its fitting-out works business.

Despite the impact of Covid-19 on global economic recovery, the Group managed to maintain sufficient financial resources to satisfy its business development during the Period. The Group obtained several sizable fitting-out projects during the Period by prudently capitalising on changes in the macroeconomic environment, adjusting its operational strategies in a timely manner and leveraging its prominent brand reputation in the industry. These new projects are expected to sustain a steady growth in the Group’s business for the coming years.

Fitting-out works

The Group's fitting-out business primarily comprises of the fitting-out works carried out for residential properties, commercial buildings, hotels, serviced apartments 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 14 fitting-out projects, including three in Hong Kong and 11 projects 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\$1,447.3 million, HK\$167.9 million of which was recognised as revenue during the Period. As at 30 June 2021, the Group had 65 projects on hand (including contracts in progress and contracts signed but yet to commence), including 28 in Hong Kong, three in Macau and 34 in the PRC, with the individual contract sum being not less than HK\$50.0 million. The total contract sum and value of the outstanding works of such projects as at 30 June 2021 amounted to HK\$7,868.8 million and HK\$4,463.3 million, respectively.

During the Period, the Group's revenue derived from its fitting-out business increased by HK\$81.8 million or 3.5% year-on-year to HK\$2,409.5 million (six months ended 30 June 2020 (the "**Previous Period**"): HK\$2,327.7 million). Such increase was mainly attributable to the increase in the number of projects the Group was awarded in the PRC in the past two years. Furthermore, the Group has carried out two sizable fitting-out projects in Hong Kong during the Period. As a result, the Group's revenue derived from its fitting-out business in the PRC and Hong Kong increased by HK\$786.3 million, as compared to the Previous Period. Such positive effect was offset by the decrease in the revenue from its fitting-out projects in Macau as most of the Group's works in Macau were completed during the Previous Period.

The Group's gross profit derived from its fitting-out business during the Period decreased by HK\$12.8 million or 3.8% year-on-year to HK\$324.2 million (Previous Period: HK\$337.0 million). The decrease in gross profit was mainly attributable to the slight decrease of gross profit margin for its fitting-out business from 14.5% for the Previous Period to 13.5% for the Period.

Alteration and addition and construction works

The Group carries out its 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 scope of services include construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, commercial buildings, hotels and factories in Hong Kong.

As at 30 June 2021, Kin Shing had three on-going projects with a total contract sum of HK\$190.0 million. The value of the outstanding works of such projects as at 30 June 2021 amounted to HK\$55.6 million.

During the Period, the Group's revenue derived from its alteration and addition and construction business decreased by HK\$85.2 million or 70.3% year-on-year to HK\$36.0 million (Previous Period: HK\$121.2 million). Such decrease was primarily attributable to the decrease in the number of projects the Group had been awarded in the past year.

The Group's gross loss derived from its alteration and addition and construction business was HK\$15.6 million (Previous Period: gross profit of HK\$2.8 million), whilst the gross loss margin was 43.3% (Previous Period: gross profit margin of 2.3%). Such gross loss and gross loss margin was primarily attributable to the additional overheads and/or cost incurred for several construction projects of residential and commercial buildings due to the extension of construction period and the rectification of work defects.



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 Dongguan Sundart Home Furnishing Co., Ltd. (東莞承達家居有限公司) ("**Dongguan Sundart**"), a subsidiary of the Group, the Group operates a manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC, the aggregate gross floor area of which is 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 increased by HK\$9.7 million or 312.9% year-on-year to HK\$12.8 million (Previous Period: HK\$3.1 million). Such increase was primarily attributable to the increase in indent sales during the Period, as compared to the Previous Period.

In addition, during the Period, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business increased by HK\$1.6 million or 320.0% year-on-year to HK\$2.1 million (Previous Period: HK\$0.5 million). The increase in gross profit was mainly attributable to the increase in revenue and the slight increase of gross profit margin in its manufacturing, sourcing and distribution of interior decorative materials business from 16.1% for the Previous Period to 16.4% for the Period.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Period, the Group's revenue slightly increased by HK\$6.3 million or 0.3% year-on-year to HK\$2,458.3 million (Previous Period: HK\$2,452.0 million), however, the Group's gross profit decreased by HK\$29.6 million or 8.7% year-on-year to HK\$310.7 million (Previous Period: HK\$340.3 million) and its gross profit margin decreased to 12.6% (Previous Period: 13.9%). Such decreases were primarily due to decreases in its alteration and addition and construction business as discussed under the paragraph headed "Business review – Alteration and addition and construction works" above.

Other income, other gains and losses

The Group recorded net other losses of HK\$3.8 million for the Period (Previous Period: HK\$35.7 million), primarily derived from a loss of HK\$13.8 million resulting from fair value changes 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. Details of other income, other gains and losses are set out in note 5 to the condensed consolidated financial statements.

