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SUNDART HOLDINGS LIMITED
承達集團有限公司

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

(Stock Code: 1568)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018	2017	Year-on-Year Increase (Decrease)
Revenue	**5,390.8**	4,982.9	8.2%
Gross profit	**751.6**	659.2	14.0%
Gross profit margin	**13.9%**	13.2%	5.3%
Profit attributable to owners of the Company	**381.2**	421.1	(9.5%)
Equity attributable to owners of the Company	**2,298.6**	2,031.8	13.1%
Basic earnings per share *(HK cents)*	**17.66**	19.51	(9.5%)

FINAL DIVIDEND

The Board proposed a final dividend of HK5 cents per Share.

The board (the “**Board**”) of directors (the “**Directors**”) of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Year**”) together with the comparative figures for the corresponding year ended 31 December 2017 (the “**Previous Year**”) as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** *HK$’000*	2017 *HK$’000*
Revenue	*3*		
Contract revenue from fitting-out works		**4,204,593**	4,206,268
Contract revenue from alteration and addition and construction works		**1,128,832**	764,038
Manufacturing, sourcing and distribution of interior decorative materials		**57,329**	12,642
Total revenue		**5,390,754**	4,982,948
Cost of sales		**(4,639,191)**	(4,323,705)
Gross profit		**751,563**	659,243
Other income, other gains and losses	*5*	**(9,770)**	14,232
Impairment losses		**(27,769)**	–
Selling expenses		**(14,879)**	(10,091)
Administrative expenses		**(261,724)**	(188,997)
Other expenses		**(773)**	(1,308)
Share of profits of associates		**17,732**	14,329
Finance costs	*6*	**(9,166)**	(1,864)
Profit before taxation		**445,214**	485,544
Income tax expense	*7*	**(64,012)**	(64,451)
Profit for the year attributable to owners of the Company	*8*	**381,202**	421,093

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments		**–**	4,813
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments		**–**	8,676
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		**(26,144)**	26,434
Share of other comprehensive (expense) income of an associate		**(1,872)**	2,094
Release of translation reserve upon deregistration of a subsidiary		**–**	23
Other comprehensive (expense) income for the year		**(28,016)**	35,472
Total comprehensive income for the year attributable to owners of the Company		**353,186**	456,565
Earnings per share			
Basic *(HK cents)*	*10*	**17.66**	19.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**137,522**	33,518
Investment properties		**10,171**	10,545
Goodwill		**1,510**	1,510
Financial assets at fair value through profit or loss		**236,329**	–
Available-for-sale investments		**–**	252,229
Interests in associates		**129,876**	133,216
		515,408	431,018
Current assets			
Inventories		**43,345**	69,722
Trade and other receivables and bills receivable	*11*	**1,668,088**	1,799,053
Amounts due from related companies	*12*	**6,921**	49,334
Amount due from a fellow subsidiary		**–**	915
Contracts assets		**1,775,883**	–
Amounts due from customers for contract work		**–**	1,077,085
Retentions receivable		**–**	710,093
Tax recoverable		**82**	65
Note receivable		**–**	50,000
Pledged bank deposits		**48,633**	63,273
Bank balances and cash		**887,829**	627,658
		4,430,781	4,447,198
Current liabilities			
Trade and other payables	*13*	**1,985,224**	2,024,842
Bills payable	*13*	**214,880**	233,753
Amount due to a fellow subsidiary		**–**	2,613
Contract liabilities		**110,001**	–
Amounts due to customers for contract work		**–**	197,258
Tax payable		**41,953**	45,274
Bank borrowings	*14*	**294,539**	307,557
Other borrowings		**–**	34,139
		2,646,597	2,845,436
Net current assets		**1,784,184**	1,601,762
Total assets less current liabilities		**2,299,592**	2,032,780

	NOTES	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital		**1,246,815**	1,246,815
Reserves		**1,051,814**	784,956
Equity attributable to owners of the Company		**2,298,629**	2,031,771
Non-current liability			
Deferred tax liabilities		**963**	1,009
		2,299,592	2,032,780

NOTES

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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, and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses 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, 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.

Basis of presentation

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 was 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 ("**Jangho HK**"), an intermediate holding company of the Company. Further, the Group disposed of the remaining 25% equity interest it held in Sundart Beijing to Jangho HK on 25 June 2015. Upon the change of the shareholding which was effective on 25 June 2015, the Group ceased to have any interest in Sundart Beijing.

