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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS
(in million HK dollars, unless otherwise stated)

	2017	2016 (Restated)	Year-on-Year Decrease
Revenue	**4,982.9**	5,114.9	(2.6%)
Gross profit	**659.2**	763.6	(13.7%)
Gross profit margin	**13.2%**	14.9%	(11.4%)
Profit attributable to owners of the Company	**421.1**	523.2	(19.5%)
Equity attributable to owners of the Company	**2,031.8**	2,411.0	(15.7%)
Basic earnings per share *(HK cents)*	**19.51**	25.30	(22.9%)

FINAL DIVIDEND

The Board proposed a final dividend of HK2 cents per Share.

The board (the "**Board**") of directors (the "**Directors**") of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**") together with the comparative figures for the corresponding year ended 31 December 2016 (the "**Previous Year**") as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000* (Restated)
Revenue	*4*	**4,982,948**	5,114,876
Cost of sales		**(4,323,705)**	(4,351,242)
Gross profit		**659,243**	763,634
Other income, other gains and losses	*6*	**14,232**	(10,597)
Selling expenses		**(10,091)**	(7,296)
Administrative expenses		**(188,997)**	(152,417)
Other expenses		**(1,308)**	(733)
Share of profits of associates		**14,329**	18,084
Finance costs	*7*	**(1,864)**	(1,509)
Profit before taxation		**485,544**	609,166
Income tax expense	*8*	**(64,451)**	(85,999)
Profit for the year attributable to owners of the Company	*9*	**421,093**	523,167

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000* (Restated)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments		**4,813**	(51,806)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments		**8,676**	23,750
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale investments		**(6,568)**	–
Exchange differences arising on translation of foreign operations		**26,434**	(22,973)
Share of other comprehensive income (expense) of an associate		**2,094**	(1,253)
Release of translation reserve upon deregistration of a subsidiary		**23**	–
Other comprehensive income (expense) for the year		**35,472**	(52,282)
Total comprehensive income for the year attributable to owners of the Company		**456,565**	470,885
Earnings per share			
Basic *(HK cents)*	*11*	**19.51**	25.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**31.12.2017** **HK$'000**	31.12.2016 *HK$'000* (Restated)	1.1.2016 *HK$'000* (Restated)
Non-current assets				
Property, plant and equipment		**33,518**	20,628	24,925
Investment properties		**10,545**	7,503	7,997
Goodwill		**1,510**	1,510	1,510
Available-for-sale investments		**252,229**	136,854	132,382
Interests in associates		**133,216**	116,793	103,442
		431,018	283,288	270,256
Current assets				
Inventories		**69,722**	21,972	58,097
Trade and other receivables	*12*	**1,786,060**	1,389,529	1,282,792
Bills receivable	*12*	**12,993**	2,799	9,686
Amounts due from related companies	*13*	**49,334**	1,259	–
Amounts due from fellow subsidiaries	*14*	**915**	7,685	11,213
Amount due from ultimate holding company		**–**	212	–
Amounts due from customers for contract work		**1,077,085**	927,453	1,033,300
Retentions receivable	*12*	**710,093**	542,319	476,027
Tax recoverable		**65**	1,085	8,660
Note receivable		**50,000**	–	–
Pledged bank deposits		**63,273**	71,356	52,330
Bank balances and cash		**627,658**	1,689,549	1,138,267
		4,447,198	4,655,218	4,070,372
Current liabilities				
Trade and other payables	*15*	**2,024,842**	2,191,601	2,053,301
Bills payable	*15*	**233,753**	205,911	195,121
Amounts due to fellow subsidiaries	*14*	**2,613**	2,306	9,322
Amount due to an intermediate holding company		**–**	–	1,794
Amount due to ultimate holding company		**–**	371	15,821
Amounts due to customers for contract work		**197,258**	64,562	96,110
Tax payable		**45,274**	61,822	59,294
Bank borrowings	*16*	**307,557**	–	278,436
Other borrowings	*17*	**34,139**	–	–
		2,845,436	2,526,573	2,709,199
Net current assets		**1,601,762**	2,128,645	1,361,173
Total assets less current liabilities		**2,032,780**	2,411,933	1,631,429

	NOTES	**31.12.2017**	31.12.2016	1.1.2016
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Capital and reserves				
Share capital		**1,246,815**	1,246,815	669,250
Reserves		**784,956**	1,164,212	961,238
Equity attributable to owners of the Company		**2,031,771**	2,411,027	1,630,488
Non-current liability				
Deferred tax liabilities		**1,009**	906	941
		2,032,780	2,411,933	1,631,429

NOTES

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the British Virgin Islands (the "**BVI**") on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291) and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act. The address of the registered office and principal place of business of the Company are Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG1110 and 25/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong, respectively.

The ultimate holding company of the Company is 江河創建集團股份有限公司 (Jangho Group Co., Ltd.) ("**Jangho Co**"), a joint stock company incorporated in the People's Republic of China (the "**PRC**") and listed on the Shanghai Stock Exchange. The Company's ultimate controlling party is Mr. Liu Zaiwang ("**Mr. Liu**"), the chairman of Jangho Co.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Company's subsidiaries are provision of fitting-out works and alteration and addition and construction works and manufacturing, sourcing and distribution of interior decorative materials .

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

Merger accounting for business combination involving entities under common control

北京承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Beijing) Limited) ("**Sundart Beijing**") had been a wholly-owned subsidiary of the Group since its establishment until 26 November 2012 when Sundart Beijing increased its registered capital by HK$26,700,000, representing approximately 25% of its enlarged registered capital after such capital increased. Such increased capital was subscribed and fully contributed by Jangho Co. Since then Sundart Beijing was beneficially owned as to 75% and 25% by the Group and Jangho Co, respectively. On 24 April 2015, the Group disposed of 50% equity interest it held in Sundart Beijing to Jangho Hong Kong Holdings Limited (江河香港控股有限公司) (formerly known as Jangho Curtain Wall Hongkong Limited (江河幕墻香港有限公司)) ("**Jangho HK**") , an intermediate holding company of the Company. Further, the Group disposed of the remaining 25% equity interest it held in Sundart Beijing to Jangho HK on 25 June 2015. Upon the change of the shareholding which was effective on 25 June 2015, the Group ceased to have any interest in Sundart Beijing.