Profit for the period

The Group's profit for the period increased by HK\$44.3 million or 39.8% year-on-year to HK\$155.6 million (Previous Period: HK\$111.3 million). Such increase was primarily attributable to the decrease in impairment losses on trade receivables.

Basic earnings per share

The Company's basic earnings per share for the Period was HK7.21 cents (Previous Period: HK5.16 cents), increased by HK2.05 cents or 39.7% year-on-year, in line with the increase in profit for the period. Details of earnings per share are set out in note 10 to the condensed consolidated financial statements.

Material acquisition and disposal

No material acquisition and disposal of subsidiaries, associates and joint ventures was carried out by the Group during the Period.

Investments

Financial assets at FVTPL

As at 30 June 2021, the Group's financial assets at FVTPL comprised of HK\$28.6 million and HK\$84.0 million (31 December 2020: HK\$61.4 million and HK\$92.0 million) of listed equity securities and unlisted equity fund, respectively.

During the Period, the Group recognised a fair value loss of HK\$13.8 million in profit or loss in respect of the listed equity securities and unlisted equity fund, primarily as a result of a decrease on the market prices of certain listed equity securities and unlisted equity fund. Further, the Group disposed of HK\$27.0 million of listed equity securities for the Period.

Other financial assets at amortised cost

During the Period, the Group subscribed for three bonds which would mature on 30 June 2022, 4 February 2023 and 15 November 2024, respectively, with fixed interest rates ranging from 5.75% to 8.50% per annum at a total consideration of HK\$20.6 million.

In terms of the prospects of the Group's financial assets at FVTPL, the performance of the listed equity securities and the unlisted equity fund held by the Group will be subject to the performance of the relevant financial and property markets which may change rapidly and unpredictably in the future. As to other financial assets at amortised cost, the Group will continue to enjoy a steady investment return until its disposal, transfer or redemption by the issuer. The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments, so as to make timely and appropriate adjustments on its investments for the maximisation of returns to the shareholders of the Company (the "Shareholders").

Save as disclosed above, the Group did not hold any other significant investments 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 take appropriate risk management actions.

Future plans for material investments or capital assets

As at 26 August 2021, 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 relied on internally generated funds to finance its business operations.

During the Period, the Group continued to maintain a solid financial and cash position. As at 30 June 2021, the Group's net current assets amounted to HK\$2,282.1 million, representing an increase of HK\$18.4 million from HK\$2,263.7 million as recorded as at 31 December 2020, and the bank balances and cash in total amounted to HK\$954.1 million, representing a decrease of HK\$618.0 million from HK\$1,572.1 million as recorded as at 31 December 2020. Such decrease was mainly resulting from the use of funds for the operating activities and dividend payment.

As at 30 June 2021, the bank borrowings of the Group amounted to HK\$124.6 million (31 December 2020: HK\$164.7 million), of which HK\$80.2 million, HK\$44.0 million and HK\$0.4 million (31 December 2020: HK\$80.2 million, HK\$80.2 million and HK\$4.3 million) will be repayable within one year, more than one year but not exceeding two years and more than two years but not exceeding five years, respectively. There is no seasonality on the Group's bank borrowings.



Management Discussion and Analysis

During the Period, the Group continued to maintain a healthy liquidity position. As at 30 June 2021, the Group's current assets and current liabilities amounted to HK\$5,281.9 million and HK\$2,999.8 million, respectively (31 December 2020: HK\$5,539.2 million and HK\$3,275.5 million, respectively). The Group's current ratio as at 30 June 2021 increased to 1.8 times (31 December 2020: 1.7 times) and the Group maintained sufficient liquid assets to finance its business operations during the Period.

As at 30 June 2021, the Group's gearing ratio of total debts (bank borrowings) divided by total equity was 4.2% (31 December 2020: 5.5%). The decrease in gearing ratio was primarily due to the decrease in the Group's bank borrowings.

As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to HK\$1,246.8 million and HK\$2,989.8 million, respectively (31 December 2020: HK\$1,246.8 million and HK\$2,996.9 million, respectively).

Charge on the Group's assets

The Group's assets pledged for securing certain bank borrowings, certain bills payable, a performance bond and certain tender bonds comprised a commercial property, certain bills receivable and pledged bank deposits, which amounted to HK\$95.4 million, HK\$4.8 million and HK\$74.4 million, respectively as at 30 June 2021 (31 December 2020: HK\$97.2 million, HK\$7.1 million and HK\$90.4 million, respectively).

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 30 June 2021 and 31 December 2020, respectively.

As at 30 June 2021, the Group had capital commitments of HK\$1.3 million (31 December 2020: HK\$0.2 million) in relation to acquisition of property, plant and equipment and HK\$22.2 million (31 December 2020: HK\$22.2 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. As at 30 June 2021, all of the Group's bank borrowings were made in Hong Kong dollars ("HK dollars") at floating rates, and, cash and cash equivalents held were mainly in HK dollars, MOP and RMB. As at 26 August 2021, 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

The Group's major customers include reputable property developers, hotel owners and main contractors. During the Period, the Group has closely monitored and strengthened its collection measures, and has adopted prudent credit policies to mitigate credit risk exposure. 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 of keeping the Group's credit risk exposure at a reasonably low level.

