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 2019

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

	2019	2018	Year-on-year increase
Revenue	**6,096.2**	5,390.8	13.1%
Gross profit	**849.7**	751.6	13.1%
Gross profit margin	**13.9%**	13.9%	–
Profit attributable to owners of the Company	**413.0**	381.2	8.3%
Equity attributable to owners of the Company	**2,535.3**	2,298.6	10.3%
Basic earnings per share *(HK cents)*	**19.14**	17.66	8.4%

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend.

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 2019 (the "**Year**") together with the comparative figures for the corresponding year ended 31 December 2018 (the "**Previous Year**") as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*3*		
Contract revenue from fitting-out works		**5,293,637**	4,204,593
Contract revenue from alteration and addition and construction works		**790,764**	1,128,832
Manufacturing, sourcing and distribution of interior decorative materials		**11,758**	57,329
Total revenue		**6,096,159**	5,390,754
Cost of sales		**(5,246,481)**	(4,639,191)
Gross profit		**849,678**	751,563
Other income, other gains and losses	*5*	**(33,116)**	(9,770)
Impairment losses under expected credit loss model		**(35,969)**	(27,769)
Selling expenses		**(9,311)**	(14,879)
Administrative expenses		**(267,672)**	(261,724)
Other expenses		**(3,344)**	(773)
Share of profits of associates		**3,497**	17,732
Finance costs	*6*	**(14,624)**	(9,166)
Profit before tax		**489,139**	445,214
Income tax expense	*7*	**(76,165)**	(64,012)
Profit for the year attributable to owners of the Company	*8*	**412,974**	381,202

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(13,838)**	(26,144)
Share of other comprehensive expense of an associate		**(579)**	(1,872)
Other comprehensive expense for the year		**(14,417)**	(28,016)
Total comprehensive income for the year attributable to owners of the Company		**398,557**	353,186
Earnings per share			
Basic *(HK cents)*	*10*	**19.14**	17.66

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**188,884**	137,522
Right-of-use assets		**21,318**	–
Investment properties		**10,001**	10,171
Goodwill		**1,510**	1,510
Financial assets at fair value through profit or loss		**216,539**	236,329
Interests in associates		**132,794**	129,876
		571,046	515,408
Current assets			
Inventories		**55,212**	43,345
Trade and other receivables and bills receivable	*11*	**2,168,051**	1,668,088
Amount due from a related company	*12*	**9,027**	6,921
Contract assets		**1,804,833**	1,775,883
Tax recoverable		**–**	82
Pledged bank deposits		**56,902**	48,633
Bank balances and cash		**1,078,103**	887,829
		5,172,128	4,430,781
Current liabilities			
Trade and other payables	*13*	**2,389,418**	1,985,224
Bills payable	*13*	**275,215**	214,880
Amount due to a fellow subsidiary		**153**	–
Lease liabilities		**8,329**	–
Contract liabilities		**77,931**	110,001
Tax payable		**68,347**	41,953
Bank borrowings	*14*	**373,333**	294,539
		3,192,726	2,646,597
Net current assets		**1,979,402**	1,784,184
Total assets less current liabilities		**2,550,448**	2,299,592

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Capital and reserves			
Share capital		**1,246,815**	1,246,815
Reserves		**1,288,505**	1,051,814
Equity attributable to owners of the Company		**2,535,320**	2,298,629
Non-current liabilities			
Deferred tax liabilities		**987**	963
Lease liabilities		**14,141**	–
		15,128	963
		2,550,448	2,299,592

NOTES

1. GENERAL

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 19/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.

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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities ranged from 3.74% to 5.90%.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	39,231
Lease liabilities discounted at relevant incremental borrowing rates	37,259
Recognition exemption – short-term leases	(12,096)
Lease liabilities as at 1 January 2019	25,163
Analysed as	
Current	6,346
Non-current	18,817
	25,163

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	25,163
By class:	
Land and buildings	23,831
Office equipment	1,332
	25,163

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 16 at 1 January 2019 *HK$'000*
Non-current assets			
Right-of-use assets	–	25,163	25,163
Current liabilities			
Lease liabilities	–	6,346	6,346
Non-current liabilities			
Lease liabilities	–	18,817	18,817

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets.