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

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

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the prior years have been restated to include the revenue, cost of sales and other income, other gains and losses of Sundart Beijing as if the Group had not disposed of any equity interest of Sundart Beijing to its holding companies. The consolidated statements of financial position as at 1 January 2016 and 31 December 2016 have been restated to adjust the carrying amounts of the assets and liabilities of Sundart Beijing had been in existence as at 1 January 2016 and 31 December 2016 as if the Group had not disposed of any equity interest of Sundart Beijing to its holding companies.

The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 by line items is as follows:

	Year ended 31 December 2016	**Business combination of entities under common control**	**Year ended 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited and originally stated)		(Restated)
Revenue	3,313,327	1,801,549	5,114,876
Cost of sales	(2,740,004)	(1,611,238)	(4,351,242)
Gross profit	573,323	190,311	763,634
Other income, other gains and losses	(15,026)	4,429	(10,597)
Selling expenses	(6,330)	(966)	(7,296)
Administrative expenses	(94,667)	(57,750)	(152,417)
Other expenses	(733)	–	(733)
Share of profits of associates	18,084	–	18,084
Finance costs	(969)	(540)	(1,509)
Profit before taxation	473,682	135,484	609,166
Income tax expense	(63,535)	(22,464)	(85,999)
Profit for the year attributable to owners of the Company	410,147	113,020	523,167
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments	(51,806)	–	(51,806)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments	23,750	–	23,750
Exchange differences arising on translation of foreign operations	(4,061)	(18,912)	(22,973)
Share of other comprehensive expense of an associate	(1,253)	–	(1,253)
Other comprehensive expense for the year	(33,370)	(18,912)	(52,282)
Total comprehensive income for the year attributable to owners of the Company	376,777	94,108	470,885

The effect of restatements on the consolidated statement of financial position as at 1 January 2016 is as follows:

	1 January 2016 *HK$'000* (Audited and originally stated)	Business combination of entities under common control *HK$'000*	1 January 2016 *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment	17,265	7,660	24,925
Investment property	–	7,997	7,997
Goodwill	1,510	–	1,510
Available-for-sale investments	132,382	–	132,382
Interest in an associate	103,442	–	103,442
	254,599	15,657	270,256
Current assets			
Inventories	58,097	–	58,097
Trade and other receivables	555,328	727,464	1,282,792
Bills receivable	902	8,784	9,686
Amounts due from fellow subsidiaries	3,404	7,809	11,213
Amounts due from customers for contract work	857,626	175,674	1,033,300
Retentions receivable	346,927	129,100	476,027
Tax recoverable	8,660	–	8,660
Pledged bank deposits	–	52,330	52,330
Bank balances and cash	895,433	242,834	1,138,267
	2,726,377	1,343,995	4,070,372
Current liabilities			
Trade and other payables	1,184,974	868,327	2,053,301
Bills payable	3,940	191,181	195,121
Amounts due to fellow subsidiaries	11,250	(1,928)	9,322
Amount due to an intermediate holding company	–	1,794	1,794
Amount due to ultimate holding company	–	15,821	15,821
Amounts due to customers for contract work	58,117	37,993	96,110
Tax payable	58,611	683	59,294
Bank borrowings	254,564	23,872	278,436
	1,571,456	1,137,743	2,709,199
Net current assets	1,154,921	206,252	1,361,173
Total assets less current liabilities	1,409,520	221,909	1,631,429
Capital and reserves			
Share capital	669,250	–	669,250
Reserves	740,270	220,968	961,238
Equity attributable to owners of the Company	1,409,520	220,968	1,630,488
Non-current liability			
Deferred tax liabilities	–	941	941
	1,409,520	221,909	1,631,429

The effect of restatements on the consolidated statement of financial position as at 31 December 2016 is as follows:

	31 December 2016 *HK$'000* (Audited and originally stated)	**Business combination of entities under common control** *HK$'000*	**31 December 2016** *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment	15,638	4,990	20,628
Investment property	–	7,503	7,503
Goodwill	1,510	–	1,510
Available-for-sale investments	136,854	–	136,854
Interests in associates	116,793	–	116,793
	270,795	12,493	283,288
Current assets			
Inventories	21,972	–	21,972
Trade and other receivables	531,738	857,791	1,389,529
Bills receivable	2,799	–	2,799
Amounts due from related companies	823	436	1,259
Amounts due from fellow subsidiaries	3,981	3,704	7,685
Amount due from ultimate holding company	–	212	212
Amounts due from customers for contract work	725,890	201,563	927,453
Retentions receivable	354,907	187,412	542,319
Tax recoverable	1,085	–	1,085
Pledged bank deposits	–	71,356	71,356
Bank balances and cash	1,192,560	496,989	1,689,549
	2,835,755	1,819,463	4,655,218
Current liabilities			
Trade and other payables	938,237	1,253,364	2,191,601
Bills payable	–	205,911	205,911
Amounts due to fellow subsidiaries	4,205	(1,899)	2,306
Amount due to ultimate holding company	371	–	371
Amounts due to customers for contract work	15,429	49,133	64,562
Tax payable	52,357	9,465	61,822
	1,010,599	1,515,974	2,526,573
Net current assets	1,825,156	303,489	2,128,645
Total assets less current liabilities	2,095,951	315,982	2,411,933
Capital and reserves			
Share capital	1,246,815	–	1,246,815
Reserves	849,136	315,076	1,164,212
Equity attributable to owners of the Company	2,095,951	315,076	2,411,027
Non-current liability			
Deferred tax liabilities	–	906	906
	2,095,951	315,982	2,411,933