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

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

The consolidated financial statements of the Group have been restated for the prior period as if the Group had not disposed of any equity interest of Sundart Beijing to its holding companies.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

The Group recognises revenue from the following major sources which arising from contracts with customers:

- Contract revenue from fitting-out works
- Contract revenue from alteration and addition and construction works
- Manufacturing, sourcing and distribution of interior decorative materials

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

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

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Contract assets	(a)	–	1,790,045	1,790,045
Retentions receivable from related companies	(a)	2,562	(2,562)	–
Retentions receivable from a fellow subsidiary	(a)	305	(305)	–
Amounts due from customers for contract work	(a)	1,077,085	(1,077,085)	–
Retentions receivable	(a)	710,093	(710,093)	–
Current liabilities				
Contract liabilities	(a)	–	248,059	248,059
Amounts due to customers for contract work	(a)	197,258	(197,258)	–
Advances received	(b)	50,801	(50,801)	–

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

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

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current assets			
Contract assets	1,775,883	(1,775,883)	–
Retentions receivable from related companies	–	2,444	2,444
Retentions receivable from a fellow subsidiary	–	175	175
Amounts due from customers for contract work	–	1,083,864	1,083,864
Retentions receivable	–	689,400	689,400
Current liabilities			
Contract liabilities	110,001	(110,001)	–
Amounts due to customers for contract work	–	71,418	71,418
Advances received	–	38,583	38,583

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

2.2 HKFRS 9 *Financial Instruments*

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

	Available-for-sale ("AFS") investments *HK$'000*	**Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Accumulated profits** *HK$'000*
Closing balance at 31 December 2017 – HKAS 39	252,229	–	6,921	995,334
Effect arising from initial application of HKFRS 9:				
Reclassification				
From AFS investments *(note a)*	(252,229)	252,229	(6,921)	6,921
Opening balance at 1 January 2018	–	252,229	–	1,002,255

Notes:

(a) *AFS investments*

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

(b) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit-impaired under HKAS 39, contract assets and trade receivables have been assessed individually with significant balances and/or collectively using a provision matrix with appropriate groupings based on its historical default rates which are adjusted for forward-looking estimates. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and bills receivable, amounts due from related companies, pledged bank deposits and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

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

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	**HKFRS 15**	**HKFRS 9**	**1 January 2018 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Financial assets at FVTPL	–	–	252,229	252,229
AFS investments	252,229	–	(252,229)	–
Current assets				
Amounts due from related companies	49,334	(2,562)	–	46,772
Amount due from a fellow subsidiary	915	(305)	–	610
Contract assets	–	1,790,045	–	1,790,045
Amounts due from customers for contract work	1,077,085	(1,077,085)	–	–
Retentions receivable	710,093	(710,093)	–	–
Current liabilities				
Trade and other payables	2,024,842	(50,801)	–	1,974,041
Contract liabilities	–	248,059	–	248,059
Amounts due to customers for contract work	197,258	(197,258)	–	–

3. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Contract revenue from fitting-out works *(note a)*	**4,204,593**	4,206,268
Contract revenue from alteration and addition and construction works *(note a)*	**1,128,832**	764,038
Manufacturing, sourcing and distribution of interior decorative materials *(note b)*	**57,329**	12,642
	5,390,754	4,982,948

For the year ended 31 December 2018

	Fitting-out works *HK$'000*	Alteration and addition and construction works *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*
Geographical markets			
Hong Kong	**1,679,418**	**1,128,832**	**12,361**
Macau	**1,127,173**	**–**	**20,071**
The PRC	**1,398,002**	**–**	**3,541**
Others	**–**	**–**	**21,356**
Total	**4,204,593**	**1,128,832**	**57,329**
Timing of revenue recognition			
A point in time	**–**	**–**	**57,329**
Over time	**4,204,593**	**1,128,832**	**–**
Total	**4,204,593**	**1,128,832**	**57,329**

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 20% 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 receivable when the rights become unconditional. The Group typically transfers its contract assets to trade receivable 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 receivable 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 of time when the goods have been delivered to specific location and customers obtain control of the materials.

(c) The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Construction contracts *HK$'000*
Within one year	**3,505,166**
More than one year but not more than two years	**313,471**
	3,818,637

Certain construction services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENTS

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
For the year ended 31 December 2018

	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	**1,679,418**	**1,127,173**	**1,398,002**	**1,128,832**	**57,329**	**5,390,754**	**–**	**5,390,754**
Inter-segment revenue	**–**	**–**	**–**	**88**	**317,624**	**317,712**	**(317,712)**	**–**
Segment revenue	**1,679,418**	**1,127,173**	**1,398,002**	**1,128,920**	**374,953**	**5,708,466**	**(317,712)**	**5,390,754**
Segment profit	**138,875**	**172,620**	**102,070**	**22,286**	**83,053**	**518,904**	**–**	**518,904**
Corporate expenses								**(89,341)**
Corporate income								**7,085**
Share of profits of associates								**17,732**
Finance costs								**(9,166)**
Profit before taxation								**445,214**

For the year ended 31 December 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

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.