EVENTS AFTER THE REPORTING PERIOD

On 26 August 2021, Sundart Engineering & Contracting (Beijing) Limited (北京承達創建裝飾工程有限公司) (“**Sundart Beijing**”), an indirect wholly-owned subsidiary of the Company, and 鄭州江河華晟醫學檢驗實驗室有限公司 (Zhengzhou Jianghe Huacheng Medical Inspection Laboratory Company Limited*) (“**Zhengzhou Huacheng Laboratory**”) entered into a fitting-out agreement (the “**Fitting-out Transaction**”), pursuant to which Zhengzhou Huacheng Laboratory has engaged Sundart Beijing as a contractor to carry out fitting-out works on a testing laboratory and office premises at 河南省鄭州市管城回族區經開第十三大街3號1#6層南 (South Wing of 1#6, No. 3 of Jingkai Thirteenth Street, Hui Zu District, Zhengzhou, Henan Province, PRC*) for a consideration of RMB12,780,000, subject to adjustments (if any). Please refer to the announcement of the Company dated 26 August 2021 for further details.

As Zhengzhou Huacheng Laboratory is an associate of Mr. Liu Zaiwang (劉載望) (“**Mr. Liu**”), a non-executive director (the “**Director(s)**”) and a controlling shareholder of the Company, and hence a connected person of the Company, the Fitting-out Transaction constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Save as disclosed herein, there were no other significant events subsequent to the Period and up to 26 August 2021 which had materially affected 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 2021, the Group had 1,855 employees (31 December 2020: 1,881). The Group’s gross staff costs (including the Directors’ emoluments decreased by HK\$13.9 million or 6.5% year-on-year to HK\$200.0 million for the Period (Previous Period: HK\$213.9 million). Such decrease was mainly attributable to the decrease in number of employees.

PROSPECTS AND STRATEGIES

The Covid-19 pandemic in Hong Kong was controlled effectively, enabling a steady uptrend for the recovery of the economy. Coupled with the rising Covid-19 vaccination rate in Hong Kong, border restrictions with the PRC and Macau are expected to be relaxed in the near future, which would boost tourism and drive demand for hotels. In addition, benefitting from the gradual relaxation of social distancing policies, the number of customers in restaurants and shopping malls is expected to increase. Meanwhile, the Hong Kong Government has implemented a Consumption Voucher Scheme to distribute HK\$5,000 of electronic consumption vouchers to all eligible Hong Kong residents to stimulate the recovery of the retail industry and the economy. Given the persistent housing shortage and the continued low interest rate environment, a strong demand for residential properties would be continuously sustained. Considering the above, the Group will continue to closely monitor market trends to seize growing business opportunities for fitting-out projects in residential properties, hotels and shopping malls in Hong Kong.

* for identification purpose only



Management Discussion and Analysis

The Macau Government has launched its Covid-19 vaccination programme, along with an electronic consumption benefits plan and the “Stay, Dine and See Macao” programme, in order to promote the recovery of the retail and tourism sectors in Macau. In addition, the Macau Government emphasises the promotion of its tourism industry to develop Macau into a world tourism and leisure centre and to support the reconstruction and expansion of Macau International Airport. Meanwhile, the Macau Government will boost the development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin and will strengthen tourism cooperation between Macau and Hengqin in order to promote economic development and enhance the connectivity between Guangdong and Macau, thus bringing momentum to the long-term growth opportunities for both construction and fitting-out industries in Macau.

The PRC Government issued the “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” to implement a strategy of expanding domestic demand in order to build a robust domestic market with a strong consumer base. In June 2021, the PRC’s Ministry of Culture and Tourism released its 14th Five-Year Plan for developing culture and tourism to promote high-quality development of the cultural and the tourism industry. Its policy initiatives are aimed at promoting the quality development of retail, catering, shopping, tourism and entertainment. It is expected to promote commercial real estate projects, including hotels and shopping malls. Furthermore, the PRC Government has accelerated its Covid-19 vaccination programme and it is expected that at least 70% of the target population will be vaccinated by the end of 2021. This will facilitate economic recovery and boost consumption. The Group will respond appropriately to the PRC’s national policies and market developments in order to seize opportunities and obtain more large-scale and high-end fitting-out projects.