The effect of the restatement on the Group's basic earnings per share for the year ended 31 December 2016 is as follow:

Impact on basic earnings per share

	For the year ended 31 December 2016
	HK cents
As audited and originally stated	19.83
Adjustments arising from business combination under common control	5.47
Restated	25.30

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

4. REVENUE

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

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Contract revenue from fitting-out works	**4,206,268**	4,597,064
Contract revenue from alteration and addition and construction works	**764,038**	424,127
Manufacturing, sourcing and distribution of interior decorative materials	**12,642**	93,685
	4,982,948	5,114,876

5. SEGMENT INFORMATION

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

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

(a) Fitting-out works in Hong Kong;

(b) Fitting-out works in Macau;

(c) Fitting-out works in the PRC;

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

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

Information regarding the above segments was reported below:

Segment revenue and results
2017

	Fitting-out works in Hong Kong *HK$'000*	Fitting-out works in Macau *HK$'000*	Fitting-out works in the PRC *HK$'000*	Alteration and addition and construction works in Hong Kong *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue								
External revenue	**1,514,374**	**1,186,439**	**1,505,455**	**764,038**	**12,642**	**4,982,948**	**–**	**4,982,948**
Inter-segment revenue	**(66)**	**–**	**–**	**–**	**227,544**	**227,478**	**(227,478)**	**–**
Segment revenue	**1,514,308**	**1,186,439**	**1,505,455**	**764,038**	**240,186**	**5,210,426**	**(227,478)**	**4,982,948**
Segment profit	**115,932**	**212,766**	**116,388**	**15,107**	**40,401**	**500,594**	**–**	**500,594**
Corporate expenses								**(45,759)**
Corporate income								**18,244**
Share of profits of associates								**14,329**
Finance costs								**(1,864)**
Profit before taxation								**485,544**

2016 (Restated)

	Fitting-out works in Hong Kong *HK$'000*	Fitting-out works in Macau *HK$'000*	Fitting-out works in the PRC *HK$'000*	Alteration and addition and construction works in Hong Kong *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue								
External revenue	946,211	1,830,598	1,820,255	424,127	93,685	5,114,876	–	5,114,876
Inter-segment revenue	37	–	–	–	293,548	293,585	(293,585)	–
Segment revenue	946,248	1,830,598	1,820,255	424,127	387,233	5,408,461	(293,585)	5,114,876
Segment profit	85,288	323,932	134,798	7,000	96,554	647,572	–	647,572
Corporate expenses								(58,848)
Corporate income								3,867
Share of profits of associates								18,084
Finance costs								(1,509)
Profit before taxation								609,166

Inter-segment revenue was charged at prevailing market rates.

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

Geographical information

The Group's operations are mainly located in Hong Kong, Macau and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**2,282,780**	1,413,746
Macau	**1,187,385**	1,848,446
The PRC	**1,507,384**	1,820,255
Others	**5,399**	32,429
	4,982,948	5,114,876

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Other income		
Consultancy fee, management fee and design fee income	**8,879**	7,580
Interest income	**3,754**	3,136
Rental income	**861**	731
Others	**2,569**	531
	16,063	11,978
Other gains and losses		
Net foreign exchange gain	**136**	1,460
Gain on fair value change of investment property	**115**	–
Gain reclassified from investment revaluation reserve upon disposal of available-for-sale investments	**6,568**	–
Impairment loss on available-for-sale investments	**(8,676)**	(23,750)
Gain (loss) on disposal of property, plant and equipment	**49**	(285)
Loss on deregistration of a subsidiary	**(23)**	–
	(1,831)	(22,575)
	14,232	(10,597)

7. FINANCE COSTS

The amounts represented interest on bank borrowings and other borrowings.

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Hong Kong Profits Tax	**18,565**	11,264
Macau Complementary Tax	**27,052**	43,443
PRC Enterprise Income Tax	**21,666**	26,209
	67,283	80,916
(Over) under provision in prior years		
Hong Kong Profits Tax	**(359)**	(319)
Macau Complementary Tax	**(1,044)**	(91)
PRC Enterprise Income Tax	**(1,469)**	5,469
	(2,872)	5,059
Deferred tax		
Current year	**40**	24
	64,451	85,999

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

Macau Complementary Tax was calculated at 12% of the estimated assessable profits for both years.

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 years. A PRC subsidiary obtained approval from the relevant tax bureau and is qualified as High and New Technology Enterprise which is entitled to a tax rate reduction from 25% to 15% since 2014.

9. PROFIT FOR THE YEAR

	2017 *HK$'000*	2016 *HK$'000* (Restated)
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,730**	1,180
Depreciation of property, plant and equipment	**5,869**	5,579
Gross rental income from investment property	**(861)**	(731)
Less: Direct operating expenses incurred for investment property that generated rental income during the Year	**62**	63
	(799)	(668)
Cost of inventories recognised as expense	**6,106**	67,401
Reversal of allowance for inventories (included in cost of sales)	**(19)**	(332)
Write off of inventories	**–**	2,089
Contract costs recognised as expense		
Fitting-out works	**3,581,904**	3,874,400
Alteration and addition and construction works	**735,714**	407,684
	4,317,618	4,282,084
Operating lease payments in respect of rented properties	**28,118**	29,452
Staff costs		
Gross staff costs (including directors' emoluments)	**345,245**	286,126
Less: Staff costs capitalised to contract costs	**(206,133)**	(174,852)
	139,112	111,274

10. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the Year:		
Final dividend for the Previous Year: HK3 cents (2015: HK8 cents) per share	**64,746**	160,000
Interim dividend for the Year: HK7 cents (2016: HK5 cents) per share	**151,075**	107,911
	215,821	267,911
Dividend declared by Sundart Beijing *(note)*	**100,000**	–
	315,821	267,911

Subsequent to the end of the reporting period, a final dividend in respect of the Year of HK2 cents (2016: HK3 cents) per share of the Company (the "**Share**", collectively, the "**Shares**"), amounting to HK$43,164,000 (2016: HK$64,746,000) in aggregate, was proposed by the Directors and is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held at 10:00 a.m. on Thursday, 31 May 2018 at Room 03-05, 11/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof (the "**AGM**").