3. REVENUE

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

	2019 ***HK$'000***	2018 *HK$'000*
Contract revenue from fitting-out works *(note a)*	**5,293,637**	4,204,593
Contract revenue from alteration and addition and construction works *(note a)*	**790,764**	1,128,832
Manufacturing, sourcing and distribution of interior decorative materials *(note b)*	**11,758**	57,329
	6,096,159	5,390,754

For the year ended 31 December 2019

	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	**1,522,584**	**790,764**	**2,264**
Macau	**2,065,350**	**–**	**5,022**
The PRC	**1,705,703**	**–**	**926**
Others	**–**	**–**	**3,546**
Total	**5,293,637**	**790,764**	**11,758**
Timing of revenue recognition			
A point in time	**–**	**–**	**11,758**
Over time	**5,293,637**	**790,764**	**–**
Total	**5,293,637**	**790,764**	**11,758**

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 30% of total contract sum, when the Group receives a deposit before the project commences, this will give rise to contract liabilities at the start of a contract, until the full amount of deposit is deducted proportionately from monthly progress payment.

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

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

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

(c) The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Construction contracts	
	2019	2018
	HK$'000	*HK$'000*
Within one year	**4,139,939**	3,505,166
More than one year but not more than two years	**701,561**	313,471
	4,841,500	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 2019

	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	1,522,584	2,065,350	1,705,703	790,764	11,758	6,096,159	–	6,096,159
Inter-segment revenue	–	–	–	(450)	260,620	260,170	(260,170)	–
Segment revenue	1,522,584	2,065,350	1,705,703	790,314	272,378	6,356,329	(260,170)	6,096,159
Segment profit (loss)	117,916	362,206	81,637	(3,793)	31,326	589,292	–	589,292
Corporate expenses								(99,658)
Corporate income								10,632
Share of profits of associates								3,497
Finance costs								(14,624)
Profit before tax								489,139

For the year ended 31 December 2018

	Fitting-out works in Hong Kong	Fitting-out works in Macau	Fitting-out works in the PRC	Alteration and addition and construction works in Hong Kong	Manufacturing, sourcing and distribution of interior decorative materials	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 tax								445,214

Inter-segment revenue was charged at prevailing market rates.

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**2,315,612**	2,820,611
Macau	**2,070,372**	1,147,244
The PRC	**1,706,629**	1,401,543
Others	**3,546**	21,356
	6,096,159	5,390,754

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Interest income	**8,871**	5,380
Dividend from financial assets at fair value through profit or loss ("**FVTPL**")	**1,188**	578
Consultancy fee and entrustment fee income	**526**	1,147
Rental income	**520**	541
Relocation compensation income *(note)*	**–**	16,259
Others	**4,335**	7,484
	15,440	31,389
Other gains and losses		
Net foreign exchange gains (losses)	**1,492**	(1,605)
Recovery of trade receivables written off	**–**	393
Loss from changes in fair value of financial assets at FVTPL	**(49,833)**	(36,481)
Loss on disposal of property, plant and equipment, net	**(215)**	(3,466)
	(48,556)	(41,159)
	(33,116)	(9,770)

Note: In accordance with the requirements of the urban development plans in Yongdeng Road, Putuo District, Shanghai, China, Shanghai branch of Sundart Engineering & Contracting (Beijing) Limited 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 Engineering & Contracting (Beijing) Limited 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

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings	**13,489**	9,166
Interest on lease liabilities	**1,135**	–
	14,624	9,166

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**14,396**	22,652
Macau Complementary Tax	**46,557**	25,606
PRC Enterprise Income Tax	**13,004**	16,561
	73,957	64,819
Under (over) provision in prior years		
Hong Kong Profits Tax	**(104)**	(1,388)
Macau Complementary Tax	**918**	(133)
PRC Enterprise Income Tax	**1,348**	714
	2,162	(807)
Deferred tax		
Current year	**46**	–
	76,165	64,012

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%.

