

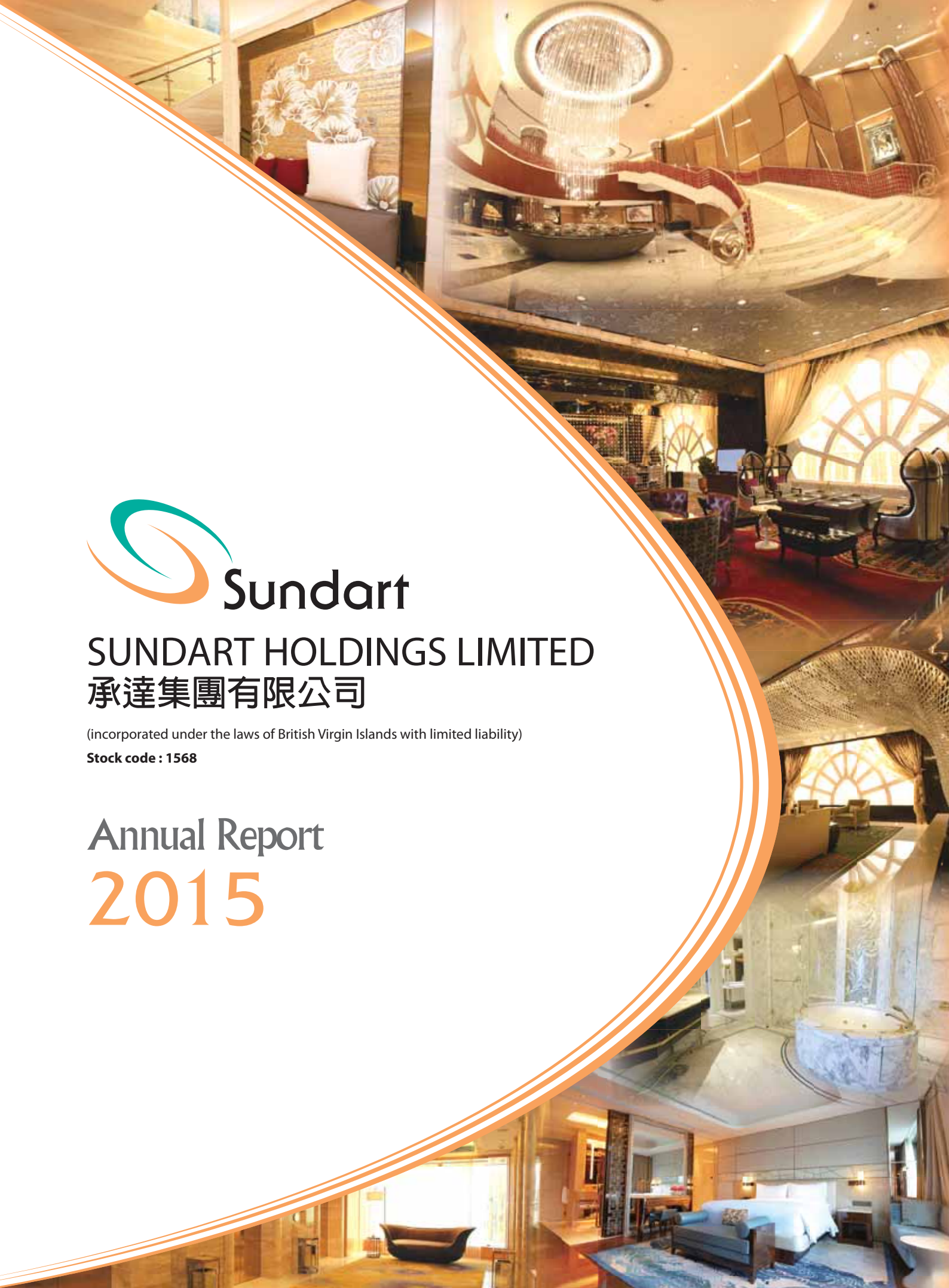


SUNDART HOLDINGS LIMITED
承達集團有限公司

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

Stock code : 1568

Annual Report
2015



About us

Sundart is one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. We have been operating our fitting-out business in Hong Kong since 1996 and we further expanded our fitting-out business to Macau in 2005.

We have undertaken a number of sizeable fitting-out projects in Hong Kong and Macau. As a fitting-out contractor, we are responsible for the overall project implementation by providing, processing or arranging for the necessary materials, labour, engineering expertise and technical know-how required for the fitting-out works and carrying out corresponding project management so as to ensure that the fitting-out works conform to the contractual requirements, meet customers' expectation and are completed on time and within budget.

In addition, we acquired Kin Shing, a general building contractor in October 2010 to expand our capability as a general building contractor for construction, interior decoration, repair, maintenance and alteration and addition works for residential property, hotel, factory, and commercial projects. Further, we manufacture interior decorative timber products such as fire-rated timber doors and wooden furniture, through Dongguan Sundart, the majority of which are used for our projects.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Tak Kwan (*Chief Executive Officer*)

Mr. Leung Kai Ming

Mr. Xie Jianyu (*Chief Financial Officer*)

Mr. Ng Chi Hang

Mr. Pong Kam Keung

Non-Executive Director

Mr. Liu Zaiwang (*Chairman*)

Independent Non-Executive Directors

Mr. Tam Anthony Chun Hung

Mr. Huang Pu

Mr. Li Zheng

AUDIT COMMITTEE

Mr. Tam Anthony Chun Hung (*Chairman*)

Mr. Huang Pu

Mr. Li Zheng

REMUNERATION COMMITTEE

Mr. Huang Pu (*Chairman*)

Mr. Ng Tak Kwan

Mr. Tam Anthony Chun Hung

NOMINATION COMMITTEE

Mr. Liu Zaiwang (*Chairman*)

Mr. Huang Pu

Mr. Li Zheng

INTERNAL CONTROL COMMITTEE

Mr. Pong Kam Keung (*Chairman*)

Mr. Xie Jianyu

COMPANY SECRETARY

Mr. Pong Kam Keung

AUTHORISED REPRESENTATIVES

Mr. Xie Jianyu

Mr. Pong Kam Keung

AUDITOR

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway

Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Pinsent Masons

50/F, Central Plaza

18 Harbour Road

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Level 11, HSBC Main Building

1 Queen's Road Central

Hong Kong

Hang Seng Bank Limited

20/F, 83 Des Voeux Road Central

Hong Kong

China Guangfa Bank Co., Ltd., Macau Branch

Alameda Dr. Carlos D' Assumpção

n°s181 a 187 Centro Comercial do Grupo Brilhantismo

18° Andar, em Macau

Corporate Information

REGISTERED OFFICE

Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands, VG1110

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

25/F, Millennium City 3
370 Kwun Tong Road
Kowloon
Hong Kong

BVI PRINCIPAL SHARE REGISTRAR

Codan Trust Company (B.V.I.) Ltd.
Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands, VG1110

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

1568

COMPANY'S WEBSITE

www.sundart.com

INVESTOR RELATIONS CONTACT

iPR Ogilvy Limited
Units 2008–12, 20/F
The Center
99 Queen's Road Central
Hong Kong

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

| | |
|------------------------------|--|
| “AGM” | the annual general meeting of the Company to be held at 10:00 a.m. on Tuesday, 31 May 2016 at Marina Room II, 2/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong or any adjournment thereof |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Audit Committee” | the audit committee of the Board |
| “Beijing Jiangheyuan” | 北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.), a limited liability company established in the PRC and a Controlling Shareholder |
| “Board” | the board of Directors |
| “business days” | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business |
| “BVI” | the British Virgin Islands |
| “close associates” | has the meaning ascribed thereto under the Listing Rules |
| “Code Provisions” | code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules |
| “Company” | SUNDART HOLDINGS LIMITED (承達集團有限公司) (stock code: 1568), a BVI business company with limited liability incorporated in the BVI, the Shares of which have been listed on the Main Board of the Stock Exchange since 29 December 2015 |
| “Company Secretary” | the company secretary of the Company |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Controlling Shareholder(s)” | has the meaning ascribed thereto under the Listing Rules, and in the context of the Company, means Mr. Liu, Ms. Fu, Beijing Jiangheyuan, Jangho Co., Jangho Hongkong and Reach Glory |
| “Director(s)” | the director(s) of the Company |
| “Dongguan Sundart” | 東莞承達家居有限公司 (Dongguan Sundart Home Furnishing Co., Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company |
| “Elite Tech” | Elite Tech Holdings Limited (達賢集團有限公司), a limited liability company incorporated in Hong Kong and a former subsidiary of the Company |

Definitions

| | |
|---|---|
| “Global Offering” | the issue of Shares by way of Hong Kong public offering and the international placing on 29 December 2015 |
| “Group” or “our” or “Sundart” or “us” or “we” | the Company and its subsidiaries |
| “HK\$” or “cents” | Hong Kong dollars or cents, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Government” | the government of Hong Kong |
| “Internal Control Committee” | the internal control committee of the Board |
| “Ipsos Report” | the market research report dated 30 November 2015 prepared by Ipsos Limited, an independent global market research company |
| “Jangho Co.” | 江河創建集團股份有限公司 (Jangho Group Co., Ltd.), a joint stock limited liability company established in the PRC (the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011) and a Controlling Shareholder |
| “Jangho Group” | Jangho Co. and its subsidiaries, excluding the members of the Group |
| “Jangho Hongkong” | Jangho Curtain Wall Hongkong Limited (江河幕牆香港有限公司), a limited liability company incorporated in Hong Kong, a wholly-owned subsidiary of Jangho Co. and a Controlling Shareholder |
| “Jangho Macau” | Jangho Curtain Wall Macao Co., Ltd (江河幕牆澳門有限公司), a limited liability company incorporated in Macau and was owned as to 99% and 1% by Jangho Co. and Jangho Hongkong, respectively |
| “Kin Shing” | Kin Shing (Leung’s) General Contractors Limited (堅城(梁氏)建築有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company |
| “Licensed Period” | From 4 December 2015, the date of the Trademark License Agreement, to 31 December 2017 (both dates inclusive) |
| “Listing” | the Listing of Shares on the Main Board of the Stock Exchange |
| “Listing Date” | 29 December 2015, being the date of Listing |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |

Definitions

| | |
|---------------------------------------|---|
| “MOP” | Macau Pataca, the lawful currency of Macau |
| “Mr. Liu” | Mr. Liu Zaiwang (劉載望), the non-executive Director, a Controlling Shareholder and spouse of Ms. Fu |
| “Ms. Fu” | Ms. Fu Haixia (富海霞), a Controlling Shareholder and spouse of Mr. Liu |
| “Nomination Committee” | the nomination committee of the Board |
| “PRC”, “China” or “Mainland China” | the People’s Republic of China which for the purpose of this Annual Report does not include Hong Kong, Macau and Taiwan |
| “Previous Year” | the year ended 31 December 2014 |
| “Prospectus” | the Company’s prospectus dated 11 December 2015 |
| “Reach Glory” | REACH GLORY INTERNATIONAL LIMITED, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Jangho Hongkong and a Controlling Shareholder |
| “Remuneration Committee” | the remuneration committee of the Board |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time |
| “Share(s)” | ordinary share(s) of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Share Option Scheme” | the share option scheme adopted by the Company and take effective from 1 December 2015, as amended from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” | has the meaning ascribed to it under the Listing Rules |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Sundart Beijing” | 北京承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Beijing) Limited), a limited liability company established in the PRC and a former subsidiary of the Company |
| “Sundart Dalian” | 大連承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Dalian) Limited), a limited liability company established in the PRC and a former subsidiary of the Company |
| “Sundart Emirates” | Sundart Emirates Interior Contracting LLC, a limited liability company incorporated in Abu Dhabi and a former subsidiary of the Company |

Definitions

| | |
|-------------------------------|---|
| “Sundart Macau” | Sundart Engineering Services (Macau) Limited (承達工程服務(澳門)有限公司), a limited liability company incorporated in Macau and an indirect wholly-owned subsidiary of the Company |
| “Sundart Timber” | Sundart Timber Products Company Limited (承達木材制品有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company |
| “Trademark License Agreement” | a trademark license agreement dated 4 December 2015 entered into among the Company, Sundart Beijing and Sundart Dalian |
| “Year” | the year ended 31 December 2015 |
| “%” | per cent. |



Chairman's Statement



Chairman's Statement



Mr. Liu Zaiwang
Chairman

Dear Shareholders,

On behalf of the Board, I am hereby pleased to announce the results of the Year of the Group.

On the 30th anniversary of Sundart in 2015, Sundart took it up a notch in this important year with its successful listing on the Main Board of the Stock Exchange on 29 December 2015, which laid another important milestone and set a new page for the business development. With this new financing platform, the Group will continue to expand its opportunity in the capital market and be committed to expanding and advancing its businesses while taking on new challenges and further consolidating its market position.