Looking ahead, countries around the world are gradually resuming economic activities following the development of vaccines and the progress of Covid-19 vaccination. The Group will closely monitor the latest pandemic and economic developments, whilst striving to maintain stable financials and operations. The Group will also leverage its professional project management and brand reputation in order to further consolidate market share in Hong Kong, Macau and the PRC. Furthermore, the Group will seize possible opportunities arising from the development and construction works associated with Guangdong-Hong Kong-Macao Greater Bay Area as well as Belt and Road Initiative. This will enable the Group to expand its overall business scale and lay a solid foundation for the Group’s future business development.

Corporate Governance and Other Information

INTERIM DIVIDEND

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

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

Save as disclosed below, as at 30 June 2021, none of the Directors and the chief executive of the Company had any beneficial interests (including interests or short positions) 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.

Long position in the shares of the Company (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	1,281,516,117	59.38%

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.

* for identification purpose only

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 30 June 2021, 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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	1,281,516,117	59.38%
Jangho HK (note 2)	Interest in controlled corporation	1,281,516,117	59.38%
Jangho Co (note 3)	Interest in controlled corporation	1,281,516,117	59.38%
Beijing Jiangheyuan (note 4)	Interest in controlled corporation	1,281,516,117	59.38%
Ms. Fu (note 5)	Interest of spouse	1,281,516,117	59.38%
Caiyun International Investment Limited ("Caiyun International")	Beneficial owner	353,144,337	16.36%
雲南省康旅控股集團有限公司 (Yunnan Health & Cultural Tourism Holding Group Co., Ltd.*) ("Yunnan Co") (note 6)	Interest in controlled corporation	353,144,337	16.36%
Citigroup Inc. (note 7)	Interest in controlled corporation	115,182,000	5.34%
ICBC International Asset Management Limited	Investment manager	114,946,000	5.33%

Notes:

- 2,158,210,000 Shares were in issue as at 30 June 2021.
- 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.
- Caiyun International was beneficially wholly-owned by Yunnan Co and therefore Yunnan Co was deemed to be interested in the Shares held by Caiyun International under the SFO.
- Citigroup Inc. held interests in the Shares through its indirectly controlled subsidiaries.

* for identification purpose only

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 1 December 2015. There had been no share option granted since the adoption of the share option scheme, and no share options 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

Mr. Tam Anthony Chun Hung, an independent non-executive Director, has re-designated from a tax partner to a senior advisor of Mazars CPA Limited with effect from 1 September 2021.

Save as disclosed herein, there were no other changes 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 29 March 2021 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 2021, 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

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. A non-executive Director and three independent non-executive Directors were absent from the last annual general meeting of the Company held on 3 June 2021 due to travel restrictions imposed as the outbreak of Covid-19 and/or other important business commitments, nevertheless, two independent non-executive Directors have participated the aforesaid meeting through conference call.

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, BDO Limited.

Report on Review of Condensed Consolidated Financial Statements



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TO THE BOARD OF DIRECTORS OF SUNDART HOLDINGS LIMITED

(incorporated in British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 16 to 40 which comprise the condensed consolidated statement of financial position of Sundart Holdings Limited and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "**condensed consolidated financial statements**"). 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 are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

OTHER MATTER

The comparative unaudited condensed consolidated financial statements for the six months ended 30 June 2020 were reviewed by another auditor who express an unmodified opinion on 27 August 2020.

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.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate no. P05443

Hong Kong
26 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	2,458,320	2,451,997
Cost of sales		(2,147,665)	(2,111,691)
Gross profit		310,655	340,306
Other income, other gains and losses	5	(3,836)	(35,742)
Impairment losses under expected credit loss model, net of reversal	6	(3,363)	(45,580)
Selling expenses		(3,131)	(3,671)
Administrative expenses		(81,480)	(82,810)
Other expenses		(26,500)	(19,533)
Share of losses of associates		(1,245)	–
Finance costs		(1,360)	(5,284)
Profit before tax		189,740	147,686
Income tax expense	7	(34,136)	(36,376)
Profit for the period attributable to owners of the Company	8	155,604	111,310
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		9,448	(11,983)
Share of other comprehensive income (expense) of an associate		522	(1,268)
Other comprehensive income (expense) for the period		9,970	(13,251)
Total comprehensive income for the period attributable to owners of the Company		165,574	98,059
Earnings per share			
Basic (HK cents)	10	7.21	5.16