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**2,820,611**	2,282,780
Macau	**1,147,244**	1,187,385
The PRC	**1,401,543**	1,507,384
Others	**21,356**	5,399
	5,390,754	4,982,948

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Other income		
Dividend from financial assets at FVTPL	**578**	–
Interest income	**5,380**	3,754
Consultancy fee, design fee and entrustment fee income	**1,147**	8,879
Rental income	**541**	861
Relocation compensation income *(note)*	**16,259**	–
Others	**7,484**	2,569
	31,389	16,063
Other gains and losses		
Net foreign exchange (losses) gain	**(1,605)**	136
Recovery from written off of trade receivables	**393**	–
Gain from change in fair value of investment property	**–**	115
Loss from changes in fair value of financial assets at FVTPL	**(36,481)**	–
Gain reclassified from investment revaluation reserve upon disposal of AFS investments	**–**	6,568
Impairment loss on AFS investments	**–**	(8,676)
(Loss) gain on disposal of property, plant and equipment	**(3,466)**	49
Loss on deregistration of a subsidiary	**–**	(23)
	(41,159)	(1,831)
	(9,770)	14,232

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

6. FINANCE COSTS

The amounts represented interest on bank borrowings and other borrowings.

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**22,652**	18,565
Macau Complementary Tax	**25,606**	27,052
PRC Enterprise Income Tax	**16,561**	21,666
	64,819	67,283
(Over) under provision in prior years		
Hong Kong Profits Tax	**(1,388)**	(359)
Macau Complementary Tax	**(133)**	(1,044)
PRC Enterprise Income Tax	**714**	(1,469)
	(807)	(2,872)
Deferred tax		
Current year	**–**	40
	64,012	64,451

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. 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%, since 2014 (renewed in 2017) and 2018, respectively.

8. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,800**	1,730
Depreciation of property, plant and equipment	**8,558**	5,869
Gross rental income from investment property	**(541)**	(861)
Less: Direct operating expenses incurred for investment property that generated rental income during the Year	**63**	62
	(478)	(799)
Cost of inventories recognised as expense	**39,499**	6,106
Reversal of allowance for inventories (included in cost of sales)	**–**	(19)
Contract costs recognised as expense		
Fitting-out works	**3,508,296**	3,581,904
Alteration and addition and construction works	**1,091,396**	735,714
	4,599,692	4,317,618
Operating lease payments in respect of rented properties	**33,894**	28,118
Staff costs		
Gross staff costs (including Directors' emoluments)	**379,011**	345,245
Less: Staff costs capitalised to contract costs	**(211,532)**	(206,133)
	167,479	139,112

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the Year:		
Final dividend for the Previous Year: HK2 cents (2016: HK3 cents) per share	**43,164**	64,746
Interim dividend for the Year: HK2 cents (2017: HK7 cents) per share	**43,164**	151,075
	86,328	215,821
Dividend declared by Sundart Beijing	**–**	100,000
	86,328	315,821

Subsequent to the end of the reporting period, a final dividend in respect of the Year of HK5 cents (2017: final dividend in respect of the Previous Year of HK2 cents) per share of the Company (the "**Share**", collectively, the "**Shares**"), amounting to HK$107,911,000 (2017: HK$43,164,000) in aggregate, has been 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 Monday, 3 June 2019 at Room 03-05, 11/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof (the "**AGM**").

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**381,202**	421,093

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

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

11. 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:

Trade and other receivables and bills receivable

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
– fitting-out works	**410,048**	446,326
– alteration and addition and construction works	**94,030**	97,270
– manufacturing, sourcing and distribution of interior decorative materials	**2,582**	3,048
	506,660	546,644
Less: Allowance for credit losses	**(16,878)**	–
	489,782	546,644
Unbilled receivable *(note)*	**782,189**	779,785
Prepayments and deposits	**346,777**	449,083
Other receivables	**4,701**	10,548
Bills receivable	**44,639**	12,993
	1,668,088	1,799,053

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

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$489,782,000 and HK$546,644,000, respectively.