Note: On 22 June 2017, the dividend in a sum of HK$100,000,000 was declared by Sundart Beijing to Jangho HK and Jangho Co, the then shareholders of Sundart Beijing, before the completion of the combination of entities under common control by the Group on 10 August 2017 as described in note 2. Sundart Beijing paid the dividend on 27 July 2017.

11. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**421,093**	523,167

	Number of shares	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,158,210**	2,067,866

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

12. TRADE AND OTHER RECEIVABLES, BILLS RECEIVABLE AND RETENTIONS RECEIVABLE

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

Trade and other receivables

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**546,644**	500,906
Unbilled receivables *(note)*	**779,785**	611,921
Prepayments and deposits	**449,083**	271,243
Other receivables	**10,548**	5,459
	1,786,060	1,389,529

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

Trade receivables

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

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
1–30 days	**272,401**	304,724
31–60 days	**90,908**	107,163
61–90 days	**8,295**	23,789
Over 90 days	**175,040**	65,230
	546,644	500,906

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

At the end of each reporting period, the Group performed the impairment assessment of trade and other receivables based on the recoverability of these balances. Impairment loss would be made if there was objective evidence that the recoverability of the amount became doubtful, based on historical settlement experience, subsequent settlement, business relationship and credit assessment of counterparties. No impairment loss was recognised in profit or loss for both years.

As at 31 December 2017, included in the Group's trade receivable balances were receivables with an aggregate carrying amount of HK$222,235,000 (31 December 2016: HK$181,595,000), which were past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable. Accordingly, the Directors believed that no impairment was required. The Group did not hold any collateral over these balances.

Ageing of trade receivables which were past due but not impaired:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Overdue		
1–30 days	**41,331**	84,794
31–60 days	**7,357**	48,825
61–90 days	**15,331**	4,169
Over 90 days	**158,216**	43,807
	222,235	181,595

Bills receivable

The bills receivable was aged within 60 days (31 December 2016: 90 days).

Retentions receivable

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Retentions receivable which:		
– will be recovered within twelve months	**449,707**	353,117
– will be recovered more than twelve months after the end of the reporting period	**260,386**	189,202
	710,093	542,319

13. AMOUNTS DUE FROM RELATED COMPANIES

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**45,949** *(note a)*	403 *(note b)*
Retentions receivables	**2,562** *(note a and c)*	33 *(note b)*
Other receivables	**823**	823
	49,334	1,259

Notes:

(a) The amount due from a related company in which Mr. Liu and his spouse have 95% beneficial interest.

(b) The amount due from a related company in which Mr. Liu and his spouse have 100% beneficial interest.

(c) The amount due from an associate of Jangho Co in which Jangho Co has 30% beneficial interest.

Trade receivables from related companies

The Group allows a credit period of 30 days to its trade receivables due from related companies. The following was an aged analysis of trade receivables presented based on invoice date at the end of each reporting period.

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
1–30 days	**45,949**	–
Over 90 days	**–**	403
	45,949	403

Ageing of trade receivables due from a related company which were past due but not impaired:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Overdue		
Over 90 days	**–**	403

As at 31 December 2016, the Group has not provided for impairment loss as these balances were subsequently settled. The Group did not hold any collateral over these balances.

Retentions receivable from related companies

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Retentions receivable which:		
– will be recovered within twelve months	**–**	33
– will be recovered more than twelve months after the end of the reporting period	**2,562**	–
	2,562	33

14. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**610**	–
Retentions receivables	**305**	–
Other receivables	**–**	7,685
	915	7,685

The Group allows a credit period of 30 days to its trade receivables due from fellow subsidiaries. As at 31 December 2017, the trade receivables due from fellow subsidiaries were aged within 60 days based on invoice date and past due within 30 days at 31 December 2017 for which the Group has not provided for impairment loss as these balances were subsequently settled. The Group did not hold any collateral over these balances.

The retentions receivables due from fellow subsidiaries will be recovered more than twelve months after the end of the reporting period.

Amounts due to fellow subsidiaries

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**1,756**	919
Retentions payable	**857**	1,358
Advance received	**–**	29
	2,613	2,306

The fellow subsidiaries allow a credit period of 21 to 30 days to the Group.

The trade payables due to fellow subsidiaries were aged within 30 days based on invoice date.

Retentions payable to fellow subsidiaries

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Retentions payable which:		
– will be paid within one year	**–**	1,358
– will be paid after one year	**857**	–
	857	1,358

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 average credit period taken for trade purchase is 14 to 90 days.

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Contract creditors and suppliers	**1,550,152**	1,390,580
Retentions payable	**286,698**	271,508
	1,836,850	1,662,088
Deposits received	**50,801**	422,418
Other tax payable	**61,964**	45,886
Other payables	**75,227**	61,209
Total	**2,024,842**	2,191,601

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

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
1–30 days	**1,156,003**	1,126,480
31–60 days	**126,115**	178,550
61–90 days	**82,823**	51,256
Over 90 days	**185,211**	34,294
	1,550,152	1,390,580

As at 31 December 2017, the Group's retentions payable of HK$111,401,000 (31 December 2016: HK$99,521,000) was expected to be paid after one year.