8. PROFIT FOR THE YEAR

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,900**	1,800
Depreciation of property, plant and equipment	**11,633**	8,558
Depreciation of right-of-use assets	**7,039**	–
	18,672	8,558
Gross rental income from investment property	**(520)**	(541)
Less: Direct operating expenses incurred for investment property that generated rental income during the Year	**61**	63
	(459)	(478)
Cost of inventories recognised as expense	**5,435**	39,499
Allowance for inventories (included in cost of sales)	**229**	–
Contract costs recognised as expense		
Fitting-out works	**4,455,807**	3,508,296
Alteration and addition and construction works	**785,010**	1,091,396
	5,240,817	4,599,692
Staff costs		
Gross staff costs (including directors' emoluments)	**440,187**	379,011
Less: Staff costs capitalised to contract costs	**(260,303)**	(211,532)
	179,884	167,479

9. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the Year:		
Final dividend for the Previous Year: HK5 cents (2017: HK2 cents) per share	**107,911**	43,164
Interim dividend for the Year: HK2.5 cents (2018: HK2 cents) per share	**53,955**	43,164
	161,866	86,328

Subsequent to the end of the reporting period, the Directors do not recommend the payment of a final dividend for the Year (2018: final dividend in respect of the Previous Year of HK5 cents per share of the Company (the "**Share**", collectively, the "**Shares**"), in an aggregate amount of HK$107,911,000).

10. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**412,974**	381,202

	Number of shares	
	2019	2018
	'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:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables (gross carrying amount)		
– fitting-out works	**682,790**	410,048
– alteration and addition and construction works	**102,006**	94,030
– manufacturing, sourcing and distribution of interior decorative materials	**994**	2,582
	785,790	506,660
Unbilled receivables (gross carrying amount) *(note)*	**833,479**	782,189
Trade and unbilled receivables (gross carrying amount)	**1,619,269**	1,288,849
Less: Allowance for credit losses	**(33,516)**	(16,878)
Trade and unbilled receivables (net carrying amount)	**1,585,753**	1,271,971
Prepayments and deposits	**568,648**	346,777
Other receivables	**3,704**	4,701
Bills receivable	**9,946**	44,639
	2,168,051	1,668,088

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

As at 1 January 2018, trade and unbilled receivables from contracts with customers amounted to HK$1,326,429,000.

Trade receivables

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

	2019	2018
	HK$'000	*HK$'000*
1–30 days	**564,295**	318,289
31–60 days	**101,931**	42,076
61–90 days	**9,807**	5,596
Over 90 days	**94,135**	123,821
	770,168	489,782

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.

As at 31 December 2019, included in the Group's trade receivable balances were customers with an aggregate carrying amount of HK$167,984,000 (31 December 2018: HK$148,746,000) which were past due as at the reporting date. Out of the past due balances, HK$93,253,000 (31 December 2018: 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 model for trade receivables 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.

Prepayments and deposits

As at 31 December 2019, prepayments and deposits included a deposit of HK$50,000,000 (31 December 2018: nil) placed at a broker, which was non-interest bearing and subsequently withdrawn after the reporting period.

Bills receivable

As at 31 December 2019, total bills receivable amounting to HK$9,946,000 (31 December 2018: HK$44,639,000) were held by the Group for settlement. The Group continued to recognise their full carrying amounts at the end of the reporting period. All bills receivable held by the Group was with a maturity period of less than one year.

Ageing of bills receivable was as follows:

	2019	2018
	HK$'000	*HK$'000*
1-30 days	**5,582**	36,914 *(Note)*
31-60 days	**1,005**	–
61-90 days	**1,923**	2,805
Over 90 days	**1,436**	4,920
	9,946	44,639

Note: As at 31 December 2018, the relevant bills receivable amounting to HK$36,914,000 was issued by a related company in which Mr. Liu Zaiwang, the non-executive Director, and his spouse have 95% beneficial interest. The bills receivable was settled during the Year.

12. AMOUNT DUE FROM A RELATED COMPANY

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

The Group allows a credit period of 30 days to the related company. As at 31 December 2019, the trade receivable due from the related company was aged over 90 days (31 December 2018: within 30 days) based on invoice date.

13. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Trade and other payables

Trade and other payables at the end of the reporting period comprised amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 7 to 60 days.

	2019	2018
	HK$'000	*HK$'000*
Contract creditors and suppliers	**1,757,360**	1,508,411
Retentions payable	**443,262**	346,981
	2,200,622	1,855,392
Other tax payable	**84,684**	55,977
Other payables and accruals	**104,112**	73,855
	2,389,418	1,985,224

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

	2019	2018
	HK$'000	*HK$'000*
1–30 days	**1,302,557**	1,089,414
31–60 days	**151,948**	130,861
61–90 days	**47,901**	38,165
Over 90 days	**254,954**	249,971
	1,757,360	1,508,411

As at 31 December 2019, the Group's retentions payable of HK$192,107,000 (31 December 2018: HK$145,334,000) was expected to be paid after one year.