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	365,633	369,008
Right-of-use assets		12,220	16,780
Investment properties		56,971	56,355
Goodwill		1,510	1,510
Interests in associates	12	126,833	127,556
Financial assets at fair value through profit or loss	13	112,619	153,351
Other financial assets at amortised cost		15,883	–
Deferred tax assets		20,574	17,823
		712,243	742,383
Current assets			
Inventories		39,679	37,940
Trade and other receivables and bills receivable	14	2,461,867	2,138,286
Amounts due from related companies	15	18,652	1,444
Amount due from a fellow subsidiary	16	6,994	–
Contract assets	17	1,721,404	1,698,182
Tax recoverable		116	816
Other financial assets at amortised cost		4,801	–
Pledged bank deposits		74,361	90,398
Bank balances and cash		954,055	1,572,111
		5,281,929	5,539,177
Current liabilities			
Trade and other payables	18	2,230,774	2,399,939
Bills payable	18	482,845	542,535
Tax payable		71,910	68,561
Bank borrowings	19	124,642	164,747
Lease liabilities		10,384	10,749
Contract liabilities		79,255	88,931
		2,999,810	3,275,462
Net current assets		2,282,119	2,263,715
Total assets less current liabilities		2,994,362	3,006,098
Capital and reserves			
Share capital	20	1,246,815	1,246,815
Reserves		1,742,953	1,750,036
Equity attributable to owners of the Company		2,989,768	2,996,851
Non-current liabilities			
Deferred tax liabilities		1,971	1,806
Lease liabilities		2,623	7,441
		4,594	9,247
		2,994,362	3,006,098

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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 2020 (audited)	1,246,815	19,700	60	50,266	1,241	6,615	(37,065)	(277,406)	1,525,094	2,535,320
Exchange differences arising 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 (unaudited)	1,246,815	19,700	60	50,266	1,241	6,615	(50,316)	(277,406)	1,636,404	2,633,379
At 1 January 2021 (audited)	1,246,815	19,700	60	66,625	3,458	6,615	15,791	(277,406)	1,915,193	2,996,851
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	9,448	-	-	9,448
Share of other comprehensive income of an associate	-	-	-	-	-	-	522	-	-	522
Profit for the period	-	-	-	-	-	-	-	-	155,604	155,604
Total comprehensive income for the period	-	-	-	-	-	-	9,970	-	155,604	165,574
Dividend paid (note 9)	-	-	-	-	-	-	-	-	(172,657)	(172,657)
At 30 June 2021 (unaudited)	1,246,815	19,700	60	66,625	3,458	6,615	25,761	(277,406)	1,898,140	2,989,768

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 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash used in operating activities	(417,932)	(167,031)
Investing activities		
Interest received	5,553	1,066
Dividends from financial assets at fair value through profit or loss	724	1,140
Proceeds from disposal of financial assets at fair value through profit or loss	26,911	–
Proceeds from disposal of property, plant and equipment	242	–
Purchases of financial assets at fair value through profit or loss	–	(2,664)
Purchases of other financial assets at amortised cost	(20,580)	–
Purchases of property, plant and equipment	(3,861)	(222,381)
Withdrawal of a deposit at a broker	–	50,000
Placement of a deposit at a broker	(20,000)	–
Withdrawal of pledged bank deposits	101,813	57,452
Placement of pledged bank deposits	(84,744)	(48,755)
Net cash from (used in) investing activities	6,058	(164,142)
Financing activities		
Dividend paid	(172,657)	–
Interest paid	(1,360)	(5,284)
Repayments of bank borrowings	(57,350)	(175,818)
Repayments of leases liabilities	(5,782)	(3,893)
New bank borrowings raised	17,245	51,978
Net cash used in financing activities	(219,904)	(133,017)
Net decrease in cash and cash equivalents	(631,778)	(464,190)
Cash and cash equivalents at the beginning of the period	1,572,111	1,078,103
Effect of foreign exchange rate changes	13,722	(4,103)
Cash and cash equivalents at the end of the period	954,055	609,810



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 (the “**Listing Rules**”).

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 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

Amendment to HKFRS 16	Covid-19 – Related rent concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of 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.

3. REVENUE

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Contract revenue from fitting-out works (note a)	2,409,531	2,327,706
Contract revenue from alteration and addition and construction works (note a)	35,962	121,193
Manufacturing, sourcing and distribution of interior decorative materials (note b)	12,827	3,098
	2,458,320	2,451,997

For the six months ended 30 June 2021

	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)	Total HK\$'000 (Unaudited)
Geographical markets				
Hong Kong	878,286	35,962	5,963	920,211
Macau	297,846	–	173	298,019
The PRC	1,233,399	–	6,689	1,240,088
The United Kingdom	–	–	2	2
Total	2,409,531	35,962	12,827	2,458,320
Timing of revenue recognition				
A point in time	–	–	12,827	12,827
Over time	2,409,531	35,962	–	2,445,493
Total	2,409,531	35,962	12,827	2,458,320

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE (Continued)

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)	Total HK\$'000 (Unaudited)
Geographical markets				
Hong Kong	805,613	121,193	–	926,806
Macau	1,002,304	–	2,838	1,005,142
The PRC	519,789	–	97	519,886
The United Kingdom	–	–	163	163
Total	2,327,706	121,193	3,098	2,451,997
Timing of revenue recognition				
A point in time	–	–	3,098	3,098
Over time	2,327,706	121,193	–	2,448,899
Total	2,327,706	121,193	3,098	2,451,997

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.