Bills payable

As at 31 December 2017 and 31 December 2016, bills payable were secured by pledged bank deposits and were repayable as follow:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
1–30 days	**25,889**	49,301
31–60 days	**77,906**	33,615
61–90 days	**49,825**	30,159
Over 90 days	**80,133**	92,836
	233,753	205,911

16. BANK BORROWINGS

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
Bank borrowings – unsecured *(note a)*	**307,557**	–
Carrying amount of the above bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable as follows *(note b)*:		
– within one year	**187,557**	–
– more than one year but not exceeding two years	**60,000**	–
– more than two years but not exceeding five years	**60,000**	–
	307,557	–

Notes:

(a) As at 31 December 2017, all of the Group's bank borrowings were unsecured. The bank borrowings bore interest at 1.35% to 1.50% over Hong Kong Interbank Offered Rate per annum or 1.50% over London Interbank Offered Rate per annum and interest was repriced every two weeks to five months. As at 31 December 2017, the average and the ranges of effective interest rate (which is also equal to contracted interest rate) on the Group's bank borrowings was 2.61% and 1.50% to 2.95% per annum, respectively.

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

17. OTHER BORROWINGS

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
		(Restated)
The carrying amount of secured other borrowings based on scheduled repayment date repayable within one year (shown under current liabilities)	**34,139**	–

As at 31 December 2017, the Group had fixed-rate other borrowings which bore interest at 8.00% per annum and secured by certain available-for-sale investments.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the figures from the Census and Statistics Department ("**C&SD**") of the government of Hong Kong, Hong Kong's gross domestic product ("**GDP**") increased by 3.8% year-on-year in real terms in 2017.

C&SD announced the provisional results of the "Report on the Quarterly Survey of Construction Output" on 12 March 2018 which showed that the total gross value of construction works performed by main contractors in 2017 amounted to HK$246.8 billion, representing a year-on-year increase of 4.3% in nominal terms. With an aim to diversify investments, the PRC developers actively participated in the tender of land in Hong Kong. Therefore, a number of large-scale land tenders recorded high-value transactions during the Year. According to the Rating and Valuation Department, the selling price of private domestic reached the peak with a month-on-month increase of approximately 1.4% as of December 2017 and accumulated appreciation of approximately 29% with 21 consecutive months. The first-hand private residential properties in 2017 reached 18,645 transactions and HK$240.5 billion, representing a year-on-year increase of 11.0% and 28.9%, respectively. The real estate market activity in Hong Kong is expected to stay vigorous, which may bring further opportunities for the Hong Kong fitting-out industry.

In Macau, information from the Statistics and Census Service of the government of Macau indicated that Macau's GDP increased by 11.6% year-on-year in 2017. Macau's gambling industry began to pick up with 19.1% increase in revenue to approximately Macau Pataca ("**MOP**") 265.7 billion. The construction of Hong Kong-Zhuhai-Macao Bridge was completed in February 2018. With enhanced boundary crossing facilities between the PRC and Macau, which more business development opportunities will be presented to promote the Macau economy as well as stimulate its gambling industry and tourism. During the Year, the overall residential real estate market in Macau remained well-rounded. The overall Residential Property Price Index grew by 15.3% year-on-year in 2017. These in turn may benefit the fitting-out industry in Macau.

In 2017, China's economy grew steadily and the annual GDP increased by 6.9% year-on-year. In the meantime, the national real estate development investment reached Renminbi ("**RMB**")10,979.9 billion, representing a year-on-year increase of 7.0%, in which the investment in residential properties rose by 9.4% year-on-year. New housing construction area with a gross surface area of 1.8 billion square meters ("**m^2**") increased by 7.0% year-on-year, whereas new residential construction area increased by 10.5%. Due to the benefit of "The Belt and Road Initiative", an array of construction projects commenced. Over the Year, the construction industry in the PRC has been gradually penetrating into the international market with increasing number of transactions. During the Year, infrastructure and property investments maintained a steady development and construction industry continued with its good prosperity.

BUSINESS REVIEW

The Group is one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. During the Year, the Group has expanded its fitting-out business into the PRC market by the Acquisition (as defined under "Financial Review – Material acquisition and disposal"). In addition, the Group also generated revenue from alteration and addition and construction works in Hong Kong and from manufacturing, sourcing and distribution of interior decorative materials business for sales globally. During the Year, a majority of the Group's revenue was derived from its fitting-out projects in the private sector.

Despite the fact that Macau's economy suffered a downturn in 2016 with impact to the Macau's fitting-out market, the Group still maintained a solid financial status during the Year. With its established reputation, proven track record and long business relationships with customers, the Group continued to obtain several sizeable new projects during the Year. These new projects will sustain steady 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 Year, the fitting-out business remained as the key contributor to the Group's revenue and profit.

During the Year, the Group completed a total of 24 fitting-out projects, including six, three and 15 fitting-out projects in Hong Kong, Macau and the PRC, respectively, with an individual contract sum of not less than HK$50.0 million. The total contract sum of those projects amounted to HK$3,708.5 million, out of which a total revenue of HK$1,028.7 million was recognised during the Year. As at 31 December 2017, the Group had 50 projects on hand (including contracts in progress and contracts yet to commence), including 24, six and 20 fitting-out projects in Hong Kong, Macau and the PRC, respectively, with an individual contract sum of not less than HK$50.0 million. The total contract sum and the value of the remaining works for such projects as at 31 December 2017 amounted to approximately HK$7,985.4 million and HK$4,803.9 million, respectively.