Trade receivable

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

	2018	2017
	HK$'000	*HK$'000*
1–30 days	**318,289**	272,401
31–60 days	**42,076**	90,908
61–90 days	**5,596**	8,295
Over 90 days	**123,821**	175,040
	489,782	546,644

As at 31 December 2018, included in the Group's trade receivable balances were customers with an aggregate carrying amount of HK$148,746,000 which were past due as at the reporting date. Out of the past due balances, HK$121,286,000 has been past due more than 90 days and was not considered as in default. The Group rebutted the presumption of default under expected credit losses mode for trade receivable over 90 days past due based on no significant change in credit quality after understood these customers' background as well as the good payment records of and continuous business relationship with those customers. Further, such long outstanding balances were primarily due to overdue payment was a common practice in construction industry and prolonged internal procedures of the relevant customers. These customers were assessed individually and/or collectively using a provision matrix with appropriate groupings for the credit risk based on their historical default rate, probability of default and exposure of default and were adjusted for forward-looking information that was available without undue cost or effort. Other than bills received, the Group did not hold any collateral over these balances.

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 which was past due at the end of the 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 of the Company 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:

	2017 *HK$'000*
Overdue	
1–30 days	41,331
31–60 days	7,357
61–90 days	15,331
Over 90 days	158,216
	222,235

Bills receivable

As at 31 December 2018, total bills receivable amounting to HK$44,639,000 (2017: HK$12,993,000) were held by the Group for future settlement of trade receivables. The Group continued to recognise their full carrying amounts at the end of the reporting period. All bills receivable held by the Group was with a maturity period of less than one year.

Ageing of bills receivable was as follows:

	2018 ***HK$'000***	2017 *HK$'000*
1-30 days	**36,914**[*(Note)*]	8,380
31-60 days	**–**	4,613
61-90 days	**2,805**	–
Over 90 days	**4,920**	–
	44,639	12,993

Note: The relevant bills receivable was issued by a related company in which Mr. Liu Zaiwang, the non-executive Director, and his spouse have 95% beneficial interest.

12. AMOUNTS DUE FROM RELATED COMPANIES

	2018	2017
	HK$'000	*HK$'000*
Trade receivable *(note)*	**6,921**	45,949
Retentions receivable	**–**	2,562
Other receivable	**–**	823
	6,921	49,334

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

Trade receivable from a related company

The Group allows a credit period of 30 days to its trade receivable due from a related company. As at 31 December 2018 and 31 December 2017, the trade receivable due from a related company was aged within 30 days based on invoice date and not past due.

13. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Trade and other payables

Trade and other payables at the end of the reporting period comprised amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 7 to 90 days.

	2018	2017
	HK$'000	*HK$'000*
Contract creditors and suppliers	**1,508,411**	1,550,152
Retentions payable	**346,981**	286,698
	1,855,392	1,836,850
Advances received	**–**	50,801
Other tax payable	**55,977**	61,964
Other payables and accruals	**73,855**	75,227
Total	**1,985,224**	2,024,842

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

	2018	2017
	HK$'000	*HK$'000*
1–30 days	**1,089,414**	1,156,003
31–60 days	**130,861**	126,115
61–90 days	**38,165**	82,823
Over 90 days	**249,971**	185,211
	1,508,411	1,550,152

As at 31 December 2018, the Group's retentions payable of HK$145,334,000 (2017: HK$111,401,000) was expected to be paid after one year.

Bills payable

As at 31 December 2018 and 31 December 2017, certain bills payable were secured by pledged bank deposits and were repayable as follow:

	2018	2017
	HK$'000	*HK$'000*
1–30 days	**43,567**	25,889
31–60 days	**23,651**	77,906
61–90 days	**33,572**	49,825
Over 90 days	**114,090**	80,133
	214,880	233,753

14. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank borrowings – unsecured *(note a)*	**294,539**	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	**199,539**	187,557
– more than one year but not exceeding two years	**80,000**	60,000
– more than two years but not exceeding five years	**15,000**	60,000
	294,539	307,557

Notes:

(a) As at 31 December 2018 and 31 December 2017, all of the Group's bank borrowings were unsecured. The bank borrowings bore interest at 1.35% to 2% over Hong Kong Interbank Offered Rate per annum (2017: 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 from one month to four months (2017: from two weeks to five months). As at 31 December 2018, the average and the ranges of effective interest rate (which is also equal to contracted interest rate) on the Group's bank borrowings was 3.96% and 3.54% to 4.48% per annum, respectively (2017: 2.61% and 1.50% to 2.95% per annum, respectively).