As one of the leading integrated fitting-out contractors in Hong Kong and Macau, Sundart has been specialising in providing professional fitting-out works for residential property and hotel projects. Kin Shing, a registered general building contractor under the Group, provides construction, interior decoration, repair, maintenance as well as alteration and addition works for residential property, hotel, factory and commercial projects whilst Dongguan Sundart manufactures interior decorative timber products.

Chairman's Statement

Leveraging the award of a number of diversified fitting-out projects as well as the accomplishment of effective economies of scale through our cost control system, upholding of the quality services and our experienced and passionate management team, the Group achieved a gratifying result for the Year. Sundart completed 21 fitting-out projects with individual contract sum of not less than HK\$50.0 million and 13 alteration and addition and construction projects during the Year with a total contract sum of approximately HK\$4,077.8 million, of which a total revenue of approximately HK\$1,812.0 million was recognised during the Year. The projects we completed for the Year including several sizeable hotel guestroom and casino fitting-out projects in Macau; residential fitting-out projects for major property developers and a monastery project in Hong Kong. During the Year, the revenue from continuing operations of the Group was HK\$4,133.1 million (2014: HK\$2,336.7 million). Profit for the year from continuing and discontinued operations was HK\$381.3 million (2014: HK\$178.7 million). Basic earnings per share was HK25.37 cents (2014: HK11.86 cents). The Board is pleased to propose a final dividend of HK8 cents per Share for the Year, equivalent to approximately 42% of the profit available for distribution for the Year, which is in line with the dividend policy as stated in the Prospectus.

According to Ipsos Report, the revenue of fitting-out industry in Hong Kong is predicted to increase from HK\$15.0 billion in 2015 to HK\$28.2 billion in 2019, representing a CAGR of 17.1%. We are optimistic about the industry's outlook because of the rapid urban development and ongoing construction of new hotels, residential properties and retail shopping malls.

Though Macau's gaming industry was experiencing a downturn in the Year and such trend may continue in the near future, we do not expect any material adverse impact on the Group's operations, financial or trading position in Macau, considering the Group's progress in its on-going fitting-out projects and its sufficient capacity to meet the demand as well as the growth in the number of hotels and restaurants in Macau. The prospect will also be brightened by the completion of the Hong Kong-Zhuhai-Macau Bridge in the coming years as the improved infrastructure will help to bolster Macau's tourism. Therefore, we are confident our fitting-out business in the city.

Sundart will take advantage of the market opportunities for continuous business expansion and development by seizing its long working relationships with the major property developers in Hong Kong and hotel owners in Hong Kong and Macau as well as its proven track record and experience accumulated over years.

On the other hand, the Group aims to solidify its position in the fitting-out markets in Hong Kong and Macau and to further diversify the scope of its fitting-out business as well as expand its presence to new business segment. The Group also intends to further capture other business opportunities such as construction, alteration and addition and maintenance works. We aim to continuously strengthen our research and development capabilities and technical leadership, further promote our brand name recognition, focus on and maintain high standards of project planning, management and implementation and undertake prudent financial management in order to secure our sustainable growth and capital adequacy.

Lastly, on behalf of the Board, I would like to take this opportunity to express my appreciation to our Shareholders, business partners and other professional parties for their constant support and to our management team and all staff of the Group for their effort and dedication during the Year.

Liu Zaiwang
Chairman



Management Discussion and Analysis



Management Discussion and Analysis

MARKET REVIEW

Driven by, *inter alia*, the increased private consumption, as well as increased government investment in infrastructure projects and net exports, the Hong Kong nominal gross domestic product experienced continuous growth in recent years. Such growth resulted in the stable development of the construction industry in Hong Kong during the Year. According to the provisional results of the Quarterly Survey of Construction Output by the Census and Statistics Department of the Hong Kong Government, the total gross value of construction works performed by main contractors in the first three quarters of the Year amounted to HK\$162.7 billion, representing a year-on-year increase of approximately 11.7% in nominal terms. Benefited from the development of construction industry, fitting-out industry and alteration and addition industry in Hong Kong also recorded steady development in both public and private sectors in the Year.

Benefited from the booming gaming and tourism industries in Macau, market demand for high-end hotels, casinos and residential buildings has continuously increased up to 2014. Starting from 2015, Macau's gaming industry has been experiencing a downturn. However, according to the "Package Tours and Hotel Occupancy Rate for December 2015" published by Macao Trade and Investment Promotion Institute, the number of operating hotels and guesthouses in Macau reached 106 by the end of December 2015, increased by eight on a year-on-year basis. The number of guest rooms in Macau reached 32,000, representing a year-on-year increase of approximately 15.6%. In addition, it is also expected that number of visitors to Macau will increase due to the completion of Hong Kong – Zhuhai – Macau Bridge in the coming years. This in turn may benefit the fitting-out contractors in Macau.

BUSINESS REVIEW

On 29 December 2015, the Shares were listed on the Main Board of the Stock Exchange when 500,000,000 shares were offered for subscription at HK\$1.38 each.

The Group is one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. 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, the majority of our revenue were derived from our fitting-out projects in the private sector.

Continuing Operations

During the Year, the Group has recorded a growth for the financial performance of the Group's continuing operations.

Fitting-out works^{Note}

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 and Macau.

During the Year, the Group had completed a total of 21 fitting-out projects with individual contract sum of not less than HK\$50.0 million, including 13 and eight fitting-out projects in Hong Kong and Macau, respectively. As at 31 December 2015, the Group had a total of 17 projects in progress with individual contract sum of not less than HK\$50.0 million, including nine and eight fitting-out projects in Hong Kong and Macau, respectively. The total contract sum and the value of remaining works for such projects in progress amounted to approximately HK\$4,320.9 million and HK\$2,867.6 million, respectively.

During the Year, the Group's revenue derived from its fitting-out business amounted to HK\$3,516.6 million (2014: HK\$1,983.6 million), increased by HK\$1,533.0 million or 77.3% when compared to the Previous Year. Such increase was primarily generated from fitting-out works for hotels and casinos mainly caused by the commencement of 10 projects in Macau during the second half of 2014 and the first half of 2015 and out of which five projects were substantially or practically completed for the Year.

Management Discussion and Analysis

The Group's gross profit derived from its fitting-out business during the Year amounted to HK\$553.7 million (2014: HK\$271.6 million), increased by HK\$282.1 million or 103.9%. During the Year, the Group's gross profit margin for its fitting-out works increased from 13.7% in the Previous Year to 15.7% in the Year. Such increase was mainly attributable to the reversal of revenue of HK\$44.2 million accrued in 2013 for the Group's two hotel fitting-out projects in Russia for the Previous Year due to the discontinuation of such projects in November 2013.

Alteration and addition and construction works^{Note}

The Group carries out alteration and addition and construction business in Hong Kong through Kin Shing, a registered general building contractor.

During the Year, Kin Shing completed a total of 13 alteration and addition and construction projects with a total contract sum of approximately HK\$192.5 million, out of which a total revenue of HK\$35.0 million was recognised during the Year. As at 31 December 2015, Kin Shing had 10 projects on hand (including contracts in progress and contracts which are yet to commence) with a total contract sum of approximately HK\$946.9 million.

During the Year, the Group's revenue derived from its alteration and addition and construction business amounted to HK\$583.4 million (2014: HK\$308.9 million), increased by HK\$274.5 million or 88.9% when compared to the Previous Year. Such increase was primarily attributable to the commencement of a garden house development project in Lantau Island and a foundation project in Yuen Long in the end of 2014 and early 2015, respectively.

The Group's gross profit derived from its alteration and addition and construction business was HK\$23.1 million (2014: HK\$15.6 million), increased by HK\$7.5 million or 48.1%.

During the Year, the Group's gross profit margin for its alteration and addition and construction business decreased from 5.1% for the Previous Year to 4.0% for the Year. Such decrease was primarily due to the increment of costs expected to incur for three projects for the Year, as a result of the revision of the budgets by its quantity surveyors during the Year.

Manufacturing, sourcing and distribution of interior decorative materials^{Note}

The Group manufactures interior timber products such as fire-rated timber doors and wooden furniture through Dongguan Sundart. Dongguan Sundart also provides 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 amounted to HK\$33.1 million (2014: HK\$44.2 million), decreased by HK\$11.1 million or 25.1% when compared to the Previous Year. Such reduction was primarily attributable to the decreased sales of wooden furniture to a hotel located in Chengdu, the PRC and decreased sales of wooden furniture to Middle East and Southeast Asia.

During the Year, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business amounted to HK\$6.1 million (2014: HK\$0.9 million), increased by HK\$5.2 million or 577.8% when compared to the Previous Year. The Group's gross profit margin for its manufacturing, sourcing and distribution of interior decorative materials business increased from 2.0% for the Previous Year to 18.4% for the Year. Such increase was primarily due to increase in the orders from Macau, which have higher gross profit margin.

Note: in relation to our continuing operations only

Discontinued Operations

On 24 April 2015, the Group has disposed 50% equity interests in Sundart Beijing, which engaged in fitting-out works in the PRC, to Jangho Hongkong. As a result, the Group ceased to have any fitting-out business in the PRC. To further enhance the business delineation between Jangho Group and the Group, Sundart Timber further disposed the remaining 25% equity interests it held in Sundart Beijing to Jangho Hongkong on 25 June 2015. The Group will further utilise its existing resources in the development of remaining segments.

Management Discussion and Analysis

During the Year, the Group's revenue and gross profit derived from discontinued operations decreased to HK\$338.0 million (2014: HK\$1,112.3 million) and HK\$28.1 million (2014: HK\$74.1 million), respectively. Such decrease was primarily due to its discontinuation of such operations in April 2015.

During the Year, the Group recorded profit for the year from the discontinued operations amounting to HK\$9.4 million (2014: HK\$3.3 million), increased by HK\$6.1 million or 184.8% when compared to the Previous Year. Such increase was primarily attributable to HK\$10.5 million of the gain on disposal of subsidiaries in the Year.

FINANCIAL REVIEW

Revenue, Gross Profit and Gross Profit Margin

During the Year, the Group's revenue from continuing operations amounted to HK\$4,133.1 million (2014: HK\$2,336.7 million), increased by HK\$1,796.4 million or 76.9% when compared to the Previous Year. The Group's gross profit derived from continuing operations during the Year amounted to HK\$582.9 million (2014: HK\$288.1 million), increased by HK\$294.8 million or 102.3% when compared to the Previous Year. During the Year, the Group's gross profit margin for the continuing operations was 14.1% (2014: 12.3%), increased by 14.6% when compared to the Previous Year. Such growths were mainly attributed to the increases of HK\$1,533.0 million, HK\$282.1 million and 14.6% in the revenue, gross profit and gross profit margin of fitting-out works from continuing operations, respectively. For details, see "BUSINESS REVIEW — Continuing Operations — Fitting-out works".

Other Income, Other Gains and Losses

The Group recorded net other losses of HK\$6.4 million from continuing operations for the Year (2014: other income and other gains of HK\$3.1 million), primarily due to the Group's written-off of trade receivables of (i) HK\$9.1 million in the Year due from Yantai Shentong Import Export Company Limited, which default in payment due to failure to receive payment from its end customer and disagreements in the amounts payable to the Group; and (ii) HK\$1.1 million due from a customer of Sundart Emirates as a result of the poor financial condition of such customer.

Profit for the Year

During the Year, the Group's profit for the year from continuing operations amounted to HK\$371.9 million (2014: HK\$175.4 million), increased by HK\$196.5 million or 112.0% when compared to the Previous Year. Such increase was primarily attributable to an increase in the revenue the Group recognised in Macau for the Year. The Group's projects in Macau generally had higher gross profit margins while the tax rate in Macau was lower as compared with that in Hong Kong and the PRC. The increase was also due to less proportionate increase in certain of the Group's overhead costs such as administrative costs as compared with the increase in the gross profit, as the number of the Group's administrative staff did not increase at the same rate at which the Group's gross profit increased.

Basic Earnings Per Share

The Company's basic earnings per share from continuing and discontinued operations for the Year was HK25.37 cents (2014: HK11.86 cents), increased by HK13.51 cents or 113.9% which is in line with the profit for the year attributable to owners of the Company when compared to the Previous Year.

Final Dividend

The Board proposed a final dividend of HK8 cents per Share for the Year, equivalent to approximately 42% of the profit available for distribution for the Year, which is in line with the dividend policy as stated in the Prospectus.