Bills payable

As at 31 December 2019 and 31 December 2018, certain bills payable were secured by pledged bank deposits and were repayable as follow:

	2019	2018
	HK$'000	*HK$'000*
1–30 days	**106,162**	43,567
31–60 days	**48,624**	23,651
61–90 days	**51,419**	33,572
Over 90 days	**69,010**	114,090
	275,215	214,880

14. BANK BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
Secured *(notes a and b)*	**42,400**	–
Unsecured *(note a)*	**330,933**	294,539
	373,333	294,539
Carrying amount of the above bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable as follows *(note c)*:		
– within one year	**209,042**	199,539
– more than one year but not exceeding two years	**72,509**	80,000
– more than two years but not exceeding five years	**87,927**	15,000
– more than five years	**3,855**	–
	373,333	294,539

Notes:

(a) As at 31 December 2019, the bank borrowings were variable-rate and bore interest at 1.35% to 2% per annum over Hong Kong Interbank Offered Rate or 1.6% per annum over cost of fund, respectively (31 December 2018: 1.35% to 2% per annum over Hong Kong Interbank Offered Rate) and interest was repriced from 1 to 4 months (31 December 2018: 1 to 4 months). As at 31 December 2019, the average and the ranges of effective interest rate (which is also equal to contracted interest rate) on the Group's bank borrowings were 4.16% and 3.66% to 4.69% per annum, respectively (31 December 2018: 3.96% and 3.54% to 4.48% per annum, respectively).

(b) As at 31 December 2019, the secured bank borrowings were secured by a commercial property (included in property, plant and equipment) with carrying amount of HK$100,902,000.

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

15. EVENTS AFTER THE REPORTING PERIOD

On 16 January 2020, 北京花宇置業有限公司 (Beijing Huayu Real Estate Co., Ltd.*), an associate of Mr. Liu Zaiwang, the non-executive Director and a controlling shareholder of the Company, as a vendor, and 北京承達置業有限公司 (Beijing Sundart Real Estate Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, as a purchaser, entered into a sale and purchase agreement in relation to the acquisition of a commercial building in the PRC with the consideration of RMB185,400,000 (equivalent to approximately HK$209,231,000).

Although the outbreak of the novel coronavirus ("**Covid-19**") has adversely impacted the global economic activities after the Year, there has been no apparent or serious impact on the business operation of the Group, as the Group has been working on several sizeable fitting-out projects obtained during the Year. Nonetheless, it is reasonably expected that the Group's future financial performance will be adversely affected by the drop in demand on residential buildings and hotels. The extent of this impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Hong Kong's domestic and external demand has grown weaker as a result of the current global economic slowdown, Sino-US trade dispute and local social unrest in 2019. According to Census and Statistics Department ("**C&SD**") of the government of Hong Kong (the "**Hong Kong Government**"), Hong Kong's gross domestic product ("**GDP**") decreased by 1.2% year-on-year in real terms in 2019, leading to the first annual decline since the Great Recession of 2009.

According to the provisional results of the "Report on the Quarterly Survey of Construction Output" released by C&SD, the total gross value of construction works carried out by the main contractors in Hong Kong decreased by 7.1% in nominal terms year-on-year to HK$234.2 billion in 2019. However, according to the statistics from the Land Registry of the Hong Kong Government, the primary sales of residential buildings in 2019 reached 21,108 units, which has exceeded 20,000 units for the first time since 2004. As mentioned in the Chief Executive's 2019 Policy Address, the Hong Kong Government will raise the cap on the value of the properties eligible for mortgage loans for first-time purchasers. Local purchasing power is expected to rise unabatedly, which will support the development of both construction industry and real estate market in Hong Kong, and hence sustaining stable demand for the fitting-out industry.