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The overall Hong Kong's economic growth slowed down in 2018 due to various uncertainties in the global market, including Sino-US trade dispute, United States interest rate hike and Brexit, Hong Kong was no exception as an export-oriented economy. According to the information published by the 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 2.9% year-on-year in real terms in the third quarter of 2018, which was lower than the growth of 3.6% compared to the same period of 2017.

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 performed by main contractors in the third quarter of 2018 decreased by 1.1% in nominal terms year-on-year to HK$60.3 billion. According to the statistics from the Land Registry of the Hong Kong Government, the primary sales of residential building in 2018 reached 15,633 units, representing a year-on-year decrease of 16.2% from 18,645 units in 2017. However, the housing demand is still strong in Hong Kong. As mentioned in the Chief Executive's 2018 Policy Address, the Hong Kong Government will develop land resources in a resolute and persistent manner. The property market and construction industry in Hong Kong is expected to remain stable, and hence maintaining a steady demand in fitting-out market.

In Macau, information from the Statistics and Census Service of the government of Macau indicated that the Macau's GDP increased by 4.7% year-on-year in real terms in 2018. The economy grew at a slower pace, mainly due to a continuous decline in construction investment and a slowdown in the growth of exports of services. However, since the official opening of the Hong Kong-Zhuhai-Macao Bridge on 24 October 2018, visitor arrivals totaled 3.3 million and 3.6 million in November 2018 and December 2018, representing a year-on-year increase of 15.3% and 16.9%, respectively. It is believed that the bridge will sustain the increase in the number of visitors in long run. Meanwhile, the latest statistics from the Gaming Inspection and Coordination Bureau of Macau showed that the income from gambling sector in 2018 reached Macau Pataca ("**MOP**") 303.9 billion, increased by 14.0% year-on-year. It was the first time for the gambling sector to rebound over MOP300.0 billion since 2014. The sustainable development of tourism and gambling industry will benefit the construction and fitting-out industry in Macau.

In 2018, the economy of the PRC was stable. However, it faced downward pressure against the complicated and challenging external environment. According to the information from National Bureau of Statistics of China, the PRC's GDP was RMB90,030.9 billion, while the year-on-year growth slowed down to 6.6%, which was the lowest growth rate in 28 years. Nonetheless, the total investment in real estate development of 2018 reached RMB12,026.4 billion, representing an increase of 9.5% year-on-year, of which, the investment in residential buildings was RMB8,519.2 billion, up by 13.4%. The floor space of houses newly started in 2018 was 2.1 billion square meters ("**m^2**"), representing a year-on-year increase of 17.2%, and the floor space of residential buildings newly started in 2018 was 1.5 billion m^2, representing a year-on-year increase of 19.7%. The national housing and urban-rural development work conference concluded that, in 2018, the establishment and improvement of the real estate market regulation and the construction of efficient mechanism have been accelerated in order to maintain stability of the real estate market. The reform and development of the construction industry have also been accelerated, so as to continuously improve the quality and efficiency of development of the construction industry. The development of the construction industry is expected to remain stable, and the fitting-out market will also develop steadily.

BUSINESS REVIEW

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

Regardless of increasing uncertainties in the external environment, complicated and volatile global political relations, and decelerated growth momentum across major economies, the Group maintained solid financial status during the Year. Leveraging the Group's positive brand image, proven track record and long-term trusting relationships with customers, the Group succeeded to obtain several sizable fitting-out projects during the Year. These new projects will ensure stable and healthy development of the Group in the coming years.

Fitting-out works

The Group's fitting-out business primarily includes the fitting-out works carried out for hotels, serviced apartments, residential properties and other properties in Hong Kong, Macau and the PRC. During the 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 19 fitting-out projects, including six, three and 10 fitting-out projects in Hong Kong, Macau and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum of those projects amounted to HK$3,249.0 million, out of which a total revenue of HK$1,000.6 million was recognised during the Year. As at 31 December 2018, the Group had 52 projects on hand (including contracts in progress and signed contracts yet to commence), including 24, seven and 21 projects in Hong Kong, Macau and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum and the value of the remaining works for such projects as at 31 December 2018 amounted to approximately HK$7,745.1 million and HK$3,553.0 million, respectively.

During the Year, the Group's revenue derived from its fitting-out business slightly decreased by HK$1.6 million year-on-year to HK$4,204.7 million (Previous Year: HK$4,206.3 million).