4. 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 2021

	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	878,286	297,846	1,233,399	35,962	12,827	2,458,320	-	2,458,320
Inter-segment revenue	589	-	-	-	83,439	84,028	(84,028)	-
Segment revenue	878,875	297,846	1,233,399	35,962	96,266	2,542,348	(84,028)	2,458,320
Segment profit (loss)	82,965	76,374	72,141	(18,702)	5,431	218,209	-	218,209
Share of losses of associates								(1,245)
Unallocated other income								7,691
Unallocated corporate expenses								(33,555)
Unallocated finance costs								(1,360)
Profit before tax								189,740

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

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
Unallocated other income								2,458
Unallocated corporate expenses								(60,761)
Unallocated finance costs								(5,284)
Profit before tax								147,686

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 is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

Inter-segment revenue was charged at prevailing market rates.

4. 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 2021 HK\$'000 <i>(Unaudited)</i>	At 31 December 2020 HK\$'000 <i>(Audited)</i>
Segment assets		
Fitting-out works in Hong Kong	1,301,929	1,236,411
Fitting-out works in Macau	453,066	549,043
Fitting-out works in the PRC	2,508,896	2,050,112
Alteration and addition and construction works in Hong Kong	193,919	280,753
Manufacturing, sourcing and distribution of interior decorative materials	92,117	90,097
Total segment assets	4,549,927	4,206,416
Segment liabilities		
Fitting-out works in Hong Kong	402,131	433,398
Fitting-out works in Macau	212,008	204,654
Fitting-out works in the PRC	2,046,943	2,185,356
Alteration and addition and construction works in Hong Kong	107,570	153,932
Manufacturing, sourcing and distribution of interior decorative materials	31,907	54,333
Total segment liabilities	2,800,559	3,031,673

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income		
Interest income	5,657	1,066
Rental income	1,265	252
Dividends from financial assets at fair value through profit or loss ("FVTPL")	724	1,140
Entrustment fee income	171	156
Rent concessions	–	339
Government funding for anti-epidemic	–	328
Others	1,532	782
	9,349	4,063
Other gains and losses		
Net foreign exchange gains	580	871
Gain (loss) on disposal of property, plant and equipment	56	(32)
Net loss from fair value changes of financial assets at FVTPL	(13,821)	(44,508)
Recovery of trade receivables written off	–	3,864
	(13,185)	(39,805)
	(3,836)	(35,742)

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Impairment loss recognised on:		
Trade and other receivables and bills receivable	2,227	45,145
Contract assets	1,136	435
	3,363	45,580

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 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	13,598	5,230
Macau Complementary Tax	9,209	22,502
PRC Enterprise Income Tax	12,119	6,265
	34,926	33,997
Under (over) provision in prior periods		
Hong Kong Profits Tax	1,016	(97)
Macau Complementary Tax	(2,415)	–
PRC Enterprise Income Tax	3,032	2,476
	1,633	2,379
Deferred tax		
Current period	(2,423)	–
	34,136	36,376

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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	9,556	8,868
Depreciation of right-of-use assets	5,137	4,306
	14,693	13,174
Cost of inventories recognised as expense	10,680	2,595
Allowance for inventories (included in cost of sales)	585	5,762
Contract costs recognised as expense		
Fitting-out works	2,084,844	1,984,977
Alteration and addition and construction works	51,556	118,357
	2,136,400	2,103,334
Research and development expenses (included in other expenses)	26,194	17,150
Staff costs		
Gross staff costs (including directors' emoluments)	200,037	213,908
Less: Staff costs capitalised to contract costs and inventories	(146,522)	(157,875)
	53,515	56,033
Gross rental income from investment properties	(1,265)	(252)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	214	29
	(1,051)	(223)
Covid-19-related rent concessions	–	(339)

9. DIVIDENDS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
2020 final dividend – HK8 cents per share (six months ended 30 June 2020: 2019 final dividend – nil)	172,657	–

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

10. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	155,604	111,310

	Six months ended 30 June	
	2021 '000	2020 '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 of the Company in issue.

11. PROPERTY, PLANT AND EQUIPMENT

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

There was no significant acquisition and disposal of property, plant and equipment during the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. INTERESTS IN ASSOCIATES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Unlisted shares, at cost	–	–
Deemed contribution to an associate	70,167	70,167
Share of post-acquisition profits and other comprehensive income, net of dividends received	56,666	57,389
	126,833	127,556

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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed equity securities	28,619	61,351
Unlisted equity fund	84,000	92,000
	112,619	153,351

During the current period, net loss from changes in fair value of financial assets at FVTPL of HK\$5,821,000 (six months ended 30 June 2020: HK\$28,242,000) was recognised in profit or loss from listed equity securities.

During the current period, the Group did not further inject (six months ended 30 June 2020: the Group further injected HK\$2,664,000) to the unlisted equity fund in fulfilling capital commitment in capacity as a limited partner. As at 30 June 2021, the Group's interest in the unlisted equity fund remained at 18.71% (31 December 2020: 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\$8,000,000 (six months ended 30 June 2020: HK\$16,266,000) 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 2021 and 30 June 2020.