In Macau, information from Statistics and Census Service of the government of Macau indicated that the Macau's GDP decreased by 4.7% year-on-year in real terms in 2019. Macau's economic contraction was mainly attributable to a decline in exports of services. Meanwhile, the latest statistics from Gaming Inspection and Coordination Bureau of Macau indicated that revenue from the gambling sector decreased by 3.4% year-on-year to Macau Pataca ("**MOP**") 292.5 billion in 2019. On the other hand, Macao Government Tourism Office announced that the number of tourists increased by 10.1% year-on-year to 39.4 million in 2019. In addition to the Hong Kong-Zhuhai-Macao Bridge, the new Hengqin Port and the New Guangdong-Macao Channel (Qingmao Checkpoint) is expected to enhance the overall connection convenience within the Guangdong-Hong Kong-Macao Greater Bay Area, which will further increase the number of potential visitors to Macau, in turn supporting the development of Macau's tourism and gambling industries as well as bolster the fitting-out sector in Macau.

The economy of the PRC was generally stable in 2019, however the growth slowed down due to domestic and international complications and a worsening economic situation. According to information from National Bureau of Statistics of China, the PRC's GDP increased by 6.1% year-on-year to RMB99,086.5 billion in 2019, which was the lowest annual growth since 1990. Nonetheless, the PRC's real estate market maintained steady growth as a whole. The investment in national real estate development in 2019 increased by 9.9% year-on-year to RMB13,219.4 billion, of which, investment in residential buildings increased by 13.9% year-on-year to RMB9,707.1 billion. The total floor area under construction for new housing in 2019 increased by 8.5% year-on-year to 2.3 billion square meters ("**m^2**"), of which, the total floor area of newly constructed residential buildings increased by 9.2% year-on-year to 1.7 billion m^2. Furthermore, with the continuous expansion of the domestic middle class in the PRC, a steady rise in consumption will further drive demand for leisure, entertainment and shopping. The construction of commercial real estate projects, such as hotels and shopping malls, are expected to promote and bringing a positive impact on the fitting-out industry in the PRC.

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. The Group is also engaged in alteration and addition and construction business in Hong Kong and manufacturing, sourcing and distribution of interior decorative materials business internationally. During the Year, a majority of the Group's revenue was derived from its fitting-out works, which contributed over 86.8% of the Group's revenue.

Despite the constantly changing international political situation and global economic slowdown, the Group managed to maintain a satisfactory business performance and a healthy financial position during the Year. Leveraging the Group's professional project management capabilities, positive brand reputation and stable long-term relationships with customers, the Group obtained several sizeable fitting-out projects during the Year. These projects will maintain 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 21 fitting-out projects, including nine and 12 fitting-out projects in Hong Kong and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum of such projects amounted to HK$2,825.6 million, out of which a total revenue of HK$712.3 million was recognised during the Year. As at 31 December 2019, the Group had 65 projects on hand (including contracts in progress and contracts signed but yet to commence), including 29, nine and 27 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 value of the remaining works for such projects as at 31 December 2019 amounted to HK$11,225.9 million and HK$5,461.2 million, respectively.

During the Year, the Group's revenue derived from its fitting-out business increased by HK$1,089.0 million or 25.9% year-on-year to HK$5,293.6 million (Previous Year: HK$4,204.6 million). Such increase was primarily attributable to the revenue of a sizable hotel fitting-out project in Macau.

The Group's gross profit derived from its fitting-out business during the Year increased by HK$141.4 million or 20.3% year-on-year to HK$837.8 million (Previous Year: HK$696.4 million), in line with the aforesaid increase in revenue. The Group's gross profit margin of its fitting-out business slightly decreased from 16.6% for the Previous Year to 15.8% for the Year. Such decrease was primarily attributable to the additional cost incurred for defect rectification work done for a hotel fitting-out project in Macau.

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 15 alteration and addition and construction projects, with a total contract sum of HK$707.8 million, out of which a total revenue of HK$313.3 million was recognised during the Year. As at 31 December 2019, Kin Shing had eight projects on hand with a total contract sum of HK$1,947.6 million. The value of the remaining works for such projects as at 31 December 2019 amounted to HK$297.3 million.

During the Year, the Group's revenue derived from its alteration and addition and construction business decreased by HK$338.0 million or 29.9% year-on-year to HK$790.8 million (Previous Year: HK$1,128.8 million). Such decrease was primarily attributable to two sizable projects were undertaken during the Year while there were three sizable projects were undertaken in the Previous Year.