During the Year, the Group's revenue derived from its fitting-out business decreased by HK$390.8 million or 8.5% year-on-year to HK$4,206.3 million (Previous Year: HK$4,597.1 million). Such decrease was primarily attributable to (i) the economic downturn of Macau in 2016 where the gross floor area of new building units has decreased by 457,924 m^2 or 52.7% year-on-year to 410,901 m^2 (Previous Year: 868,825 m^2); (ii) the delay in progress of some projects in Macau; and (iii) certain new projects in the PRC were still at early stage. As a result, the Group's revenue derived from its fitting-out business in Macau and the PRC decreased by HK$644.2 million and HK$314.8 million, respectively, when compared to the Previous Year. Such impact was not fully mitigated by the increase of HK$568.2 million in the revenue brought by the fitting-out projects in Hong Kong during the Year, and thus leading to the decrease in the Group's revenue derived from its fitting-out business.

The Group's gross profit derived from its fitting-out business during the Year decreased by HK$98.4 million or 13.6% year-on-year to HK$624.3 million (Previous Year: HK$722.7 million). The decrease in gross profit was attributable to the decrease in revenue and slightly drop of gross profit margin for its fitting-out business from 15.7% for the Previous Year to 14.8% for the Year.

Alteration and addition and construction works

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

During the Year, Kin Shing completed a total of 19 alteration and addition and construction projects, with a total contract sum of HK$15.0 million, out of which a total revenue of HK$8.3 million was recognised during the Year. As at 31 December 2017, Kin Shing had 18 projects on hand (including contracts in progress and contracts yet to commence) with a total contract sum of approximately HK$2,662.2 million. The value of the remaining works for those projects as at 31 December 2017 amounted to approximately HK$1,506.8 million.

During the Year, the Group's revenue derived from its alteration and addition and construction business increased by HK$339.9 million or 80.1% year-on-year to HK$764.0 million (Previous Year: HK$424.1 million). Such increase in revenue was primarily attributable to the increased number of projects undertaken by the Group. During the Year, the Group has undertaken 36 alteration and addition and construction projects, including both projects in progress and completed projects, while there were only 24 projects in the Previous Year.

The Group's gross profit derived from its alteration and addition and construction business increased by HK$11.9 million or 72.6% year-on-year to HK$28.3 million (Previous Year: HK$16.4 million). During the Year, the Group's gross profit margin for its alteration and addition and construction business remained stable at 3.7% (Previous Year: 3.9%).

Manufacturing, sourcing and distribution of interior decorative materials

One of the Group's core competencies lies in its manufacturing base and research and development center in the PRC. Through its subsidiary, 東莞承達家居有限公司(Dongguan Sundart Home Furnishing Co., Ltd.) ("**Dongguan Sundart**"), the Group operates a manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC with an aggregate gross floor area of over 40,000 m^2. Dongguan Sundart manufactures interior decorative timber products such as fire-rated timber doors and wooden furniture, and provides quality and reliable re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by the Group.

During the Year, the Group's revenue derived from its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK$81.1 million or 86.6% year-on-year to HK$12.6 million (Previous Year: HK$93.7 million). Such decrease was primarily attributable to the decrease in sales of wooden furniture to Hong Kong, Macau and the Philippines. During the Year, Dongguan Sundart mainly focused on providing re-engineering and pre-fabrication services for fitting-out projects undertaken by the Group.

In addition, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business amounted to HK$6.6 million (Previous Year: HK$24.5 million), decreased by HK$17.9 million or 73.1% year-on-year and was in line with the decrease in revenue. Notwithstanding the decrease in revenue and gross profit, the Group's gross profit margin for its manufacturing, sourcing and distribution of interior decorative materials business increased to 52.4% (Previous Year: 26.1%). Such increase was primarily attributable to the sales to the Philippines with relatively high gross profit margin, which represented a major portion of revenue for the Year.

Principal risks

As at 31 December 2017, the Group was principally engaged in integrated fitting-out works in Hong Kong, Macau and the PRC, alteration and addition and construction works in Hong Kong and manufacturing, sourcing and distribution of interior decorative materials business for sales globally. In view of the ever-changing business environment, the Group is facing various risks, challenges and uncertainties, including (but without limitation to): (i) the Group's contracts are not recurring in nature and its future business depends on its continuing success on project tender; (ii) if the Group cannot effectively adapt to market conditions and customer preferences or fail to provide competitive pricing, its successful rate on project tender may be adversely affected; (iii) the Group's business may be affected by the business strategies and performance of its major customers; (iv) the Group's estimate time and costs to determine the tender price and its failure to make accurate estimate may lead to cost overruns or even losses in its projects; and (v) the economy of Macau may adversely affect the Group's performance and financial condition.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Year, the Group's revenue decreased by HK$132.0 million or 2.6% year-on-year to HK$4,982.9 million (Previous Year: HK$5,114.9 million). The Group's gross profit decreased by HK$104.4 million or 13.7% year-on-year to HK$659.2 million (Previous Year: HK$763.6 million). The Group's gross profit margin decreased to 13.2% (Previous Year: 14.9%). Such decrease was primarily due to larger portion of revenue was derived from alteration and addition and construction business with relatively lower profit margin during the Year, whilst smaller portion of revenue was derived from manufacturing, sourcing and distribution of interior decorative materials business with relatively higher profit margin.

Other income, other gains and losses

The Group recorded other income, other gains and losses of HK$14.2 million for the Year (Previous Year: net other losses of HK$10.6 million), primarily due to HK$23.8 million of impairment loss on the available-for-sale investments as the market price of the listed equity securities held by the Group retreated in the Previous Year.

Profit for the year

The Group's profit for the year decreased by HK$102.1 million or 19.5% year-on-year to HK$421.1 million (Previous Year: HK$523.2 million) as a result of the decrease in gross profit as discussed above.