Material Acquisition and Disposal

In order to ensure compliance with the relevant PRC non-competition requirement which in effect prohibits the Group from engaging in the fitting-out works in the PRC, on 24 April 2015, the Group disposed 50% equity interests in Sundart Beijing to Jangho Hongkong at the consideration of approximately HK\$91.4 million, which was determined after arm's length negotiation between the relevant parties with reference to the audited net asset value of Sundart Beijing as at 31 December 2014 (being approximately HK\$182.9 million). For details, please see the consolidated financial statement – Note 35. Disposals of subsidiaries – (a) Disposal of interests in Sundart Beijing.

Management Discussion and Analysis

To further enhance the business delineation between Jangho Group and the Group, the Group disposed the remaining 25% equity interests it held in Sundart Beijing to Jangho Hongkong on 25 June 2015 at the consideration of approximately HK\$45.7 million, which was determined after arm's length negotiation between the relevant parties with reference to the audited net asset value of Sundart Beijing as at 31 December 2014.

On 29 June 2015, to simplify the Group's structure, the wholly-owned subsidiary of the Company, Sundart Investments Limited transferred its entire interests in Elite Tech to Jangho Hongkong at the consideration of HK\$1, which was determined after arm's length negotiation between the relevant parties, having considered that Elite Tech and Sundart Emirates did not have any business operation and had no material assets at the relevant time. Upon completion of such disposal, Elite Tech and Sundart Emirates ceased to be subsidiaries of the Company. For details, please see the consolidated financial statement – Note 35. Disposals of subsidiaries – (b) Disposal of interests in Elite Tech.

Save as disclosed above, there were no other material acquisition and disposal of subsidiaries by the Company during the Year.

Available-for-sale Investment

During the Year, the Group purchased available-for-sale investment in the form of shares of a listed company, Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited), which was listed on the Main Board of the Stock Exchange (stock code: 2389). The investment the Group held can be traded in the open market and are not subject to any selling restriction.

As at 31 December 2015, the Group's available-for-sale investment amounted to HK\$132.4 million (2014: nil) against HK\$104.3 million of the purchase price, representing an increase of HK\$28.1 million. However, up to the date of this report, there was a decline in the value of the investment as the share price retreated. The Group was subject to the market risks associated with its investment. The management will closely monitors the performance of the Group's investment from time to time and would consider risk management actions should the need arise.

Future plans for material investments

The Group did not have any other plans for material investments.

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. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

As at 31 December 2015, the Group had bank balances and cash of HK\$895.4 million (31 December 2014: HK\$361.8 million). The increase in bank balances and cash was mainly due to the receipt of net proceeds from the Global Offering of HK\$627.8 million, after the deduction of underwriting fees and commissions and all related expenses.

As at 31 December 2015, bank borrowings amounted to HK\$254.6 million (31 December 2014: HK\$118.8 million) of which HK\$254.6 million and nil will mature within one year and one year to two years (31 December 2014: HK\$96.3 million and HK\$22.5 million), respectively.

The Group continued to maintain a healthy liquidity position. As at 31 December 2015, the Group's current assets and current liabilities were HK\$2,726.4 million (31 December 2014: HK\$2,503.8 million) and HK\$1,571.5 million (31 December 2014: HK\$1,732.4 million), respectively. The Group's current ratio increased to 1.7 times (31 December 2014: 1.4 times) and the Group has maintained sufficient liquid assets to finance its operations.

Gearing ratio calculated by dividing total debts (including bank borrowings and amount due to ultimate holding company incurred not in ordinary course of business) with total equity was 18.1% as at 31 December 2015 (31 December 2014: 14.5%). The increase in gearing ratio was primarily due to an increase in bank borrowings to finance the expansion of the Group's hotel and residential property fitting-out business.

Management Discussion and Analysis

As at 31 December 2015, the share capital and equity attributable to owners of the Company amounted to HK\$669.3 million and HK\$1,409.5 million, respectively (31 December 2014: HK\$40,000 and HK\$811.7 million, respectively).

Charge on the Group's Assets

The Group did not charge or pledge any assets as at 31 December 2015. As at 31 December 2014, the Group had pledged HK\$0.9 million and HK\$32.6 million of other receivables and bank deposits, respectively to secure the bank facilities for its discontinued operations.

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities as at 31 December 2015.

There was no capital commitment as at 31 December 2015. As at 31 December 2014, the Group had capital commitments of HK\$0.3 million in relation to acquisitions of plant and equipment.

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, Renminbi and United States dollars. The Group's bank borrowings have been made at floating rates. The Group has 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 activities to reduce the risks.

Credit Exposure

During the Year, the Group has adopted prudent credit policies to deal with credit exposure. The Group's major customers are reputable property developers, hotel owners and main contractors. Therefore, the Group is not exposed to significant credit risk. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time with a view to keep the credit risk exposure of the Group at a relatively low level.

EVENT AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2015 which would materially affect the Group's operating and financial performance as of the date of consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the total number of full-time employees of the Group for continuing operations was 911 (31 December 2014: 1,023) while that of the discontinued operations was 515 as at the date the Group disposed such operations on 24 April 2015 (31 December 2014: 568).

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. In addition, the Company has adopted a Share Option Scheme as an additional incentives for eligible persons. For details, please see "Directors' Report – Share Option Scheme". The Group also provides training programmes for its employees to equip themselves with requisite skills and knowledge.

The Group's gross staff costs from continuing operations (including the directors' emoluments) was HK\$244.5 million for the Year (2014: HK\$210.2 million). The increase in gross staff costs was mainly attributable to the distribution of a generous bonus resulting from strong growth of the Group's financial results for the Year.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares have been listed and traded on the Main Board of the Stock Exchange since 29 December 2015.

The net proceeds from the Global Offering amounted to approximately HK\$627.8 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus. As at 31 December 2015, the Company did not utilise any of the net proceeds and deposited the entire amount of the net proceeds in bank accounts.

Management Discussion and Analysis

PROSPECTS AND STRATEGIES

The Group remains cautious of the macroeconomic dynamics in Hong Kong and Macau, as well as in Mainland China. The Group believes growth opportunities exist in the long run due to the rapid urban development in Hong Kong and infrastructure developments in Macau.

According to Ipsos Report, the revenue of fitting-out industry in Hong Kong is expected to increase from HK\$15.0 billion in 2015 to HK\$28.2 billion in 2019, representing a CAGR of 17.1%. The Group is optimistic about the industry outlook brought by the rapid urban development and ongoing construction of new hotels, residential properties and retail shopping malls.

Though Macau's gaming industry has been experiencing a downturn in the Year and such downturn may continue in the near future, the Directors did not expect there will be any material adverse impact on the Group's operations, financial or trading position in Macau, considering the progress of the Group's on-going fitting-out projects and the Group's capacity, the growth in number of hotels and restaurants in Macau, as well as the expected increase in the number of visitors to Macau associated with the completion of Hong Kong – Zhuhai – Macau Bridge in the coming years.

Going forward, the Group aims to solidify its position in fitting-out markets in Hong Kong and Macau and to further diversify its fitting-out business and expand its presence to new business segment. In order to maintain the long-term competitiveness and drive business growth, the Group will continue to strengthen its research and development capabilities and technical leadership. Meanwhile, the Group will continue to focus on enhancing its brand name recognition by continuously improving its service and distinguishing itself from its competitors by further enhancing its operational efficiency and productivity and also to emphasise and maintain high standards of project planning, management and implementation. The Group also adheres to prudent financial management to ensure sustainable growth and capital sufficiency. The Group will remain disciplined in its capital commitments and seek long-term financing opportunities.

The Group believes that its proven track record and long working relationships with major property developers in Hong Kong and hotel owners in Hong Kong and Macau position the Group well for bidding sizeable projects for the coming years. The Group also believes that it will be able to capitalise the market opportunity leveraging the proven track record, experience and expertise in fitting-out works in Macau as well. The Group is able to diversify its business and capture other business opportunities such as being a registered general building contractor for construction works and contractors for alteration and addition and maintenance works.

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ng Tak Kwan (吳德坤), aged 61, is our executive Director and chief executive officer. He is also a director of each subsidiary of our Company. Mr. Ng is one of the founders of our Group. He has been mainly focusing on our Group's daily operations since our commencement of business in 1986. He is also a member of the remuneration committee. Mr. Ng left our Group in 1996 and re-joined us in October 1998. Currently, Mr. Ng is primarily responsible for the overall management of the business development of our Group. Mr. Ng obtained a bachelor degree of science in civil engineering from the University of Calgary, Canada in June 1978. Mr. Ng was an executive director of Rykadan Capital Limited, a company listed on the Stock Exchange (stock code: 2288) from August 2009 to 20 August 2015 and has acted as a non-executive director since 21 August 2015.

Mr. Leung Kai Ming (梁繼明), aged 62, is our executive Director. He is also a director of each subsidiary of our Company, GLORY SPRING INVESTMENTS LIMITED, Sundart Products Limited, Sundart International Supply

Limited, Sundart International Supply (Macau) Limited, Sundart Living Limited, Grace United Development Limited, Sundart Timber, Dongguan Sundart, Sundart Engineering (Far East) Limited and Sundart Macau. Mr. Leung is one of the founders of our Group's business. He left our Group in July 2006 and re-joined us in April 2009. Currently, he is mainly responsible for overseeing the manufacturing, technical and engineering activities and sourcing and distribution of materials of our Group. Mr. Leung was the director of the following companies which were incorporated in Hong Kong and are subject to deregistration proceedings pursuant to section 750 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on the ground that it ceased to carry on any business or operation. It is confirmed by Mr. Leung that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

| Name of company | Nature of business | Date of submission of application for deregistration | Status as at the date of this annual report |
|---|--------------------|--|--|
| Sundart International Limited 承達環球有限公司 | Inactive | 17 December 2015 | Being processed by the Companies Registry of Hong Kong |
| Win Venture Trading Limited 鴻域貿易有限公司 | Inactive | 13 January 2016 | Being processed by the Companies Registry of Hong Kong |

Mr. Xie Jianyu (謝健瑜), aged 36, is our executive Director and chief financial officer. He is also a director of each subsidiary of our Company. He joined us in June 2012 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management of our Group. He is also a member of the Internal Control Committee. Prior to joining us, Mr. Xie was the financial manager of cost control department of ATLANTIS Holding Norway AS from March 2006 to December 2008, the chief accountant of Workz Middle East FZE from January 2009 to March 2010 and the financial director of Middle East & North Africa Group of J&H Emirates LLC from April 2010 to June 2012. Mr. Xie obtained a bachelor degree in economics from Xiamen University (廈門大學), the PRC in July 2001 and a master degree of business administration from the University of Hong Kong, Hong Kong in November 2015. Mr. Xie became a certified management accountant

of the Institute of Management Accountants, the USA and a member of the Association of Chartered Certified Accountants in February 2008 and September 2014, respectively. Mr. Xie was the director of Elite Tech, a company incorporated in Hong Kong and is subject to deregistration proceeding pursuant to section 750 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on the ground that it ceased to carry on any business or operation. The submission of application for deregistration was made on 22 February 2016. It is confirmed by Mr. Xie that such the deregistration was made voluntarily by way of submitting application to the Companies Registry of Hong Kong because Elite Tech ceased to carry on business or operation for more than three months immediately before the relevant application. As at the date of this annual report, the deregistration application was being processed by the Companies Registry of Hong Kong.

Biographies of Directors and Senior Management

Mr. Ng Chi Hang (吳智恒), aged 40, is our executive Director. He joined us as a quantity surveyor in Sundart Timber in September 2005 and is mainly responsible for overseeing the overall operation of our Group in Macau. Prior to joining us, Mr. Ng was a quantity surveyor of Bridgewater & Coulton Limited from April 2000 to September 2002. Mr. Ng obtained a bachelor degree of science in surveying from the University of Hong Kong, Hong Kong in December 1998 and a master degree of science in construction and real estate from the Hong Kong Polytechnic University, Hong Kong in November 2004. He became a member of the Hong Kong Institute of Surveyors and professional member of the Royal Institution of Chartered Surveyors in February 2003. He has been a registered professional surveyor in the quantity surveying division of the Surveyors Registration Board of Hong Kong since April 2005.