14. 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 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade receivables (gross carrying amount)		
Fitting-out works	744,806	735,688
Alteration and addition and construction works	28,036	59,185
Manufacturing, sourcing and distribution of interior decorative materials	10,226	96
	783,068	794,969
Less: Allowance for credit losses	(55,004)	(68,751)
Trade receivables (net carrying amount)	728,064	726,218
Unbilled receivables (gross carrying amount) <i>(note)</i>	1,220,649	1,049,574
Less: Allowance for credit losses	(82,923)	(66,702)
Unbilled receivables (net carrying amount)	1,137,726	982,872
Other receivables (gross carrying amount)	227,320	129,923
Less: Allowance for credit losses	(4,972)	(3,360)
Other receivables (net carrying amount)	222,348	126,563
Bills receivable (gross carrying amount)	52,780	43,637
Less: Allowance for credit losses	(1,502)	(2,353)
Bills receivable (net carrying amount)	51,278	41,284
Prepayments and deposits	322,451	261,349
	2,461,867	2,138,286

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 2021

14. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Trade receivables

The Group allows a credit period of 7 to 60 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 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
1–30 days	375,592	519,669
31–60 days	155,707	110,053
61–90 days	33,181	15,301
Over 90 days	163,584	81,195
	728,064	726,218

Bills receivable

As at 30 June 2021, the carrying amount of bills receivable amounting to HK\$51,278,000 (31 December 2020: HK\$41,284,000) were held by the Group for settlement, of which HK\$4,807,000 (31 December 2020: HK\$7,064,000) have been pledged as security for certain bills payable. All bills receivable held by the Group were with a maturity period of less than one year.

Ageing of bills receivable, net of allowance for credit losses, was as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
1–30 days	4,931	16,242 ^(Note)
31–60 days	3,066	–
61–90 days	3,872	–
Over 90 days	39,409 ^(Note)	25,042
	51,278	41,284

Note: As at 30 June 2021, the relevant bills receivable amounting to HK\$10,020,000 (31 December 2020: HK\$9,939,000) was issued by a related company in which Mr. Liu and his spouse have an aggregate of 69.92% (31 December 2020: 80%) beneficial interest.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies, in which Mr. Liu and his spouse have an aggregate of 69.92% (31 December 2020: 80%) beneficial interest, represented trade receivables.

The Group allows a credit period of 30 days to the related companies. As at 30 June 2021, the trade receivables due from the related companies were aged over 90 days (31 December 2020: within 90 days) based on invoice date.

16. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The Group allows a credit period of 30 days to its trade receivables due from a fellow subsidiary. As at 30 June 2021, the trade receivables due from the fellow subsidiary was aged within 30 days based on invoice date.

17. CONTRACT ASSETS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Contract assets (gross carrying amount)		
Fitting-out works	1,605,013	1,520,784
Alteration and addition and construction works	150,059	209,559
Manufacturing, sourcing and distribution of interior decorative materials	85	84
	1,755,157	1,730,427
Less: Allowance for credit losses	(33,753)	(32,245)
Net carrying amount shown under current assets	1,721,404	1,698,182

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 2021, contract assets included HK\$856,000 and HK\$2,607,000 (31 December 2020: HK\$361,000 and HK\$1,330,000) from related companies and fellow subsidiaries, respectively. The Group typically agrees 5% of the total contract sum as retention money, of which half will generally be released after the issue of the certificate of practical completion and the remaining portion will be released after the maintenance period. 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 3.

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 prescribed by HKFRS 9. Impairment loss of HK\$1,136,000 was recognised during the period (six months ended 30 June 2020: HK\$435,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. 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 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Contract creditors and suppliers	1,531,370	1,667,792
Retentions payable	478,732	482,934
	2,010,102	2,150,726
Other tax payable	156,124	117,505
Other payables and accruals	64,548	131,708
	2,230,774	2,399,939

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
1–30 days	1,013,695	1,137,310
31–60 days	101,283	141,919
61–90 days	71,080	57,370
Over 90 days	345,312	331,193
	1,531,370	1,667,792

18. TRADE AND OTHER PAYABLES AND BILLS PAYABLE (Continued)

Bills payable

As at 30 June 2021 and 31 December 2020, certain bills payable were secured by certain bills receivable and pledged bank deposits and were repayable as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
1–30 days	112,451	137,231
31–60 days	66,468	75,790
61–90 days	44,609	76,381
Over 90 days	259,317	253,133
	482,845	542,535

19. BANK BORROWINGS

	At 30 June 2021		At 31 December 2020	
	The ranges of effective interest rates (Unaudited)	Carrying amount HK\$'000	The ranges of effective interest rates (Audited)	Carrying amount HK\$'000
Variable-rate borrowings				
Secured (note a)	1.67%	842	1.71%	947
Unsecured	1.59% to 1.60%	123,800	1.70% to 1.78%	163,800
		124,642		164,747

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. BANK BORROWINGS (Continued)

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 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	80,210	80,210
More than one year but not exceeding two years	44,011	80,211
More than two years but not exceeding five years	421	4,326
	124,642	164,747

Notes:

- (a) As at 30 June 2021, the secured bank borrowings were secured by a commercial property (included in property, plant and equipment) with carrying amount of HK\$95,398,000 (31 December 2020: HK\$97,233,000).
- (b) The amounts due are based on scheduled repayment dates set out in the banking facility letters.

20. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Issued and fully paid ordinary shares with no par value At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	2,158,210	1,246,815

21. FAIR VALUE MEASUREMENT 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 of an asset, 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 are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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 inputs for the asset or liability.

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)	Fair value hierarchy
Financial assets at FVTPL			
Listed equity securities	28,619	61,351	Level 1
Unlisted equity fund	84,000	92,000	Level 3
Total	112,619	153,351	

There were no transfers between Levels 1, 2 and 3 during the current period. The Group will recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. FAIR VALUE MEASUREMENT 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. 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 premium/discount on quality and characteristic for the comparable properties. Higher premium or discount for differences in the quality and characteristic of the property and the comparable properties would result in correspondingly higher or lower fair value of the unlisted equity fund.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity fund <i>HK\$'000</i>
At 1 January 2020 <i>(audited)</i>	123,602
Addition	2,664
Loss from fair value changes recognised in profit or loss	(16,266)
<hr/>	
At 30 June 2020 <i>(unaudited)</i>	110,000
<hr/>	
At 1 January 2021 <i>(audited)</i>	92,000
Loss from fair value changes recognised in profit or loss	(8,000)
<hr/>	
At 30 June 2021 <i>(unaudited)</i>	84,000

Of the loss for the period included in profit or loss HK\$8,000,000 (six months ended 30 June 2020: HK\$16,266,000) 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 is 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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22. PERFORMANCE BONDS, ADVANCE PAYMENT BONDS AND TENDER BONDS

As at 30 June 2021, the Group has issued performance bonds, advance payment bonds and tender bonds in respect of certain supply and installation contracts through the banks amounting to HK\$707,241,000 (31 December 2020: HK\$592,542,000).

As at 30 June 2021 and 31 December 2020, a performance bond and certain tender bonds were secured by certain pledged bank deposits.

23. RELATED PARTY TRANSACTIONS

Apart from bills receivable, amounts due from related companies, amount due from a fellow subsidiary and contract assets from related companies and fellow subsidiaries as set out in notes 14, 15, 16 and 17, respectively, the Group has following significant transactions with its related parties:

Relationships	Nature of transactions	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Related companies	Revenue from fitting-out works	16,350	–
	Rental income (<i>note</i>)	1,005	–
	Car park management fee expenses	19	–
	Acquisition of a commercial building (excluded deed tax) (<i>note 11</i>)	–	209,231
Ultimate holding company	Entrustment fee income	47	43
Fellow subsidiaries	Revenue from fitting-out works	6,603	791
	Entrustment fee income	124	113
	Technical advisory service fee expenses	1,064	–
	Management consultancy fee expenses	631	–
	Specialised works subcontracting costs	–	665

Note: In July 2020, the Group had leased two floors of the commercial building to a related company in which Mr. Liu and his spouse have an aggregate of 95% beneficial interest as its office use for one year in exchange of rental.

In addition,

- as at 30 June 2021, the ultimate holding company had outstanding performance bonds, advance payment bonds and tender bonds amounting to HK\$333,856,000 (31 December 2020: HK\$383,606,000) issued in favour of customers of Sundart Beijing through a bank.
- as at 30 June 2021 and 31 December 2020: Sundart Beijing's banking facilities were 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 2021

23. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries and short-term benefits	32,960	31,700
Post-employment benefits	199	151
	33,159	31,851

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

24. EVENTS AFTER THE REPORTING PERIOD

On 26 August 2021, Sundart Beijing, an indirect wholly-owned subsidiary of the Company, and 鄭州江河華晟醫學檢驗實驗室有限公司 (“**Zhengzhou Huacheng Laboratory**”) entered into a fitting-out agreement (the “**Fitting-out Transaction**”), pursuant to which Zhengzhou Huacheng Laboratory has engaged Sundart Beijing as a contractor to carry out fitting-out works on a testing laboratory and office premises at South Wing of 1#6, No. 3 of Jingkai Thirteenth Street, Hui Zu District, Zhengzhou, Henan Province, PRC for a consideration of Renminbi 12,780,000, subject to adjustments (if any).

As Zhengzhou Huacheng Laboratory is an associate of Mr. Liu, and hence a connected person of the Company, the Fitting-out Transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.