The Group's gross profit derived from its fitting-out business during the Year increased by HK$72.1 million or 11.5% year-on-year to HK$696.4 million (Previous Year: HK$624.3 million). During the Year, the Group's gross profit margin for its fitting-out business increased from 14.8% for the Previous Year to 16.6% for the Year. Such increase was mainly attributable to the effective cost control of the Group as a result of the increased use of the interior decorative materials manufactured by the Group in its fitting-out works for several sizeable residential property, hotel and commercial building fitting-out projects in Hong Kong, Macau and the PRC, respectively during 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 11 alteration and addition and construction projects, with a total contract sum of HK$311.6 million, out of which a total revenue of HK$33.5 million was recognised during the Year. As at 31 December 2018, Kin Shing had 19 projects on hand (including contracts in progress and signed contracts yet to commence) with a total contract sum of approximately HK$2,549.5 million. The value of the remaining works for those projects as at 31 December 2018 amounted to approximately HK$619.6 million.

During the Year, the Group's revenue derived from its alteration and addition and construction business increased by HK$364.8 million or 47.7% year-on-year to HK$1,128.8 million (Previous Year: HK$764.0 million). Such increase in revenue was primarily attributable to (i) one alteration and addition project for a commercial building in Chai Wan, which commenced in second half of 2017, was near completion; and (ii) most of works for a construction project of residential properties in Lantau Island were completed.

The Group's gross profit derived from its alteration and addition and construction business increased by HK$9.1 million or 32.2% year-on-year to HK$37.4 million (Previous Year: HK$28.3 million), whilst the gross profit margin remained stable at 3.3% (Previous Year: 3.7%).

Manufacturing, sourcing and distribution of interior decorative materials

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

During the Year, the Group's revenue derived from its manufacturing, sourcing and distribution of interior decorative materials business increased by HK$44.7 million or 354.8% year-on-year to HK$57.3 million (Previous Year: HK$12.6 million). Such increase was primarily attributable to the increase in sales of wooden furniture to Macau and United Kingdom.

In addition, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business increased by HK$11.2 million or 169.7% year-on-year to HK$17.8 million (Previous Year: HK$6.6 million). Although the increase in revenue and gross profit, the Group's gross profit margin for its manufacturing, sourcing and distribution of interior decorative materials business decreased to 31.1% (Previous Year: 52.4%). Such decrease was primarily due to completion of an order from the Philippines with relatively high gross profit margin in the Previous Year.

Principal risks

As at 31 December 2018, 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) the Group relies on a few major customers. If the Group fails to retain such major customers, it may materially and adversely affect its business, financial condition and results of operations; (iii) if the Group cannot effectively adapt to market conditions and customer preferences or fails to provide competitive pricing, its successful rate on project tender may be adversely affected; (iv) the Group's business may be affected by the business strategies and performance of its major customers; and (v) 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.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Year, the Group's revenue increased by HK$407.9 million or 8.2% year-on-year to HK$5,390.8 million (Previous Year: HK$4,982.9 million). The Group's gross profit increased by HK$92.4 million or 14.0% year-on-year to HK$751.6 million (Previous Year: HK$659.2 million). The Group's gross profit margin remained stable at 13.9% (Previous Year: 13.2%). Such increase in revenue was primarily due to the increase in its alteration and addition and construction business and manufacturing, sourcing and distribution of interior decorative materials business as discussed under the paragraph headed "Business review" above.

Other income, other gains and losses

The Group recorded net other losses of HK$9.8 million for the Year (Previous Year: net other income of HK$14.2 million), primarily due to HK$36.5 million of loss from changes in fair value of financial assets at FVTPL as the market price of the listed equity securities held by the Group retreated in the Year. Even though, it was partially offset by a compensation received from the landlord for relocation of the Group's Shanghai office amounting to HK$16.3 million. The Group's new Shanghai office commenced operations in June 2018. Details of other income, other gains and losses are set out in note 5 to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this announcement.

Profit for the year

The Group's profit for the year decreased by HK$39.9 million or 9.5% year-on-year to HK$381.2 million (Previous Year: HK$421.1 million). Although the Group's gross profit increased during the Year, it was offset by the increase in administrative expenses, impairment losses – allowance for credit losses on trade receivable and contract assets and net other losses as discussed above.

Basic earnings per share

The Company's basic earnings per share for the Year was HK17.66 cents (Previous Year: HK19.51 cents), decreased by HK1.85 cents or 9.5% year-on-year and was in line with the decrease in profit for the year. Details of the earnings per share are set out in note 10 to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this announcement.

Final dividend

The Board proposed a final dividend of HK5 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 HK2 cents per Share paid on 26 September 2018, the total dividend for the Year is HK7 cents per Share, equivalent to approximately 39.6% of the profit available for distribution for the Year, which is in line with the dividend policy as stated in the Company's prospectus dated 11 December 2015.