Mr. Pong Kam Keung (龐錦強), aged 54, is our executive Director. He joined us as a project director in Kin Shing in July 2013 and is mainly responsible for overseeing the execution of the fitting-out projects and the legal and compliance matters of our Group. He is also a member and the chairman of the Internal Control Committee. Prior to joining us, Mr. Pong was the chief prosecution officer of Environmental Protection Department of the Hong Kong Government from July 2004 to July 2013. He was a member of the Appeal Tribunal Panel of the Housing, Planning and Lands Bureau of the Hong Kong Government from February 2007 to November 2012 and a member of the Advisory Committee on Barrier Free Access of the Buildings Department from August 2001 to July 2003. Mr. Pong served as a director of education and membership of the Hong Kong Institute of Facility Management from October 2008 to October 2009. Mr. Pong obtained a bachelor degree of science in building surveying from the Thames Polytechnic, United Kingdom in June 1989, a master degree of science in property investment from the City University of London, United Kingdom in December 1993, a bachelor degree of laws from the University of Wolverhampton, United Kingdom in September 1995, a master degree of science in urban planning from the University of Hong Kong, Hong Kong in December 2005 and a master degree of corporate governance from the Hong Kong Polytechnic University, Hong Kong in October 2008. Mr. Pong has been a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the

Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute since July 2000, November 2000, January 2001, January 2006, October 2012 and January 2007, respectively. Mr. Pong registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014.

Non-Executive Director

Mr. Liu Zaiwang (劉載望), aged 44, is our chairman and non-executive Director. Mr. Liu is primarily responsible for the overall strategy, investment planning and human resource strategy of our Group. He is also a member and the chairman of the nomination committee. Mr. Liu has been involving in the curtain wall and construction materials industry since February 1999 when he founded our Controlling Shareholder, Jangho Co., the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886). He is the legal representative, director and chairman of Jangho Co. and is responsible for the overall management of Jangho Co.. Mr. Liu also assumes several social positions including the member of standing committee of the National People's Congress of Shunyi District, Beijing, the PRC (北京市順義區人民代表大會常務委員) and the vice-chairman of the board of the Northeastern University (東北大學), the PRC.

Independent Non-Executive Directors

Mr. Tam Anthony Chun Hung (譚振雄), aged 65, is an independent non-executive Director. He is also a member of each of the audit and remuneration committees and the chairman of the audit committee. Mr. Tam has over 18 years of experience in international taxation. Mr. Tam was a tax partner of Deloitte Touche Tohmatsu from 1997 to 2013. Since August 2014, Mr. Tam has been the managing tax partner of Mazars CPA Limited. Mr. Tam is an independent non-executive director of Colour Life Services Group Co., Limited, a company listed on the Stock Exchange (stock code: 1778). Mr. Tam obtained a bachelor degree of engineering and management from McMaster University, Canada in May 1976 and a master degree of business administration in finance from the University of Toronto, Canada in November 1983. He became a member of the Institute of Chartered Professional Accountant of Ontario, Canada (formerly known as Institute of Chartered Accountants of Ontario, Canada) in March 1981 and a fellow member of the Hong Kong Institute of Certified Public Accountants in February 1993.

Biographies of Directors and Senior Management

Mr. Huang Pu (黃璞), aged 43, is an independent non-executive Director. He is also a member of each of the audit, remuneration and nomination committees and the chairman of the remuneration committee. Mr. Huang worked in Huifu Investment Information Limited (匯富投資資訊有限公司) from May 2001 to June 2003. Currently, Mr. Huang is an investment consultant in Beijing Dazhong Investment Co., Ltd (北京大中投資有限公司). He obtained a bachelor degree in statistics, a master degree in economics and a doctoral degree in finance from the Renmin University of China (中國人民大學), the PRC in July 1993, July 1996 and July 1999, respectively.

Mr. Li Zheng (李正), aged 58, is an independent non-executive Director. He is also a member of each of the audit and nomination committees. Mr. Li has over 25 years of experience in legal practice. Mr. Li was a partner of Guangdong Run & Race Law Firm (廣東仁人律師事務所) from June 1996 to July 2010 and has been a partner of Guangdong Shentiancheng Law Firm (廣東深天成律師事務所) since August 2010. He is an independent director of Shenzhen Nanshan Power Co., Ltd (深圳南山熱電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000037), an independent director of Dalian Sunasia Tourism Holding Co. Ltd (大連聖亞旅遊控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600593) and an independent director of Shenzhen Eternal Asia Supply Chain Management Ltd (深圳市怡亞通供應鏈股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002183). Mr. Li obtained a bachelor degree of laws from Jilin University (吉林大學), the PRC in August 1983 and qualified as a lawyer in the PRC in June 1989. He was accredited as "Outstanding Young Lawyer (優秀中青年律師)" by Zhejiang Provincial Department of Justice (浙江省司法廳) and Zhejiang Law Society (浙江省律師協會) in October 1989. Mr. Li obtained the training certification of independent director in March 2011, October 2013 and July 2014, respectively.

Senior Management

Mr. Chung Tsz Lung Jimmy (鍾子龍), aged 55, is the assistant general manager of Sundart Timber. He joined us in August 2000 and is mainly responsible for overseeing the operation of the projects in high-end commercial properties and planning and supervising the tender procedure and subcontracting. Prior to joining us, Mr. Chung worked as quantity surveyor, contracts manager, assistant maintenance supervisor and project manager in various companies in Hong Kong and Canada. Mr. Chung obtained a higher diploma and associateship in building technology and management from the Hong Kong Polytechnic, Hong Kong (now known as the Hong Kong Polytechnic University, Hong Kong) in November 1982 and November 1983, respectively. Mr. Chung became a member of the Chartered Institute of Building of the United Kingdom in March 1988.

Mr. Chan Chung Ming (陳仲明), aged 47, is the design manager of Sundart Timber. He joined us as design coordinator in September 2000. He is mainly responsible for overseeing the interior fitting-out works and monitoring the progress of design application for the projects. Mr. Chan has 20 years' experience in interior design and shop drawing presentation of interior decorations for various types of buildings. Prior to joining us, Mr. Chan was a design coordinator in Sundart (CIL) Engineering Limited (承達建材工程有限公司) from July 1996 to July 1999. Mr. Chan was awarded a certificate in building studies (architectural) from the Morrison Hill Technical Institute, Hong Kong in August 1992 and attended the ISO14001:2004 introduction training in the Hong Kong Quality Assurance Agency in 2009. He graduated from the City University of Hong Kong, Hong Kong in December 1996 with a higher diploma in architectural studies.

Mr. Chan Hak Man (陳克民), aged 60, is the senior project manager of Sundart Timber. He joined us in November 2007 and is mainly responsible for organising the projects and monitoring the progress of the projects. Prior to joining us, Mr. Chan worked for several companies, mainly in the areas of civil engineering and interior design. Mr. Chan was awarded a certificate in furniture design from the Technical Institute of the Education Department of Hong Kong in July 1981.

Biographies of Directors and Senior Management

Mr. Chiu Yeuk Ho (趙若濠), aged 55, is the senior project manager of Sundart Timber. He joined us as quality assurance officer in June 2004 and was promoted to project manager in April 2005. He is mainly responsible for organising the projects and monitoring the progress of the projects. Mr. Chiu has accumulated over 30 years' experience in construction industry. He started his career as an assistant engineering in Shui On Construction Company Limited (瑞安建築有限公司) from February 1984 to July 1987. After that, he was a project coordinator and estimator of Arrow Aluminum Products Limited from 1987 to October 1992 and a project manager of Pentad Construction Company Limited (大有建築有限公司) from November 1992 to March 1996. He was a project manager of G+H Montage (Hong Kong Projects) Limited from July 1996 to October 1997. Mr. Chiu was a senior project coordinator of Hyundai Engineering & Construction Co., Ltd from November 1997 to June 2004. Mr. Chiu obtained a bachelor degree in geography-survey science from the University of Alberta, Canada in June 1984.

Mr. Chan Tze Chiu (陳子昭), aged 53, is the senior project manager of Sundart Timber. He joined us as project manager in January 2008 and was promoted to a senior project manager in July 2013. He is mainly responsible for organising the projects and monitoring the progress of the projects. Prior to joining us, Mr. Chan was the project manager of Enful Engineering Limited (銀豐工程有限公司) from August 1988 to August 1998. Mr. Chan obtained a bachelor degree in civil engineering from the Huaqiao University (華僑大學), the PRC in July 1987.

Mr. Lau Mong Yu Alex (劉夢如), aged 53, is our purchasing manager. He joined us as a senior purchasing officer in August 2003. He is mainly responsible for coordinating all purchasing activities of our Group. With over 20 years of experience in the procurement field, Mr. Lau is experienced in procuring professional timber products and building and decoration related materials. Prior to joining us, Mr. Lau was the purchasing manager of Hong Kong Teakwood Works Limited (香港柚木製品有限公司) from March 1994 to October 2001.

Ms. Chui Muk Heung (徐木香), aged 47, is the chief accountant of our Company. She joined us as a senior accountant in November 2003. She is mainly responsible for the financial and accounting matters of our Group. Before joining our Group, Ms. Chui had worked as accounting professional in various companies including construction materials firms and accounting firms. She was employed as an accountant by K.Wah Construction Materials (Hong Kong) Limited (嘉華建材(香港)有限公司) in July 1997 and promoted to an assistant accounts manager in June 2001 and left in August 2002. Ms. Chui was accredited as an accounting technician in November 1990. She became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in February 2000 and March 2000, respectively.

Mr. To Ka Wah Kevin (杜嘉華), aged 42, is the contracts manager of Sundart Timber. He joined us in March 2013 and is mainly responsible for participating in tender and quotation and handling contracts related matters. Prior to joining us, Mr. To had previously worked for several engineering companies and interior design companies. Mr. To obtained a bachelor degree of building in construction economics from the University of Technology Sydney, Australia in May 1998.

Mr. Man Pui Kwan (文沛堃), aged 59, is the managing director of Kin Shing. He joined us as commercial director in September 2010. He is mainly responsible for the day-to-day management of Kin Shing. Mr. Man has over 35 years of experience in the field of quantity surveying and contracts management. Before founding his own business in early 1990, Mr. Man was employed as an assistant quantity surveyor in Rawlinson, Russell & Partners, a quantity surveying and construction cost consulting firm, in July 1980 and was promoted to a quantity surveyor in March 1984 and held the position until July 1987. He was then employed as a quantity surveyor in the Quantity Surveying branch of the Architectural Services Department of the Hong Kong Government from July 1987 to March 1990. Mr. Man set up his own company, Forewin Consultants Limited, in early 1990 and since then has been acting as an executive director, mainly responsible for its general operation. Mr. Man obtained a bachelor degree of science in quantity surveying from the Thames Polytechnic, United Kingdom in June 1980. Mr. Man has been a professional associate of the Royal Institute of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a member of the Chartered Institute of Arbitrators since January 1984, June 1997 and September 1999, respectively.

Corporate Governance Report

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the Shareholders, customers and employees of the Company. Since Listing Date, the Board had adopted the principles and the Code Provisions to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee with specific written terms of reference and made such terms of reference available on the websites of the Stock Exchange and the Company.

In the opinion of the Directors, the Company has complied with all applicable Code Provisions since Listing Date to 31 December 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with each of the Directors and all Directors have confirmed that they had complied with the Model Code from the Listing Date to 31 December 2015.

THE BOARD

Composition of the Board

As at the date of this annual report, the Board consisted of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Ng Tak Kwan (*Chief Executive Officer*)
Mr. Leung Kai Ming
Mr. Xie Jianyu (*Chief Financial Officer*)
Mr. Ng Chi Hang
Mr. Pong Kam Keung

Non-Executive Director

Mr. Liu Zaiwang (*Chairman*)

Independent Non-Executive Directors

Mr. Tam Anthony Chun Hung
Mr. Huang Pu
Mr. Li Zheng

For biographical details of all current Directors and senior management of the Company, please see "Biographies of Directors and Senior Management". To the best knowledge of the Directors, save as disclosed in the biographies of the Directors, there is no financial, business, family or other material or relevant relationships among the members of the Board during the Year.

Functions of the Board and Delegation of Powers

The principal function of the Board is to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function and supervise the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

The Board delegates day-to-day operations of the Group to the executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Corporate Governance Report

Board and General Meetings

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Pursuant to paragraph A.1.1 of the Code Provisions, the Board should meet regularly and board meetings should be held at least four times a year. During the Year, the Board held 28 meetings. Details of the attendance of the relevant Directors are as follows:

| Directors | Number of meetings attended/eligible to attend |
|--|--|
| Executive Directors | |
| Mr. Ng Tak Kwan (<i>Chief Executive Officer</i>) | 28/28 |
| Mr. Leung Kai Ming | 5/28 |
| Mr. Xie Jianyu (<i>Chief Financial Officer</i>) | 28/28 |
| Mr. Ng Chi Hang (appointed on 23 July 2015) | 4/16 |
| Mr. Pong Kam Keung (appointed on 23 July 2015) | 4/16 |
| Non-Executive Director | |
| Mr. Liu Zaiwang (<i>Chairman</i> , appointed on 23 July 2015) | 2/16 |
| Independent Non-Executive Directors | |
| Mr. Tam Anthony Chun Hung (appointed on 1 December 2015) | 1/8 |
| Mr. Huang Pu (appointed on 1 December 2015) | 1/8 |
| Mr. Li Zheng (appointed on 1 December 2015) | 1/8 |

Note: No general meeting has been held since the Listing Date to the date of this annual report. The forthcoming AGM will be the first general meeting of the Company from the Listing Date.