The Group's gross profit derived from its alteration and addition and construction business decreased by HK$31.6 million or 84.5% year-on-year to HK$5.8 million (Previous Year: HK$37.4 million). The Group's gross profit margin for its alteration and addition and construction business decreased from 3.3% for the Previous Year to 0.7% for the Year. Such decrease was primarily attributable to additional overheads incurred for several commercial and residential projects due to the extension of construction period of the projects.

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 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 external customers of its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK$45.5 million or 79.4% year-on-year to HK$11.8 million (Previous Year: HK$57.3 million). Such decrease was primarily due to the decrease in acceptance of orders from external customers resulting from the reservation of certain manufacturing capacity of Dongguan Sundart for the fitting-out projects carried out by and internally referred from other subsidiaries of the Group.

In addition, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK$11.7 million or 65.7% year-on-year to HK$6.1 million (Previous Year: HK$17.8 million). 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 51.7% (Previous Year: 31.1%). Such increase was primarily attributable to the completion of an order from the PRC with a relatively high gross profit margin during the Year.

Principal risks

As at 31 December 2019, 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 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 fails to provide competitive pricing, its success rate on project tender may be adversely affected; (iii) the Group relies on a few major customers. If the Group fails to retain such major customers, its business, financial condition and results of operations may be materially and adversely affected; (iv) due to the recent outbreak of Covid-19, the projects currently undertaken by the Group may be suspended or delayed and the Group may face legal actions from its customers as result of the interruption of business activities and work arrangement in Hong Kong, Macau and the PRC, and the Group may not be able to recover the costs and/or related expenses paid to its suppliers and/or subcontractors in relation to the projects that was affected by force majeure resulted from Covid-19, hence the Group's business operation and financial performance may be adversely affected; and (v) the Group's business may be affected by the business strategies and performance of its major customers.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Year, the Group's revenue increased by HK$705.4 million or 13.1% year-on-year to HK$6,096.2 million (Previous Year: HK$5,390.8 million). The Group's gross profit increased by HK$98.1 million or 13.1% year-on-year to HK$849.7 million (Previous Year: HK$751.6 million). The Group's gross profit margin remained stable at 13.9% (Previous Year: 13.9%). Such increase in revenue and gross profit were primarily due to the increase in its fitting-out business as discussed under the paragraph headed "Business review" above.

Other income, other gains and losses

The Group recorded net other losses of HK$33.1 million for the Year (Previous Year: HK$9.8 million), primarily due to a loss of HK$49.8 million from changes in fair value of financial assets at FVTPL, as the market price of the listed equity securities and unlisted equity fund held by the Group retreated in the Year, which was partially offset by HK$8.9 million of interest received from short term notes and bank deposits. 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 increased by HK$31.8 million or 8.3% year-on-year to HK$413.0 million (Previous Year: HK$381.2 million) as a result of the increase in gross profit as discussed above.

Basic earnings per share

The Company's basic earnings per share for the Year was HK19.14 cents (Previous Year: HK17.66 cents), increased by HK1.48 cents or 8.4% year-on-year, in line with the increase in profit for the year. Details of earnings per share are set out in note 10 to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in this announcement.

Final dividend

The Board does not recommend the payment of a final dividend for the Year. The interim dividend of HK2.5 cents per Share paid on 20 September 2019, equivalent to approximately 13.1% of the profit available for distribution for the Year.

Material acquisition and disposal

No material acquisition and disposal of subsidiaries was carried out by the Group during the Year.

Financial assets at FVTPL

As at 31 December 2019, the Group's financial assets at FVTPL comprised of HK$92.9 million and HK$123.6 million (31 December 2018: HK$107.5 million and HK$128.8 million) of listed equity securities and unlisted equity fund, respectively.

During the Year, the Group purchased listed equity securities of HK$20.2 million and further injected HK$9.8 million to the unlisted equity fund in fulfilling capital commitment in capacity as a limited partner. Further, the Group recognised a fair value loss of HK$49.8 million in profit or loss, as discussed above, compared to that as at 31 December 2018. 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.

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

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 plan for material investments or capital assets.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise the financial and operational risks it is exposed to. During the Year, the Group mainly relied on internally generated funds and bank borrowings to finance its operations.