Material acquisition and disposal

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

Financial assets at FVTPL/AFS investments

As at 31 December 2018, the Group's financial assets at FVTPL/AFS investments comprised of HK$107.5 million and HK$128.8 million (31 December 2017: HK$126.4 million and HK$125.8 million) of listed equity securities and unlisted equity fund, respectively.

During the year, the Group purchased HK$27.4 million of listed equity securities and disposed of HK$9.8 million of listed equity securities. Further, the Group recognised a net fair value loss of HK$36.5 million in profit or loss compared to that as at 31 December 2017. 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.

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

The Group continued to maintain a solid financial and cash position. As at 31 December 2018, the Group's working capital stood at HK$1,784.2 million, representing an increase of HK$182.4 million from HK$1,601.8 million as recorded as at 31 December 2017, whilst bank balances and cash in total amounted to HK$887.8 million, representing an increase of HK$260.1 million from HK$627.7 million as recorded as at 31 December 2017. Such increases were mainly due to the decrease in trade and other receivables and bills receivable and the redemption of note receivable.

As at 31 December 2018, the Group had bank borrowings and other borrowings of HK$294.5 million and nil, respectively (31 December 2017: HK$307.6 million and HK$34.1 million, respectively), of which HK$199.5 million, HK$80.0 million and HK$15.0 million (31 December 2017: HK$221.7 million, HK$60.0 million and HK$60.0 million) will be repayable within one year, one to two years and three to five years, respectively. There is no seasonality issue on the Group's borrowings.

The Group continued to maintain a healthy liquidity position. As at 31 December 2018, the Group's current assets and current liabilities amounted to HK$4,430.8 million and HK$2,646.6 million, respectively (31 December 2017: HK$4,447.2 million and HK$2,845.4 million, respectively). The Group's current ratio increased slightly to 1.7 times (31 December 2017: 1.6 times) and it has maintained sufficient liquid assets to finance its operations.

As at 31 December 2018, the Group's gearing ratio of total debts divided by total equity was 12.8% (31 December 2017: 16.8%). The decrease in gearing ratio was primarily due to the repayment of the Group's borrowings during the Year.

As at 31 December 2018, the share capital and equity attributable to owners of the Company amounted to HK$1,246.8 million and HK$2,298.6 million, respectively (31 December 2017: HK$1,246.8 million and HK$2,031.8 million, respectively).

Charge on the Group's assets

As at 31 December 2018, the Group had pledged financial assets at FVTPL/AFS investments and bank deposits of HK$107.5 million and HK$48.6 million, respectively (31 December 2017: HK$126.4 million and HK$63.3 million, respectively) to secure other borrowings, certain bills payable, certain performance bonds, certain advance payment bonds and tender bonds for its operations.

Contingent liabilities and capital commitments

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

As at 31 December 2018, the Group had capital commitments of HK$1.0 million in relation to acquisition of property, plant and equipment (31 December 2017: HK$2.1 million) and HK$19.2 million in relation to contribution to the capital of equity fund (31 December 2017: HK$22.2 million).

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

The Group operated in various regions with different foreign currencies including MOP, Euro, RMB and United States Dollars. All of 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 included reputable property developers, hotel owners and main contractors. Save as disclosed below, the Group was not exposed to any significant credit risk during the Year. The Group's management reviewed the recoverability of trade receivables and closely monitored the financial position of the customers from time to time with a view to keep the credit risk exposure of the Group at a relatively low level.

Reference is made to the disclosure under the section headed "Events After the Reporting Period" in the 2017 Interim Report of the Company. It was agreed by the parties that the subject main contractor (the "**Main Contractor**") would make payment of the agreed amount (the "**Agreed Amount**") to Sundart Engineering Services (Macau) Limited ("**Sundart Macau**") in relation to the subject fitting-out projects. However, as the Main Contractor has failed to settle the Agreed Amount after two instalments of payment since August 2018, Sundart Macau resumed the arbitration proceedings in December 2018 (the "**Resumed Arbitration**"). The Directors are of the opinion that the Resumed Arbitration will not materially affect the Group's operating and financial performance.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2018 which may materially affect the Group's operating and financial performance as at the date of the consolidated financial statements.

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 31 December 2018, the Group employed 1,488 full-time employees (31 December 2017: 1,475). The Group's gross staff costs (including the Directors' emoluments) was HK$379.0 million for the Year (Previous Year: HK$345.2 million). The increase in gross staff costs was mainly attributable to the increase of average number of full-time employees and salary increment. During the Year, the Group's average number of full-time employees increased by 78 or 5.8% year-on-year to 1,430 (Previous Year: 1,352).