Directors' Appointment and Re-election

Each of our executive Directors, namely, Mr. Ng Tak Kwan, Mr. Leung Kai Ming, Mr. Xie Jianyu, Mr. Ng Chi Hang and Mr. Pong Kam Keung, has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by either the Company or the other party by giving three months' written notice or otherwise in accordance with the terms of the service agreement.

Our non-executive Director, namely, Mr. Liu Zaiwang, has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be terminated by either the Company or Mr. Liu by giving three months' written notice or otherwise in accordance with the terms of the appointment letter.

Corporate Governance Report

Each of our independent non-executive Directors, namely, Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng, has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be terminated by either the Company or the other party by giving three months' written notice or otherwise in accordance with the terms of the appointment letter.

In compliance with paragraph A.4.2 of the Code Provisions, all directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 74(3) of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an additional director. Any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with paragraph A.4.2 of the Code Provisions, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 75(1) of the Articles of Association, at each annual general meeting one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election.

Independent Non-Executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) and 3.10A of the Listing Rules. Furthermore, among these three independent non-executive Directors, Mr. Tam Anthony Chun Hung has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance to Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors a written confirmation of his independence. The Company, based on such confirmations, considers each of Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng continue to be independent.

According to paragraph A.6.7 of the Code Provisions, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders. No general meeting has been held since the Listing Date to the date of this annual report. The forthcoming AGM will be the first general meeting of the Company from the Listing Date.

Chairman and Chief Executive Officer

According to paragraph A.2.1 of the Code Provisions, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Since the Listing Date, Mr. Liu Zaiwang was the chairman of the Company and Mr. Ng Tak Kwan was the chief executive officer. Therefore, paragraph A.2.1 of the Code Provisions has been complied with.

According to paragraph E.1.2 of the Code Provisions, the chairman of the board should attend the annual general meeting. No annual general meeting has been held since the Listing Date to the date of this annual report. The forthcoming AGM will be the first annual general meeting of the Company from the Listing Date.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

According to paragraph A.6.5 of the Code Provisions, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

Corporate Governance Report

Each newly appointed Director receives comprehensive, formal and tailored induction on or before the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the Year, the record of the trainings of the Directors, on a named basis, is set out in the table below.

| Directors | Reading journals, written training materials and/or updates | Attending courses, seminars, conferences and/or forums | Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives |
|--|---|--|---|
| Executive Directors | | | |
| Mr. Ng Tak Kwan | ✓ | ✓ | ✓ |
| Mr. Leung Kai Ming | ✓ | ✓ | ✓ |
| Mr. Xie Jianyu | ✓ | ✓ | ✓ |
| Mr. Ng Chi Hang | ✓ | ✓ | ✓ |
| Mr. Pong Kam Keung | ✓ | ✓ | ✓ |
| Non-Executive Director | | | |
| Mr. Liu Zaiwang | ✓ | ✓ | ✓ |
| Independent Non-Executive Directors | | | |
| Mr. Tam Anthony Chun Hung | ✓ | ✓ | ✓ |
| Mr. Huang Pu | ✓ | ✓ | ✓ |
| Mr. Li Zheng | ✓ | ✓ | ✓ |

Note: All of the abovementioned trainings are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established on 1 December 2015 with written terms of reference which are in compliance with the Code Provisions and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment

and removal of the external auditor, review the financial statements, provide advice in respect of financial reporting, oversee the risk management and internal control procedures of the Group.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Tam Anthony Chun Hung (the chairman of the Audit Committee), Mr. Huang Pu and Mr. Li Zheng.

Corporate Governance Report

As the Shares were listed on the Main Board of the Stock Exchange on 29 December 2015, no Audit Committee meeting was held during the Year. From 1 January 2016 and up to the date of this annual report, one Audit Committee meeting was held on 24 March 2016 to review, *inter alia*, the annual results of the Group for the Year, financial reporting and compliance procedures,

accounting standards and financial reporting matters and the proposed re-appointment of the external auditor. The Directors also reviewed and discussed significant audit risks of the Group for the Year at the Audit Committee meeting. Details of the attendance of members at the Audit Committee meeting held are as follows:

| Directors | Number of meetings attended/eligible to attend |
|---|--|
| Mr. Tam Anthony Chun Hung (<i>Chairman</i>) | 1/1 |
| Mr. Huang Pu | 1/1 |
| Mr. Li Zheng | 1/1 |

Remuneration Committee

The Remuneration Committee was established on 1 December 2015 with written terms of reference which are in compliance with the Code Provisions and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration.

The Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Huang Pu (the chairman of the Remuneration Committee) and

Mr. Tam Anthony Chun Hung, and one executive Director, namely, Mr. Ng Tak Kwan.

As the Shares were listed on the Main Board of the Stock Exchange on 29 December 2015, no Remuneration Committee meeting was held during the Year. From 1 January 2016 and up to the date of this annual report, one Remuneration Committee meeting was held on 24 March 2016 to review, *inter alia*, the performance and remuneration package of the Directors during the Year, and the Company's policy and structure for remuneration of all members of senior management of the Company. Details of the attendance of the members at the Remuneration Committee meeting are as follows:

| Directors | Number of meetings attended/eligible to attend |
|----------------------------------|--|
| Mr. Huang Pu (<i>Chairman</i>) | 1/1 |
| Mr. Ng Tak Kwan | 1/1 |
| Mr. Tam Anthony Chun Hung | 1/1 |

Pursuant to paragraph B.1.5 of the Code Provisions, the remuneration of the members of the senior management by band for the Year is set out below:

| Remuneration bands (HK\$) | Number of individual(s) |
|------------------------------|-------------------------|
| Up to 1,000,000 | 4 |
| 1,000,001 to up to 2,000,000 | 4 |
| Above 2,000,000 | 1 |

Corporate Governance Report

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group’s remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group’s profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The Company’s share option scheme was adopted pursuant to a resolution passed on 1 December 2015. The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons will have additional incentives to improve the Company’s performance. For details, please see “Directors’ Report – Share Option Scheme”.

Nomination Committee

The Nomination Committee was established on 1 December 2015 with written terms of reference which are in compliance with the Code Provisions and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Board is empowered under the Articles of Association to appoint any person as a Director either to fill a casual vacancy or, as an additional member of the Board. Qualified candidates will be proposed by the Nomination Committee to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group’s business.

The Nomination Committee comprises one non-executive Director, namely, Mr. Liu Zaiwang (the chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. Huang Pu and Mr. Li Zheng.

As the Shares were listed on the Main Board of the Stock Exchange on 29 December 2015, no Nomination Committee meeting was held during the Year. From 1 January 2016 and up to the date of this annual report, one Nomination Committee meeting was held on 24 March 2016 to review, *inter alia*, the structure, size and composition of the Board, as well as policy concerning the diversity of the Directors. Details of the attendance of the members at the Nomination Committee meeting are as follows:

| Directors | Number of meetings attended/eligible to attend |
|-------------------------------------|--|
| Mr. Liu Zaiwang (<i>Chairman</i>) | 1/1 |
| Mr. Huang Pu | 1/1 |
| Mr. Li Zheng | 1/1 |

Corporate Governance Report

BOARD DIVERSITY POLICY

The Company have adopted a board diversity policy since the Listing Date. A summary of such board diversity policy, the measureable objectives set for implementing such board diversity policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition will be disclosed in the corporate governance report annually in accordance with the Listing Rules.

Monitoring

The Nomination Committee is responsible for monitoring achievement of the measureable objectives as set out in the board diversity policy.

Diversity of the Board

The existing board members are well experienced in the fitting out and alteration and addition industry, investment and finance businesses. Some of them are professionals in project management, finance, accounting and legal with extensive experience.

In view of the present size and complexities of the Group's operations and the nature of the risks and challenges it faces, the Nomination Committee considers the Company has struck a right balance of skills, experience, knowledge and diversity among the present Board members.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. A statement by auditor about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

Auditor's Remuneration

During the Year, the remuneration paid or payable to the auditor of the Company, Deloitte Touche Tohmatsu, in respect of their audit and non-audit services was as follows:

| | HK\$'000 |
|------------------------|--------------|
| Audit service fee | 1,230 |
| Non-audit services fee | 5,098 |
| Total | 6,328 |

The amount of fee incurred for the non-audit services mainly included HK\$4.4 million of the service fee paid to Deloitte Touche Tohmatsu as the reporting accountant of the Company in relation to the Listing.

Corporate Governance Functions

According to paragraph D.3 of the Code Provisions, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Company and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- to review the Company's compliance with the Code Provisions and the disclosure in the corporate governance report of the Company.

As the Shares were first listed on the Main Board of the Stock Exchange on 29 December 2015, no meeting was held during the Year to perform the abovementioned corporate governance functions.

According to paragraph A.2.7 of the Code Provisions, the chairman should at least annually hold meetings with the non-executive directors and independent non-executive directors without the executive directors present. Since the Listing Date, the chairman has held a meeting with the independent non-executive Directors without the executive Directors on 24 March 2016 to review, *inter alia*, the corporate governance measures adopted by the Group.

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. During the Year, the Company has engaged Deloitte Touche Tohmatsu to review the effectiveness of the system of internal control of the Group, covering all material controls, including financial and operational aspects for the purpose of Listing. No review of the risk management and internal control systems had been conducted from the Listing Date to 31 December 2015.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS

The Company values communication with the Shareholders. The Company uses two-way communication channels to account to Shareholders for the performance of the Company. Enquiries and suggestions from Shareholders are welcomed, and enquires may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's principal place of business at 25/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong;
2. By telephone number 2413 2333;
3. By fax number 2490 0685; or
4. By email at sundart@sundart.com

The Company uses a number of formal communications channel to account to Shareholders for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders; and (v) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with paragraph E.1.2 of the Code Provisions, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Board has established a shareholders' communication policy on 1 December 2015 and will review it on a regular basis to ensure its effectiveness to comply with paragraph E.1.4 of the Code Provisions.

In order to promote effective communication, the Company also maintains a website (www.sundart.com) which includes the latest information relating to the Group and its businesses.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles of Association.

The summary of certain rights of the Shareholders are disclosed below.

Corporate Governance Report

Procedures for Convening General Meetings and Putting Forward Proposals at General Meetings

According to article 49 of the Articles of Association, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the issued Shares carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) himself (themselves), or any of them representing more than one-half of the total voting rights of all of them, may do so in the same manner but any meeting so convened shall not be held after the expiration of three months from the date of deposit of requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company marked with the attention of the Board or the Company Secretary or to the Hong Kong branch share registrar of the Company at Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles of Association.

Procedures for Propose a Person for Election as a Director

The procedures for proposing a person for election as a Director are posted on the Company's website at www.sundart.com.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents since the Listing Date. The Articles of Association is available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

Mr. Pong Kam Keung was appointed as the Company Secretary on 3 August 2015. Mr. Pong reports to the chief executive officer directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Pong has taken no less than 15 hours of relevant professional training for the Year.

Directors' Report

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the Year.

CORPORATE REORGANISATION

The Company was incorporated in the BVI on 21 May 2001.

In preparation for the Listing, the Group underwent the reorganisations, details of the reorganisations are set out in note 1 to the consolidated financial statements.

The Shares were listed on the Main Board of the Stock Exchange with effect from 29 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 44.

An interim dividend of HK\$88,235 per Share amounting to HK\$450.0 million was paid to the then Shareholder during the Year. The Directors proposed the payment of a final dividend of HK8 cents per Share for the Year to the Shareholders on the register of members on 8 June 2016, amounting to HK\$160.0 million.

BUSINESS REVIEW

The review of the business of the Group during the Year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. No important event affecting the Group that has occurred since the end of the financial year ended 31 December 2015 and up to the date of this annual report. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

Relationship with Key Stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers and subcontractors and suppliers.

Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are property developers, hotel owners and main contractors in Hong Kong and/or Macau. The Group provides professional and quality services in fitting-out business whilst maintaining long term profitability, business and asset growth. We maintain good reputation and long working relationships between the Group and the customers in the provision of product re-engineering and pre-fabrication technique for sizeable fitting-out projects to meet our customers' requirements.

Directors' Report

Subcontractors and suppliers

We firmly believe that our subcontractors and suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. We proactively communicate with our subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require us to engage subcontractors and suppliers nominated by them, we will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, we will supply them with our internal guidelines on safety and environmental issues and require them to follow. We effectively implement the subcontractors assessment process by conducting regular site visit, evaluation on the performance of contract and other measures, to ensure the performance of our subcontractors.