Basic earnings per share

The Company's basic earnings per share for the Year was HK19.51 cents (Previous Year: HK25.30 cents), decreased by HK5.79 cents or 22.9% year-on-year and was in line with the decrease in profit for the year. In addition, the basic earnings per share for the Year was calculated based on the weighted average number of 2,158,210,000 Shares in issue during the Year, whilst basic earnings per share for the Previous Year was calculated based on the weighted average number of 2,067,866,000 Shares then in issue. As such, the basic earnings per share for the Year was relatively lower than those for the Previous Year. Details of earnings per share are set out in note 11 to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this announcement.

Final dividend

The Board proposed a final dividend of HK2 cents per Share (the "**Final Dividend**") for the Year subject to the approval of the Shareholders at the AGM. Taken together with the interim dividend of HK7 cents per Share paid on 22 September 2017, the total dividend for the Year is HK9 cents per Share, equivalent to approximately 46.1% of the profit available for distribution for the Year, which is slightly higher than the dividend policy as stated in the Company's prospectus dated 11 December 2015 (the "**Prospectus**").

Material acquisition and disposal

On 17 May 2017, an equity transfer agreement was entered into among Sundart Engineering, Jangho HK and Jangho Co, pursuant to which Sundart Engineering has agreed to acquire, and Jangho HK and Jangho Co have agreed to transfer, in aggregate 100% equity interest in Sundart Beijing at a total consideration of HK$520.0 million (the "**Acquisition**"). For details of the Acquisition, please refer to the announcement and the circular of the Company dated 17 May 2017 and 30 June 2017, respectively. The completion of the Acquisition took place on 10 August 2017.

The Directors considered that the Acquisition provided the Group with an opportunity to tap into the fitting-out industry in the PRC, expand its income stream as well as improve its financial performance. It was a valuable opportunity to capitalise on the results of the economic development in the PRC.

Save as disclosed herein, no other material acquisition and disposal were conducted by the Group during the Year.

Investments

Available-for-sale investments

As at 31 December 2017, the Group's available-for-sale investments comprised of HK$126.4 million of listed equity securities and HK$125.8 million of unlisted equity fund (31 December 2016: HK$136.9 million of listed equity securities).

During the year, the Group subscribed 18.71% interest in the unlisted equity fund at a consideration of HK$125.8 million. Such fund was in relation to commercial buildings development in Hong Kong. Further, the Group purchased HK$112.4 million of listed equity securities and disposed of HK$121.1 million of listed equity securities, which generated a net gain of HK$6.6 million for the Year.

As at 31 December 2017, the Group recorded an increase in fair value change of HK$6.9 million in investment revaluation reserve compared to that as at 31 December 2016, whereas an impairment loss of HK$8.7 million was recognised in profit or loss during the Year in respect of the listed equity securities. Up to the date of this announcement, there was a decline in the value of certain listed equity securities as the market price of those listed equity securities held by the Group retreated.

Note receivable

During the Year, the Group subscribed for a short term note matured on 18 September 2018 with a fixed interest rate of 3.0% per annum at a consideration of HK$50.0 million.

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

Future plans for material investments or capital assets

As at the date of this announcement, 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 financial and operational risks. During the Year, the Group mainly relies upon internally generated funds, bank and other borrowings and net proceeds from the issue of Shares by way of the Hong Kong public offering and the international placing on 29 December 2015 (the "**Global Offering**") and the placing of existing Shares and top-up subscription of new Shares under general mandate on 25 July 2016 and 28 July 2016, respectively (the "**Placing and Subscription**"), to finance its operations.

As at 31 December 2017, the Group's working capital stood at HK$1,601.8 million, representing a decrease of HK$526.8 million from HK$2,128.6 million as recorded as at 31 December 2016, whilst bank balances and cash in total amounted to HK$627.7 million, representing a decrease of HK$1,061.8 million from HK$1,689.5 million as recorded as at 31 December 2016. Such decreases were mainly due to (i) the payment of the consideration for the Acquisition and the purchases of available-for-sale investments; and (ii) the increase in trade and other receivables and retentions receivable.

As at 31 December 2017, the Group had bank borrowings and other borrowings of HK$307.6 million and HK$34.1 million, respectively, of which HK$221.7 million, HK$60.0 million and HK$60.0 million will be repayable within one year, one to two years and three to five years, respectively, whilst no bank borrowings and other borrowings were recorded as at 31 December 2016.

The Group continued to maintain a healthy liquidity position. As at 31 December 2017, the Group's current assets and current liabilities amounted to HK$4,447.2 million and HK$2,845.4 million, respectively (31 December 2016: HK$4,655.2 million and HK$2,526.6 million, respectively). The Group's current ratio decreased slightly to 1.6 times (31 December 2016: 1.8 times) and it has maintained sufficient liquid assets to finance its operations.

As at 31 December 2017, the Group's gearing ratio of total debts divided by total equity was 16.8% (31 December 2016: nil). The increase in gearing ratio was primarily due to the increase in the Group's borrowings to finance its expansion into the fitting-out industry in the PRC by the Acquisition.

As at 31 December 2017, the share capital and equity attributable to owners of the Company amounted to HK$1,246.8 million and HK$2,031.8 million, respectively (31 December 2016: HK$1,246.8 million and HK$2,411.0 million, respectively).

Charge on the Group's assets

As at 31 December 2017, the Group had pledged available-for-sale investments, trade and other receivables, retentions receivable and bank deposits of HK$126.4 million, nil, nil and HK$63.3 million, respectively (31 December 2016: nil, HK$56.1 million, HK$11.1 million and HK$71.4 million, respectively) to secure other borrowings, certain performance bonds, certain advance payment bonds and bills payable for its operations.

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 31 December 2017 and 31 December 2016, respectively.

As at 31 December 2017, the Group had capital commitments of HK$2.1 million in relation to acquisition of property, plant and equipment (31 December 2016: HK$1.5 million) and HK$22.2 million in relation to contribution to the capital of equity fund (31 December 2016: nil).