The Group continued to maintain a solid financial and cash position. As at 31 December 2019, the Group's working capital stood at HK$1,979.4 million, representing an increase of HK$195.2 million from HK$1,784.2 million as recorded as at 31 December 2018, whilst bank balances and cash in total amounted to HK$1,078.1 million, representing an increase of HK$190.3 million from HK$887.8 million as recorded as at 31 December 2018. Such increase were mainly due to the increase in bills payable and bank borrowings.

As at 31 December 2019, the Group had bank borrowings of HK$373.3 million (31 December 2018: HK$294.5 million), and its repayment schedule is set out in note 14 to the Consolidated Statement of Financial Position in this announcement. There is no seasonality on the Group's borrowings.

The Group continued to maintain a healthy liquidity position. As at 31 December 2019, the Group's current assets and current liabilities amounted to HK$5,172.1 million and HK$3,192.7 million, respectively (31 December 2018: HK$4,430.8 million and HK$2,646.6 million, respectively). The Group's current ratio slightly decreased to 1.6 times (31 December 2018: 1.7 times) and it has maintained sufficient liquid assets to finance its operations.

As at 31 December 2019, the Group's gearing ratio of total debts (bank borrowings) divided by total equity was 14.7% (31 December 2018: 12.8%). The increase in gearing ratio was primarily due to the increase in the Group's bank borrowings to finance its operations.

As at 31 December 2019, the share capital and equity attributable to owners of the Company amounted to HK$1,246.8 million and HK$2,535.3 million, respectively (31 December 2018: HK$1,246.8 million and HK$2,298.6 million, respectively).

Charge on the Group's assets

As at 31 December 2019, the Group had pledged a commercial property and bank deposits of HK$100.9 million and HK$56.9 million, respectively (31 December 2018: financial assets at FVTPL and bank deposits of HK$107.5 million and HK$48.6 million, respectively) to secure certain bank borrowings, certain bills payable, certain performance bonds, 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 2019 and 31 December 2018, respectively.

As at 31 December 2019, the Group had capital commitments of HK$1.7 million (31 December 2018: HK$1.0 million) in relation to acquisition of property, plant and equipment and HK$9.4 million (31 December 2018: HK$19.2 million) in relation to contribution to the capital of unlisted equity fund.

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

The Group operates in various regions with different foreign currencies including MOP, Euro, RMB and United States Dollars. 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 the movement of both exchange rate and interest rate and will consider to hedge against any significant aforesaid exposure when necessary.

Credit risk exposure

During the 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 "Management Discussion and Analysis" in the 2019 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 had failed to settle the Agreed Amount after two instalments of payment since August 2018, Sundart Macau resumed the arbitration proceedings in December 2018 (the "**Resumed Arbitration**"). Although the Resumed Arbitration was under progress, the Main Contractor settled four instalments of payment during the Year and it was agreed that the Main Contractor will continue to settle the outstanding payment, subject to any further negotiation. 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

On 16 January 2020, 北京花宇置業有限公司 (Beijing Huayu Real Estate Co., Ltd.*), an associate of Mr. Liu Zaiwang, the non-executive Director and a controlling Shareholder, as a vendor, and 北京承達置業有限公司 (Beijing Sundart Real Estate Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, as a purchaser, entered into a sale and purchase agreement in relation to the acquisition of a commercial building in the PRC with the consideration of RMB185,400,000 (equivalent to approximately HK$209,231,000). For details, please refer to the announcement and supplemental announcement of the Company dated 16 January 2020 and 20 January 2020, respectively.

Although the outbreak of Covid-19 has adversely impacted the global economic activities after the Year, there has been no apparent or serious impact on the business operation of the Group, as the Group has been working on several sizeable fitting-out projects obtained during the Year. Nonetheless, it is reasonably expected that the Group's future financial performance will be adversely affected by the drop in demand on residential buildings and hotels. The extent of this impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage.

Save as disclosed herein, there are no other significant events subsequent to 31 December 2019 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 2019, the Group employed 1,632 full-time employees (31 December 2018: 1,488). The Group's gross staff costs (including the Directors' emoluments) was HK$440.2 million for the Year (Previous Year: HK$379.0 million). The increase in gross staff costs was mainly attributable to the increase in number of full-time employees and salary increment.