Environmental Policies and Performance

We believe that our business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established safety, quality and environmental management systems. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. We believe that our certifications to ISO 9001 and ISO 14001 enhance our public image and credibility and also help us to improve our customers' confidence in our services.

Compliance with Relevant Laws and Regulations

The Group mainly undertakes fitting-out works in Hong Kong and Macau, alteration and addition and construction works in Hong Kong and the operations of manufacturing, sourcing and distribution of interior decorative materials in Hong Kong, Macau and the PRC. The Directors confirmed that during the Year and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong, Macau and the PRC in all material respects.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 114.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to Shareholders in accordance with the Articles of Association amounted to approximately HK\$724.7 million.

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 47 and note 34 to the consolidated financial statements, respectively.

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Mr. Ng Tak Kwan (*Chief Executive Officer*)
Mr. Leung Kai Ming
Mr. Xie Jianyu (*Chief Financial Officer*)
Mr. Wang Qifeng (resigned on 23 July 2015)
Mr. Xu Xingli (resigned on 23 July 2015)
Mr. Ng Chi Hang (appointed on 23 July 2015)
Mr. Pong Kam Keung (appointed on 23 July 2015)

Non-Executive Director

Mr. Liu Zaiwang (*Chairman*, appointed on 23 July 2015)

Independent Non-Executive Directors

Mr. Tam Anthony Chun Hung
(appointed on 1 December 2015)
Mr. Huang Pu (appointed on 1 December 2015)
Mr. Li Zheng (appointed on 1 December 2015)

In accordance with Article 75 of the Articles of Association and pursuant to paragraph A.4.2 of the Code Provisions, Mr. Xie Jianyu, Mr. Ng Chi Hang and Mr. Pong Kam Keung shall retire, and being eligible, offer themselves for re-election at the AGM.

Information regarding Directors' and chief executive's emoluments are set out in note 15 to the consolidated financial statements.

Directors' Report

DIRECTORS' PROFILES

For details of the Directors' profiles, please see "Biographies of Directors and Senior Management".

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and has duly reviewed the confirmation of independence of each of these Directors. The Company, based on such confirmations, considers that all of the independent non-executive Directors continue to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company, non-executive Director and each of independent non-executive Directors have signed appointment letters with the Company. The appointment of each of Directors is for a term of three years commencing from the Listing Date which may be terminated by either party by giving a written notice at least three months in advance.

None of the Directors who are proposed for election or re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2015, the interests or short positions of each of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange are set out as follows:

Long Positions in the Company

| Name of Director | Nature of interests/capacity | Number of shares held | Approximate percentage of shareholding |
|-------------------------|------------------------------------|-----------------------|--|
| Mr. Liu (<i>Note</i>) | Interest in controlled corporation | 1,500,000,000 | 75% |

Note:

Jangho Co. was approximately 27.35% beneficially owned by Beijing Jiangheyuan (a company which was 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and approximately 24.70% beneficially owned by Mr. Liu and therefore, Mr. Liu was deemed to be interested in the Shares indirectly held by Jangho Co. through Jangho Hongkong and Reach Glory under the SFO.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

| Name of substantial shareholders | Long/short positions | Nature of interests/capacity | Number of shares held | Approximate percentage of shareholding |
|----------------------------------|----------------------|------------------------------------|-----------------------|--|
| Reach Glory | Long | Beneficial owner | 1,500,000,000 | 75% |
| Jangho Hongkong (Note 1) | Long | Interest in controlled corporation | 1,500,000,000 | 75% |
| Jangho Co. (Note 2) | Long | Interest in controlled corporation | 1,500,000,000 | 75% |
| Beijing Jiangheyuan (Note 3) | Long | Interest in controlled corporation | 1,500,000,000 | 75% |
| Ms. Fu (Note 4) | Long | Interest of spouse | 1,500,000,000 | 75% |

Notes:

1. Reach Glory was beneficially wholly owned by Jangho Hongkong and therefore Jangho Hongkong was deemed to be interested in the Shares held by Reach Glory under the SFO.
2. Jangho Hongkong was beneficially wholly owned by Jangho Co. and therefore Jangho Co. was deemed to be interested in the Shares held by Jangho Hongkong through Reach Glory under the SFO.
3. Ms. Fu, the spouse of Mr. Liu, was the sole director of Beijing Jiangheyuan. The board of directors of Jangho Co. was controlled by Beijing Jiangheyuan and therefore Beijing Jiangheyuan was deemed to be interested in the Shares held by Jangho Co. through Jangho Hongkong and Reach Glory under the SFO.
4. Ms. Fu is the spouse of Mr. Liu and was therefore deemed to be interested in the Shares held by Mr. Liu under the SFO.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

Directors' Report

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 1 December 2015 for the purpose of providing incentives or rewards to eligible persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Under the Share Option Scheme, the Board may grant options to eligible persons, including directors of the Company and its subsidiaries, to subscribe for the Shares. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an independent non-executive director), a direct or indirect shareholder of any member of the Company and its subsidiaries and an associate of any of the aforementioned persons.

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options shall be granted under the Share Option Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (i.e. 200,000,000 Shares). The Company may seek approval of its Shareholders in general meeting for refreshing such 10% limit. As at the date of the annual report, no Shares available for issue under the Share Option Scheme and any other schemes of the Company.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Any grant of options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who or whose associates is the grantee of an options). Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.0 million, such further grant of the options shall be subject to prior approval of the Shareholders with such person and his associates abstaining from voting in favour of general meeting.

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

The subscription price is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 1 December 2015. No share options were granted, forfeited or expired during the Year.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Year.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the Year.

CONNECTED TRANSACTIONS

The Group has entered into the following transactions with the connected persons of the Company. Details of such transactions are set out in the section headed "Connected Transactions" in the Prospectus. One of such transactions constituted the continuing connected transaction under Chapter 14A of the Listing Rules upon Listing.

Exempt Continuing Connected Transaction

Sundart Beijing was owned as to 75% and 25% by Jangho Hongkong and Jangho Co., respectively, and Sundart Dalian was a wholly owned subsidiary of Sundart Beijing. Jangho Hongkong and Jangho Co. are our Controlling Shareholders. Each of Sundart Beijing and Sundart Dalian constitutes an associate of Jangho Hongkong and Jangho Co. and is therefore a connected person of our Company within the meaning of the Listing Rules.

On 4 December 2015, the Company has entered into a trademark license agreement with Sundart Beijing and Sundart Dalian, pursuant to which, the Company grants a non-exclusive license to Sundart Beijing and Sundart Dalian for the use of the trademark  (classes 19, 20, 37 and 42) for their fitting-out business (including interior decoration business) or purposes related to such business in the PRC for the period commencing from 4 December 2015 to 31 December 2017. The license fee under such the trademark license agreement for the period from the date thereof to 31 December 2015 and two years ending 31 December 2017 are approximately HK\$0.1 million, HK\$1.9 million and HK\$1.9 million, respectively.

The Trademark License Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios in respect of the transaction under the Trademark License Agreement is, on an annual basis, less than 5%; (ii) the license fees for each financial year during the Licensed Period will be less than HK\$3,000,000; and (iii) the transaction under the Trademark License Agreement is and will be conducted on normal commercial terms, the same transaction falls within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules and will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

One-off Transaction

Jangho Macau was owned as to 99% and 1% by Jangho Co. and Jangho Hongkong, respectively. As Jangho Macau is an associate of Jangho Co., which is one of our Controlling Shareholders, Jangho Macau is a connected person of the Company.

On 27 March 2014, Sundart Macau has entered into an one-off sub-contracting agreement in relation to the design, supply and installation of window and louver systems with Jangho Macau for approximately MOP62.7 million, pursuant to which Sundart Macau agreed to subcontract certain design, supply and installation of window and louver system works for a Macau hotel podium to Jangho Macau. The cost incurred from this agreement was approximately MOP38.3 million during the Year. All works under this agreement were substantially completed by March 2016.

As such design, supply and installation agreement is regarded as a one-off transaction entered into by our Group prior to Listing, the transaction contemplated thereunder will not constitute continuing connected transaction of the Group under Chapter 14A of the Listing Rules and will not be subject to further requirements under the Listing Rules.

Saved as disclosed above, significant related party transactions entered by the Group during the Year, which do not constitute connected transactions under the Listing Rules are disclosed in note 41 to the consolidated financial statements.

Directors' Report

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the paragraphs headed "Connected Transactions" and in note 41 to the consolidated financial statements, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the Controlling Shareholders or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries, please see "Connected Transactions" and note 41 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

COMPETING BUSINESS

For the Year, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between our Group and each of our Controlling Shareholders, each of our Controlling Shareholders as covenantors executed the Deed of Non-Competition dated 8 December 2015 in favour of our Company (for itself and as trustee

for its subsidiaries), pursuant to which, each of the covenantors confirms, *inter alia*, that other than its/his/her interests in our Company, none of them is engaged in any business which, directly or indirectly, competes or may compete with our business, or has any interests in such business. Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company since 1 December 2015.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to eligible persons, details are set out under heading "Share Option Scheme" in this annual report.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the BVI where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float throughout the period from the Listing Date to 31 December 2015 as required under the Listing Rules.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK\$1.0 million (2014: HK\$24,000).

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the Year, the aggregate amount of revenue from continuing operations attributable to the Group's five largest customers accounted for 58.3% of the Group's total revenue from continuing operations and the revenue from our largest customer was accounted for 17.6% of our total revenue from continuing operations.

In addition, the Group's purchases attributable to its five largest subcontractors and suppliers accounted for less than 30% of the Group's total purchase from continuing operations.

At no time during the Year did the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5.0% of the total number of issued Shares) have any interest in any of the five largest customers of the Group.

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

Since the Shares were listed on the Main Board of the Stock Exchange on 29 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

Details of corporate governance report are set out on pages 24 to 33 of this annual report.

EVENT AFTER THE REPORTING PERIOD

There were no significant events occurring after 31 December 2015.

AUDITOR

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

On behalf of the Board

Ng Tak Kwan

Chief Executive Officer and Executive Director

Hong Kong, 24 March 2016

Independent Auditor's Report



TO THE SHAREHOLDERS OF SUNDART HOLDINGS LIMITED

承達集團有限公司

(incorporated in British Virgin Islands with limited liability)

We have audited the consolidated financial statements of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 113, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

| | NOTES | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------|------------------|------------------|
| Continuing operations | | | |
| Revenue | 7 | 4,133,146 | 2,336,708 |
| Cost of sales | | (3,550,252) | (2,048,629) |
| Gross profit | | 582,894 | 288,079 |
| Other income, other gains and losses | 9 | (6,427) | 3,119 |
| Loss on disposal of subsidiaries | 35(b) | (11) | – |
| Loss on disposal of an associate | 23 | (766) | – |
| Selling expenses | | (6,384) | (5,740) |
| Administrative expenses | | (106,733) | (94,944) |
| Listing expenses | | (26,413) | – |
| Other expenses | | (1,993) | (1,008) |
| Share of profits of associates | | 4,859 | 17,155 |
| Finance costs | 10 | (3,443) | (871) |
| Profit before taxation | | 435,583 | 205,790 |
| Income tax expense | 11 | (63,655) | (30,350) |
| Profit for the year from continuing operations | 12 | 371,928 | 175,440 |
| Discontinued operations | | | |
| Profit for the year from discontinued operations | 13 | 9,372 | 3,254 |
| Profit for the year | | 381,300 | 178,694 |
| Other comprehensive income (expense) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Fair value change on available-for-sale investment | | 28,056 | – |
| Release of translation reserve upon disposal of subsidiaries | 35(a), (b) | (12,248) | – |
| Exchange difference arising on translation of foreign operations | | (3,744) | (1,095) |
| Other comprehensive income (expense) for the year | | 12,064 | (1,095) |
| Total comprehensive income for the year | | 393,364 | 177,599 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 381,579 | 177,880 |
| Non-controlling interests | | (279) | 814 |
| | | 381,300 | 178,694 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | 393,640 | 176,389 |
| Non-controlling interests | | (276) | 1,210 |
| | | 393,364 | 177,599 |
| Earnings per share | | | |
| From continuing and discontinued operations | | | |
| Basic (HK cents) | 17 | 25.37 | 11.86 |
| From continuing operations | | | |
| Basic (HK cents) | | 24.73 | 11.70 |