PROSPECTS AND STRATEGIES

According to a survey conducted by Nielsen regarding the research on Mainland visitors, the tourism in Hong Kong had been driven by the launch of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong section and the Hong Kong-Zhuhai-Macao Bridge during the Year. The number of visitors to Hong Kong remained buoyant. Shopping was the main contribution of tourist spending, which supported the development of the retail industry in Hong Kong. Meanwhile, the latest unemployment rate in Hong Kong recorded 2.8%, which was the record low in recent 20 years. Such low unemployment rate and low interest rate resulted thriving demand in the housing market in Hong Kong. In light of the above, the sustainable development of the property and construction industry in Hong Kong and steady growth of the fitting-out industry are achieved.

During the celebration of the 20th anniversary of Macau's return to the motherland this Year, the government of Macau announced to position itself as the "World Centre of Tourism and Leisure" and the "Commercial and Trade Co-operation Service Platform between China and Portuguese-speaking Countries". Macau also actively participated in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area as well as the Belt and Road Initiative, striving to create new growth drivers. Meanwhile, the launch of the Hong Kong-Zhuhai-Macao Bridge coupled with the forthcoming plans of the Greater Bay Area Initiative will stimulate the growth of Macau's tourism and gambling industry. It is expected that the development opportunities in the tourism and gambling industry may benefit both construction and fitting-out industry in Macau.

The Chinese Academy of Sciences released a report on the development of real estate industry in the PRC for 2019, forecasted that the total completed investment in real estate development will increase year-on-year by 6.2%, with average price of commodity houses up by 6.7% year-on-year. According to the national housing and urban-rural development work conference, the government of the PRC has determined to enhance the stability of the property market in 2019 by stabilising land value and housing prices and managing expectations. In addition, National Bureau of Statistics of China stated that infrastructure will be the core focus to be strengthened. Therefore, the Group expects that construction industry and fitting-out market still have room to grow. It will keep an eye on the market and policy directions and adjust flexibly its business strategies in the PRC.

During the Year, Caiyun International Investment Limited ("**Caiyun International**") acquired approximately 18.16% of the Company's issued share capital from Reach Glory International Limited, a controlling shareholders of the Company, for a total consideration of HK$1.49 billion approximately. Caiyun International is a wholly-owned subsidiary of 雲南省城市建設投資集團有限公司 (Yunnan Metropolitan Construction Investment Group Company Limited*), which is a large-scale enterprise specialising in the development of exhibition center, feature town, hotel, tourism real estate and other urban planning. By integrating the abundant resources of Caiyun International, the Group will be able to fully facilitate its professional and brand advantages to seize more market opportunities to further expand its business scope and drive the growth in revenue and profits.

Looking ahead, with a long-term, stable and solid business foundation, the Group will respond to the ever-changing marketing landscape by taking an aggressive yet prudent approach. The Group will also leverage its years of experience and expertise to strengthen the management and budget control, build good brand image and reputation and provide quality products and services to its customers. The Group will capture opportunities arisen from the new momentum brought by the Belt and Road Initiative and the Greater Bay Area Initiative. Through the strong alliance with its shareholders, the Group will invest more resources to reinforce the research and development capabilities and enhance the quality of products and services. Under its prudent financial management, the operational efficiency and productivity will be greatly improved. The Group aims to build a one-stop construction industry chain and further consolidate its leading position in the fitting-out industry, and hence bringing lucrative returns to the Shareholders.

FINAL DIVIDEND AND AGM

The Board proposed the Final Dividend which amounts to approximately HK$107.9 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 12 June 2019. Subject to the approval of the Shareholders at the AGM, it is expected that the proposed Final Dividend will be paid on 21 June 2019. 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 vote at the AGM, the register of members of the Company will be closed from 29 May 2019 to 3 June 2019, both days inclusive, during which period 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 Tuesday, 28 May 2019.

For determining the entitlement to the proposed Final Dividend, the register of members of the Company will be closed from 10 June 2019 to 12 June 2019, 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 Thursday, 6 June 2019.

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 Year.

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 interest 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, polices and guidelines.

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules (the "**Code Provisions**") during the 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 to gain and develop a balanced understanding of the views of the Shareholders. The non-executive Director and one independent non-executive Director were absent from the last annual general meeting of the Company held on 31 May 2018 due to other important business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 with 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 of the Board (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 this 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 in this 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 (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, 11 March 2019

* *for identification purpose only*

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.