PROSPECTS AND STRATEGIES

Looking forward into 2020, Hong Kong's economy will continue to be influenced by the unsettled social unrest. In addition, due to the recent outbreak of Covid-19, many social and economic activities were brought to halt in Hong Kong, Macau and the PRC. It is expected that the economic outlook of Hong Kong will remain gloomy in the first quarter of 2020. However, the impact of the outbreak of Covid-19 is believed to be temporary and will not affect the foundation of the PRC's long-term economic growth. Thus, Hong Kong's economy is expected to be less uncertain and more stable along with the gradual control of the Covid-19 in the second part of 2020. Further, following the signing of the Sino-US Phase One Trade Deal, sustainable economic development of Hong Kong and the PRC is also expected. The Group is cautiously optimistic about the industry prospects, and will closely monitor the market in order to adopt timely measures to minimise any negative impacts on its overall business development.

Leveraging Hong Kong's unique advantages under the development of the Guangdong-Hong Kong-Macao Greater Bay Area, new opportunities for the expansion of local tourism, as well as retails and hotel operations is expected in the long term. During the Year, the Hong Kong Government announced that it will continue to actively increase the land supply to stabilise the supply of residential buildings. Together with the low interest rate of bank loans, the property market in Hong Kong will be more sustainable, which will in turn increase the demand for fitting-out works in Hong Kong.

Macau has successfully implemented its "Five-Year Development Plan". With an aim to develop Macau into a "World Centre of Tourism and Leisure", the government of Macau has been striving to promote the tourism and gambling industry. The land reclamation of the 'New Urban Zone Area A' in Macau has been completed, and it will serve as a key driver for the construction industry and fitting-out industry. Meanwhile, the completion and opening of several large transportation systems, including the Hong Kong-Zhuhai-Macao Bridge, the Macau Light Rapid Transit Taipa Line and the New Guangdong-Macao Channel, will further stimulate the development of tourism industry. Consequently, the demand for casinos, shopping malls and hotels is expected to increase and the Group will benefit from opportunities arising from both construction and fitting-out industries in Macau.

The Ministry of Housing and Urban-Rural Development of the PRC emphasised in a work conference that with the key objective of "housing should be for living, not for speculation", the government will endeavour to keep housing prices stable and establish a long-term effective mechanism to enhance the stability of real estate market. The property market is strictly regulated and both the supply and prices of the national housing is expected to remain stable. According to Knight Frank's research on the PRC's real estate market, the continued rapid urbanisation in the PRC will lead to the steady growth of domestic consumption and the number of newly opened shopping centers is expected to reach a new high in 2020. Meanwhile, Hong Kong and foreign property developers with stable liquidity fund are being attracted to develop large-scale, high-quality real estate projects in the area driven by the Greater Bay Area Initiative. The Group will continuously focus on exploring opportunities and ways to cooperate with such property developers to jointly develop large, high-end fitting-out projects, such as residential properties, hotels and shopping malls in the PRC, in order to maintain sustainable and solid revenue growth for the Group.

Looking ahead, the Group will continue to adopt a prudent approach toward its business strategy and financial management in light of today's volatile and uncertain external environment. The Group will promptly and flexibly respond to the ever-changing market landscape in order to maintain its leading position and good reputation in the fitting-out industry. In addition, the Group will continue to develop a one-stop construction industry chain in Hong Kong, Macau and the PRC, and endeavour to seize opportunities brought by the Belt and Road Initiative and the Greater Bay Area Initiative. The Group will actively maintain current long-term cooperative relationship with its core customers, explore new potential customers and markets and also further improve the quality of products and services in order to achieve sustainable growth and bring satisfactory returns to the shareholders of the Company (the "**Shareholders**").

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board does not recommend the payment of a final dividend for the Year. The forthcoming annual general meeting of the Company will be held at 10:00 a.m. on Wednesday, 3 June 2020 at Room 03-05, 11/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof (the "**AGM**"). 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 2020 to 3 June 2020, 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 Thursday, 28 May 2020.

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.

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 two independent non-executive Directors were absent from the last annual general meeting of the Company held on 3 June 2019 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 inside information of the Company. To the best knowledge of the Directors, there was no incident of non-compliance with the Model Code by the relevant employees during the 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 and discussed the accounting principles and policies adopted by the Group, the financial information of the Group and the annual results of the Group for the Year with the Group's management and auditor, Messrs. Deloitte Touche Tohmatsu.

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 also 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, 30 March 2020

* *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.