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

The Group operates in various regions with different foreign currencies including MOP, Euro, RMB and United States Dollars. The Group's bank borrowings were made at floating rates. As at the date of this announcement, the Group had not implemented any foreign currencies and interest rates hedging policies. However, the Group's management will closely monitor exchange rate and interest rate movement and will take appropriate measures to reduce the risks.

Credit risk exposure

During the Year, the Group has adopted prudent credit policies to deal with credit risk exposure. The Group's major customers include reputable property developers, hotel owners and main contractors. Save as a dispute arisen between the Group and a main contractor of two fitting-out projects undertaken by the Group for a hotel in Macau regarding amounts receivable in respect of such projects, the Group was not exposed to any significant credit risk during the Year. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time with a view to keeping the credit risk exposure of the Group at a relatively low level.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2017 which may materially affect the Group's operating and financial performance as at the date of the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 1,475 full-time employees (31 December 2016: 1,268). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides training programmes for its employees to equip themselves with requisite skills and knowledge.

The Group's gross staff costs (including the directors' emoluments) was HK$345.2 million for the Year (Previous Year: HK$286.1 million). The increase in gross staff costs was mainly attributable to the increase of number of full-time employees.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND THE PLACING AND SUBSCRIPTION

As at 31 December 2017, the Company has fully utilised the net proceeds received from the Global Offering and the Placing and Subscription, in accordance with the proposed application as disclosed in the Prospectus and the announcement of the Company dated 28 July 2016, respectively.

PROSPECTS AND STRATEGIES

The low interest rate environment in Hong Kong and the substantial inflow of funds from the PRC flourish the property and construction industries with increasing new household demand. According to the report "2018 Market Outlook" issued by Colliers International, Hong Kong's economy is expected to achieve stable growth and the property market is expected to reach a high performance in 2018 with an expected surge in property prices. In such event, the Group is confident to capture new opportunities through proactive participation in the Guangdong-Hong Kong-Macao Big Bay Area (the "**GHMBBA**") Initiative, so as to strengthen its leading position in the fitting-out industry. The Group also took this opportunity to invest in a Hong Kong real estate fund during the Year so as to bring more income to the Group.

The implementation of the "One Belt and One Road" and the completion of the Hong Kong-Zhuhai-Macao Bridge has brought the infrastructure development in GHMBBA into the fast lane. In July 2017, the National Development & Reform Commission of the PRC and the governments of Guangdong Province, Hong Kong and Macau jointly signed the "Framework Agreement on Deepening Guangdong-Hong Kong-Macao Co-operation in the Development of the Bay Area", aimed at promoting the construction of an international tourism and leisure center in Macau and deeper proactive collaboration between Macau and other cities in GHMBBA, so to promote a multivariate sustainable development of Macau's economy. Therefore, the Company has full confidence towards the future development of the conference and exhibition business, tourism and property market in Macau and will continue to capture business opportunities ahead.

Leveraging on the rapid growth in the property and tourism market in the PRC, the Group has expanded its fitting-out business into the PRC market by the Acquisition. In the future, the Group strives to increase its reputation and profitability in the PRC, riding on Sundart Beijing's success and high results performance. With reference to the report "Chinese property market trend 2018" published by Chinese Academy of Sciences, average price of the commodity houses is expected to increase by 3.7% year-on-year, and residential properties will increase by 4.2% year-on-year. The economy in the PRC is expected to grow steadily in 2018 by approximately 6.5%. In conclusion, the Group sees great potential in the residential property and hotel fitting-out industry in the foreseeable future and will strive to develop its business in the PRC, riding on the Group's competitive strengths and resourceful network.

Looking ahead, the Group will capture opportunities arisen from the new momentum brought by "The Belt and Road Initiative" and the GHMBBA Initiative. It is believed that the Group will strengthen its leading position in the fitting-out industry in Hong Kong and Macau through powerful alliances and complementary advantages, so as to create a one-stop construction industry chain and enhance its overall comprehensive service capabilities. Given the rapid economic development in the PRC, the investment inflow in real estate development is expected to increase. The Group will develop its business in the PRC through Sundart Beijing by replicating and grafting the rich project management experience in Hong Kong and Macau to the PRC market, complement each other's strengths to expand and strengthen the PRC fitting-out business and promote the overall value of the Group.

FINAL DIVIDEND AND AGM

The Board proposed the Final Dividend which amounts to approximately HK$43.2 million for the Year. The payment of such dividend will be subject to the approval of the Shareholders at the AGM and is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2018. Subject to the approval of the Shareholders at the AGM, it is expected that the proposed Final Dividend will be paid on or about 20 June 2018. Notice of the AGM will be published on the Company's website and despatched to the Shareholders in the manner required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and voting at the AGM, the register of members of the Company will be closed from 28 May 2018 to 31 May 2018, both days inclusive, during which no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 May 2018.

For determining the entitlement to the proposed Final Dividend, the register of members of the Company will be closed from 6 June 2018 to 8 June 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the proposed Final Dividend, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 5 June 2018.

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

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

CORPORATE GOVERNANCE

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

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

Paragraph A.6.7 of the Code Provisions specifies that the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the Shareholders. Two independent non-executive Directors were absent from the last annual general meeting held on 28 June 2017 due to other important business commitments. Further, one independent non-executive Director and the non-executive Director were also absent from the extraordinary general meeting of the Company held on 25 July 2017 due to other important business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Tam Anthony Chun Hung (chairman of the Audit Committee), Mr. Huang Pu and Mr. Li Zheng.

The Audit Committee has reviewed with the Group's management and auditor, Messrs. Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the annual results of the Group for the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the respective websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.sundart.com). The annual report for the Year containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

APPRECIATION

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

By order of the Board
SUNDART HOLDINGS LIMITED
承達集團有限公司
NG Tak Kwan
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2018

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