Consolidated Statement of Financial Position

At 31 December 2015

| | NOTES | 2015 HK\$'000 | 2014 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 18 | 17,265 | 30,186 |
| Investment property | 19 | – | 8,366 |
| Goodwill | 20 | 1,510 | 1,510 |
| Other intangible assets | 21 | – | 2,754 |
| Available-for-sale investment | 22 | 132,382 | – |
| Interests in associates | 23 | 103,442 | 66,656 |
| | | 254,599 | 109,472 |
| Current assets | | | |
| Inventories | 24 | 58,097 | 60,332 |
| Amount due from an associate | 23 | – | 142 |
| Amount due from a related company | 25 | – | 19 |
| Amount due from a fellow subsidiary | 26 | 3,404 | 8,395 |
| Trade and other receivables | 27 | 555,328 | 826,165 |
| Bills receivable | 27 | 902 | 697 |
| Amounts due from customers for contract work | 28 | 857,626 | 879,076 |
| Retentions receivable | 27 | 346,927 | 327,803 |
| Tax recoverable | | 8,660 | 6,747 |
| Pledged bank deposits | 29 | – | 32,648 |
| Bank balances and cash | 29 | 895,433 | 361,787 |
| | | 2,726,377 | 2,503,811 |
| Current liabilities | | | |
| Trade and other payables | 30 | 1,184,974 | 1,382,800 |
| Bills payable | 30 | 3,940 | 100,044 |
| Amounts due to fellow subsidiaries | 26 | 11,250 | 21,116 |
| Amount due to ultimate holding company | 26 | – | 31,380 |
| Amounts due to customers for contract work | 28 | 58,117 | 79,097 |
| Tax payable | | 58,611 | 21,685 |
| Bank borrowings | 31 | 254,564 | 96,319 |
| | | 1,571,456 | 1,732,441 |
| Net current assets | | 1,154,921 | 771,370 |
| Total assets less current liabilities | | 1,409,520 | 880,842 |

Consolidated Statement of Financial Position

At 31 December 2015

| | NOTES | 2015 HK\$'000 | 2014 HK\$'000 |
|--|-------|------------------|------------------|
| Capital and reserves | | | |
| Share capital | 33 | 669,250 | 40 |
| Reserves | | 740,270 | 811,630 |
| Equity attributable to owners of the Company | | 1,409,520 | 811,670 |
| Non-controlling interests | | – | 45,717 |
| Total equity | | 1,409,520 | 857,387 |
| Non-current liabilities | | | |
| Bank borrowings | 31 | – | 22,500 |
| Deferred tax liabilities | 32 | – | 955 |
| | | – | 23,455 |
| | | 1,409,520 | 880,842 |

The consolidated financial statements on pages 44 to 113 were approved and authorised for issue by the board of directors on 24 March 2016 and are signed on its behalf by:

Ng Tak Kwan
Director

Xie Jianyu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total | |
|---|---------------------------------------|---------------|----------------------|----------------------|--------------------------------|------------------------------|------------------------------------|---------------------|----------------------|---------------------|---------------------------|----------|-----------|
| | Share capital | Share premium | Legal reserve | Statutory reserve | Investment revaluation reserve | Property revaluation reserve | Shareholders' contribution reserve | Translation reserve | Other reserves | Accumulated profits | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 (Note a) | HK\$'000 (Note b) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 (Note c) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2014 | 40 | 34,700 | 60 | 2,946 | - | 1,241 | 6,615 | 17,683 | 29,751 | 542,245 | 635,281 | 37,007 | 672,288 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | - | (1,491) | - | - | (1,491) | 396 | (1,095) |
| Profit for the year | - | - | - | - | - | - | - | - | - | 177,880 | 177,880 | 814 | 178,694 |
| Total comprehensive (expense) income for the year | - | - | - | - | - | - | - | (1,491) | - | 177,880 | 176,389 | 1,210 | 177,599 |
| Capital injection | - | - | - | - | - | - | - | - | - | - | - | 7,500 | 7,500 |
| Transfer from accumulated profits to statutory reserve | - | - | - | 86 | - | - | - | - | - | (86) | - | - | - |
| At 31 December 2014 | 40 | 34,700 | 60 | 3,032 | - | 1,241 | 6,615 | 16,192 | 29,751 | 720,039 | 811,670 | 45,717 | 857,387 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | - | (3,747) | - | - | (3,747) | 3 | (3,744) |
| Fair value change on available-for-sale investment | - | - | - | - | 28,056 | - | - | - | - | - | 28,056 | - | 28,056 |
| Release of translation reserve upon disposal of subsidiaries (note 35(a) and (b)) | - | - | - | - | - | - | - | (12,248) | - | - | (12,248) | - | (12,248) |
| Profit (loss) for the year | - | - | - | - | - | - | - | - | - | 381,579 | 381,579 | (279) | 381,300 |
| Total comprehensive income (expense) for the year | - | - | - | - | 28,056 | - | - | (15,995) | - | 381,579 | 393,640 | (276) | 393,364 |
| Release of reserves upon disposal of subsidiaries (note 35(a)) | - | - | - | (3,032) | - | (1,241) | - | - | - | 4,273 | - | - | - |
| Disposal of subsidiaries (note 35(a)) | - | - | - | - | - | - | - | - | - | - | - | (45,441) | (45,441) |
| Capitalisation issue (note 33(c)) | 15,000 | (15,000) | - | - | - | - | - | - | - | - | - | - | - |
| Issue of new shares pursuant to the initial public offering (note 33(b)) | 690,000 | - | - | - | - | - | - | - | - | - | 690,000 | - | 690,000 |
| Share issue expenses | (35,790) | - | - | - | - | - | - | - | - | - | (35,790) | - | (35,790) |
| Dividend paid (note 14) | - | - | - | - | - | - | - | - | - | (450,000) | (450,000) | - | (450,000) |
| At 31 December 2015 | 669,250 | 19,700 | 60 | - | 28,056 | - | 6,615 | 197 | 29,751 | 655,891 | 1,409,520 | - | 1,409,520 |

Notes:

- (a) In accordance with the provisions of the Macau Commercial Code, the subsidiaries of the Company in Macau are required to transfer a minimum of 25% of their profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of these subsidiaries. This reserve is not distributable to the shareholders.
- (b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC shall set aside 10% of their net profits based on statutory accounts prepared in accordance with the relevant regulations and accounting principles generally accepted in the PRC to the statutory reserve before the distribution of the net profit each year until the balance reaches 50% of its paid-in capital. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary to offset accumulated losses or increase capital.
- (c) Other reserves as at 31 December 2015 included (i) a credit amount of HK\$33,600,000 of recognition of other service costs, which represented the difference between the fair value and consideration (represented by the net assets attributable to) of the acquisition of 10.2% equity interests in the Company by a director, and (ii) a debit amount of HK\$3,849,000, which represented the deficit of the consideration received and the 25% of net assets of Sundart Engineering & Contracting (Beijing) Limited ("Sundart Beijing") in relation to the deemed disposal of the Group's 25% equity interests in Sundart Beijing to the Company's ultimate holding company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation from continuing operations | 435,583 | 205,790 |
| Profit before taxation from discontinued operations | 9,378 | 4,617 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 6,464 | 9,090 |
| Amortisation of other intangible assets | 2,705 | 4,038 |
| Gain on disposals of subsidiaries | (10,476) | – |
| Loss on disposal of an associate | 766 | – |
| (Gain) loss on disposal of property, plant and equipment | (39) | 209 |
| Reversal of allowance for inventories | (191) | (86) |
| Write off of trade and other receivables | 10,192 | – |
| Interest income | (871) | (1,487) |
| Interest expense | 4,745 | 2,078 |
| Share of profits of associates | (4,859) | (17,155) |
| Operating cash flows before movements in working capital | 453,397 | 207,094 |
| Decrease (increase) in inventories | 2,426 | (17,575) |
| Decrease (increase) in amount due from an associate | 142 | (142) |
| Decrease in amounts due from related companies | – | 11,448 |
| Decrease (increase) in amount due from a fellow subsidiary | 4,991 | (2,311) |
| Increase in trade and other receivables | (41,353) | (94,330) |
| (Increase) decrease in bills receivable | (2,360) | 10,712 |
| Increase in amounts due from customers for contract work | (350,758) | (343,757) |
| Increase in retentions receivable | (113,000) | (118,073) |
| Increase in trade and other payables | 56,249 | 459,085 |
| Increase in bills payable | 69,839 | 70,119 |
| Increase in amounts due to fellow subsidiaries | 421 | 1,781 |
| Decrease in amount due to ultimate holding company | – | (105) |
| Increase (decrease) in amounts due to customers for contract work | 35,418 | (32,434) |
| Cash generated from operations | 115,412 | 151,512 |
| Interest paid | (4,745) | (2,078) |
| Income tax refunded | 3,792 | 330 |
| Income tax paid | (36,344) | (35,055) |
| NET CASH FROM OPERATING ACTIVITIES | 78,115 | 114,709 |

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | NOTE | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------|------------------|------------------|
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (5,563) | (9,161) |
| Purchase of available-for-sale investment | | (104,326) | – |
| Advance to an associate | | (40,000) | (60,000) |
| Proceeds from disposal of property, plant and equipment | | 177 | 57 |
| Interest received | | 3,233 | 1,487 |
| Proceeds from disposals of subsidiaries | 35 | 96,028 | – |
| Net proceeds from disposal of an associate | | 44,562 | – |
| Dividend received from an associate | | 7,320 | 10,000 |
| Placement of pledged bank deposits | | (32,682) | (84,477) |
| Release of pledged bank deposits | | 14,716 | 60,278 |
| Repayment from an associate | | 38,032 | – |
| Placement of fixed deposits with original maturity date more than three months | | – | (39,961) |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | 21,497 | (121,777) |
| FINANCING ACTIVITIES | | | |
| New bank borrowings raised | | 494,511 | 284,482 |
| Repayments of bank borrowings | | (344,675) | (241,871) |
| Capital injection from non-controlling interest of a subsidiary | | – | 7,500 |
| Proceeds from issue of shares | | 690,000 | – |
| Payment for share issue expenses | | (35,790) | – |
| Dividend paid | | (450,000) | (20,000) |
| Advance from ultimate holding company | | 31,061 | – |
| Advance from a fellow subsidiary | | 50,709 | – |
| NET CASH FROM FINANCING ACTIVITIES | | 435,816 | 30,111 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 535,428 | 23,043 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 321,826 | 299,252 |
| Effect of foreign exchange rate changes | | (1,782) | (469) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 855,472 | 321,826 |
| Represented by: | | | |
| Bank balances and cash | | 895,433 | 361,787 |
| Less: Fixed deposits with original maturity date more than three months | | (39,961) | (39,961) |
| | | 855,472 | 321,826 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION AND REORGANISATION

General information

The Company was incorporated in the British Virgin Islands (the “BVI”) on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291) and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act. The address of the registered office and principal place of business of the Company are Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG1110 and 25/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong respectively. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 29 December 2015.

The ultimate holding company of the Company is Jangho Group Co., Ltd. (“Jangho Co.”), a joint stock company incorporated in the PRC 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 set out in note 43.

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

Reorganisation

On 24 April 2015, Sundart Timber Products Company Limited (“Sundart Timber”) disposed 50% equity interests it held in Sundart Beijing to Jangho Curtain Wall Hongkong Limited (“Jangho Hongkong”), a private limited company incorporated in Hong Kong, at the consideration of HK\$91,434,000. On 25 June 2015, Sundart Timber further disposed 25% equity interests it held in Sundart Beijing to Jangho Hongkong at the consideration of HK\$45,717,000.

On 29 June 2015, the Group disposed the entire interests in Elite Tech Holdings Limited to Jangho Hongkong at the consideration of HK\$1.

Prior to 29 July 2015, the immediate holding company of the Company was Jangho Hongkong. On 29 July 2015, REACH GLORY INTERNATIONAL LIMITED (“Reach Glory”), a private limited company incorporated in the BVI and a wholly-owned subsidiary of Jangho Hongkong, entered into a share swap agreement with Jangho Hongkong, pursuant to which Reach Glory acquired 100% equity interests in the Company from Jangho Hongkong. The transactions under such share swap agreement were completed on 29 July 2015. As a result, Reach Glory became the immediate holding company of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has consistently applied all the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for the Group’s financial year beginning on 1 January 2015 for both current and prior years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|--|--|
| HKFRS 9 | Financial Instruments ¹ |
| HKFRS 15 | Revenue from Contracts with Customers ¹ |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations ² |
| Amendments to HKAS 1 | Disclosure Initiative ² |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ² |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants ² |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception ² |

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 9 until the Group completes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than disclosed above, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain provisions of the new CO (Cap 622) regarding preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and available-for-sale investment, which are measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (or groups of cash-generating unit) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interests in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in a joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interests in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation and gains and losses resulting from the transactions are recognised only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowance.

Revenue from fixed price supply and installation contracts including fitting-out works and alteration and addition and construction works is recognised on the percentage of completion method, measured by reference to the value of work performed during the year. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Supply and installation contracts including fitting-out works and alteration and addition and construction works

Where the outcome of a supply and installation contract including fitting-out works and alteration and addition and construction works can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a supply and installation contract including fitting-out works and alteration and addition and construction works cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as other payables. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade receivables.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint operations, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly loans and receivables and available-for-sale investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from an associate and a related company, trade and other receivables, bills receivable, retentions receivable, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale investment

Available-for-sale investment is non-derivative that is either designated or is not classified as financial asset at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale investment and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, bills payable, amounts due to fellow subsidiaries and ultimate holding company and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if designated as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty on supply and installation contracts including fitting-out works and alteration and addition and construction works

The Group's contract profit or loss arising from supply and installation contracts is estimated by reference to the latest available budgets of individual supply and installation contracts prepared by the management of the Group. The estimation of budget contract costs is based on management's best estimates and judgments. Contract costs include costs for interior decorative materials, labour costs and subcontracting fees. If the price of interior decorative materials or the wages of labour or the subcontracting fees varied significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

Estimated impairment of trade and other receivables and retentions receivable

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2015, the carrying amount of trade receivables is HK\$269,696,000 (2014: HK\$410,968,000), whereas trade receivables amounting to HK\$10,192,000 (2014: nil) was written off during the year.

As at 31 December 2015, the carrying amount of retentions receivables is HK\$346,927,000 (2014: HK\$327,803,000).

Allowance for inventories

The management of the Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. The management estimates the net realisable value for such finished goods and raw materials based primarily on the latest selling and purchase prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for slowing-moving inventory. If the market condition was to deteriorate, resulting in a lower net realisable value for such finished goods and raw materials, additional allowances may be required.

As at 31 December 2015, the carrying amount of inventories is HK\$58,097,000 (2014: HK\$60,332,000), whereas the reversal of allowance for inventories recognised during the year ended 31 December 2015 is HK\$191,000 (2014: HK\$86,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 31, net of cash and cash equivalents and pledged bank deposits and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 1,547,635 | 1,196,144 |
| Available-for-sale investment | 132,382 | – |
| | 1,680,017 | 1,196,144 |
| Financial liabilities | | |
| Amortised cost | 1,110,489 | 1,080,812 |

Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investment, amounts due from an associate and a related company, trade and other receivables, bills receivable, retentions receivable, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amounts due to fellow subsidiaries and ultimate holding company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The directors of the Company consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|--|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| HK\$ against Macau Pataca ("MOP") | 690,020 | 172,842 | 72,898 | 81,847 |
| United States Dollars ("USD") against HK\$ | 308 | 381 | 559 | 392 |
| USD against MOP | 183 | 1,051 | 6,134 | 7,129 |
| Renminbi ("RMB") against MOP and HK\$ | 821 | 3,205 | 1,874 | 1,871 |
| British Pound Sterling ("GBP") against HK\$ | 614 | 664 | – | – |
| HK\$ against USD | 57 | 74 | 344 | 320 |
| RMB against USD | 25 | 27 | – | – |
| Euro against MOP and HK\$ | 4,324 | 20 | 10,993 | – |
| <i>Intra-group balances</i> | | | | |
| MOP and HK\$ against RMB | 26,497 | 8,248 | 51,423 | 73,150 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

As HK\$ is pegged to USD and the exchange rate of HK\$/MOP and USD/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HK\$, USD/MOP, HK\$/USD and HK\$/MOP exchange rates. As a result, the directors of the Company consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HK\$, USD/MOP, HK\$/USD and HK\$/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against MOP and HK\$, GBP against HK\$, RMB against USD, Euro against MOP and HK\$ and MOP and HK\$ against RMB. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period includes only outstanding foreign currency denominated monetary items.

A positive number below indicates an increase in post-tax profit for the current year where a 5% strengthening of RMB against MOP and HK\$, GBP against HK\$, RMB against USD, Euro against MOP and HK\$ or MOP and HK\$ against RMB. For a 5% weakening of RMB against MOP and HK\$, GBP against HK\$, RMB against USD, Euro against MOP and HK\$ or MOP and HK\$ against RMB, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

| | Increase (decrease) in post-tax profit | |
|---------------------------|---|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 |
| RMB against MOP and HK\$ | (48) | 53 |
| GBP against HK\$ | 26 | 28 |
| RMB against USD | 1 | 1 |
| Euro against MOP and HK\$ | (294) | 1 |
| MOP and HK\$ against RMB | (935) | (2,688) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Cash flow interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed-rate other receivables and bank borrowings.

The Group's cash flow interest rate risk relates primarily to variable-rate pledged bank deposits, bank balances and bank borrowings (see note 29 for details of the pledged bank deposits and bank balances and note 31 for details of bank borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For variable-rate pledged bank deposits, bank balances and bank borrowings, the analysis is prepared assuming the pledged bank deposits, bank balances and bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 10 basis points increase or decrease in variable-rate pledged bank deposits and bank balances represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would increase/decrease by HK\$787,000 (2014: HK\$295,000). A 50 basis points increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by HK\$1,083,000 (2014: HK\$505,000).

Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments issued by one company. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period. If equity price has been 60% higher/lower, the investment revaluation reserve for the year would increase/decrease by HK\$79,429,000 as a result of the change in fair value of available-for-sale investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

At 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group does not have significant concentration of credit risk on trade receivable as trade receivables consist of a large number of customers.

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate curve at the end of each reporting period.

| | Weighted average interest rate % | Less than 4 months or on demand HK\$'000 | Between 4 to 6 months HK\$'000 | Between 7 to 12 months HK\$'000 | Between 1 to 5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Total carrying amount HK\$'000 |
|---|---|---|---|--|--|---|---|
| 2015 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | N/A | 720,969 | 21,822 | 44,035 | 55,837 | 842,663 | 842,663 |
| Bills payable | N/A | 3,940 | – | – | – | 3,940 | 3,940 |
| Amount due to a fellow subsidiary | N/A | 6,280 | – | 1,521 | 1,521 | 9,322 | 9,322 |
| Bank borrowings | 2.07 | 254,674 | – | – | – | 254,674 | 254,564 |
| | | 985,863 | 21,822 | 45,556 | 57,358 | 1,110,599 | 1,110,489 |
| 2014 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | N/A | 660,807 | 22,857 | 9,730 | 116,059 | 809,453 | 809,453 |
| Bills payable | N/A | 42,389 | 57,655 | – | – | 100,044 | 100,044 |
| Amounts due to fellow subsidiaries | N/A | 20,629 | – | – | 487 | 21,116 | 21,116 |
| Amount due to ultimate holding company | N/A | 31,380 | – | – | – | 31,380 | 31,380 |
| Bank borrowings | 1.85 | 72,495 | 5,828 | 18,984 | 22,549 | 119,856 | 118,819 |
| | | 827,700 | 86,340 | 28,714 | 139,095 | 1,081,849 | 1,080,812 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Fair value

The Group's available-for-sale investment (representing the listed investment with standard terms and conditions and trade on active liquid markets) is measured at fair value at the end of each reporting period and they are grouped under Level 1 financial instruments with reference to quoted market bid prices.

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. REVENUE

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

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Continuing operations | | |
| Contract revenue from fitting-out works | 3,516,646 | 1,983,604 |
| Contract revenue from alteration and addition and construction works | 583,430 | 308,888 |
| Manufacturing, sourcing and distribution of interior decorative materials | 33,070 | 44,216 |
| | 4,133,146 | 2,336,708 |

8. SEGMENT INFORMATION

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

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

- Fitting-out works in Hong Kong and others, except Macau and the PRC;
- Fitting-out works in Macau;
- Alteration and addition and construction works in Hong Kong; and
- Manufacturing, sourcing and distribution of interior decorative materials.

The Group also engaged in fitting-out works in the PRC which is classified as discontinued operations during both years, details are set out in notes 13 and 35(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Information regarding the above segments is reported below:

Segment revenue and results Continuing operations 2015

| | Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000 | Fitting-out works in Macau 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 | 1,125,772 | 2,390,874 | 583,430 | 33,070 | 4,133,146 | - | 4,133,146 |
| Inter-segment revenue | 1,458 | - | 281 | 171,081 | 172,820 | (172,820) | - |
| Segment revenue | 1,127,230 | 2,390,874 | 583,711 | 204,151 | 4,305,966 | (172,820) | 4,133,146 |
| Segment profit | 95,468 | 375,550 | 12,086 | 6,821 | 489,925 | - | 489,925 |
| Corporate expenses | | | | | | | (55,610) |
| Corporate income | | | | | | | 629 |
| Loss on disposal of subsidiaries | | | | | | | (11) |
| Loss on disposal of an associate | | | | | | | (766) |
| Share of profits of associates | | | | | | | 4,859 |
| Finance costs | | | | | | | (3,443) |
| Profit before taxation | | | | | | | 435,583 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Continuing operations *(Continued)*

2014

| | Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000 | Fitting-out works in Macau 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 | 736,974 | 1,246,630 | 308,888 | 44,216 | 2,336,708 | - | 2,336,708 |
| Inter-segment revenue | 10,882 | - | - | 126,049 | 136,931 | (136,931) | - |
| Segment revenue | 747,856 | 1,246,630 | 308,888 | 170,265 | 2,473,639 | (136,931) | 2,336,708 |
| Segment profit | 48,536 | 162,511 | 571 | 1,766 | 213,384 | - | 213,384 |
| Corporate expenses | | | | | | | (24,816) |
| Corporate income | | | | | | | 938 |
| Share of profit of an associate | | | | | | | 17,155 |
| Finance costs | | | | | | | (871) |
| Profit before taxation | | | | | | | 205,790 |

Inter-segment revenue is charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, certain selling expenses, certain administrative expenses, certain other expenses, listing expenses, share of profits of associates, loss on disposal of subsidiaries and an associate and finance costs. This is the measure reported to the Company's executive directors for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Segment assets | | |
| Continuing operations | | |
| Fitting-out works in Hong Kong and others, except Macau and the PRC | 711,612 | 527,297 |
| Fitting-out works in Macau | 776,008 | 704,125 |
| Alteration and addition and construction works in Hong Kong | 214,347 | 146,986 |
| Manufacturing, sourcing and distribution of interior decorative materials | 135,522 | 132,526 |
| Total segment assets | 1,837,489 | 1,510,934 |
| Discontinued operations | | |
| Fitting-out works in the PRC | – | 623,146 |
| Unallocated corporate assets | | |
| Property, plant and equipment | 765 | 1,094 |
| Investment property | – | 8,366 |
| Available-for-sale investment | 132,382 | – |
| Interests in associates | 103,442 | 66,656 |
| Amount due from an associate | – | 142 |
| Other receivables, prepayments and deposits | 2,805 | 1,763 |
| Tax recoverable | 8,660 | 6,747 |
| Pledged bank deposits | – | 32,648 |
| Bank balances and cash | 895,433 | 361,787 |
| Total consolidated assets of the Group | 2,980,976 | 2,613,283 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)* Segment assets and liabilities *(Continued)*

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Segment liabilities | | |
| Continuing operations | | |
| Fitting-out works in Hong Kong and others, except Macau and the PRC | 315,513 | 202,315 |
| Fitting-out works in Macau | 668,491 | 764,629 |
| Alteration and addition and construction works in Hong Kong | 208,010 | 142,018 |
| Manufacturing, sourcing and distribution of interior decorative materials | 48,666 | 63,669 |
| Total segment liabilities | 1,240,680 | 1,172,631 |
| Discontinued operations | | |
| Fitting-out works in the PRC | – | 439,557 |
| Unallocated corporate liabilities | | |
| Other payables | 15,673 | 2,249 |
| Amount due to a fellow subsidiary | 1,928 | – |
| Tax payable | 58,611 | 21,685 |
| Bank borrowings | 254,564 | 118,819 |
| Deferred tax liabilities | – | 955 |
| Total consolidated liabilities of the Group | 1,571,456 | 1,755,896 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, investment property, available-for-sale investment, interests in associates, amount due from an associate, certain other receivables, prepayments and deposits, tax recoverable, pledged bank deposits and bank balances and cash.
- all liabilities are allocated to operating segments other than certain other payables, amount due to a fellow subsidiary, tax payable, bank borrowings and deferred tax liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Other segment information

Continuing operations

2015

| | Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000 | Fitting-out works in Macau 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 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|---|--|---|---|---------------------------|-------------------------|--------------------------|
| Amounts included in the measure of segment results or segment assets: | | | | | | | |
| Additions of property, plant and equipment | 56 | 28 | - | 3,318 | 3,402 | 281 | 3,683 |
| Depreciation of property, plant and equipment | 14 | 48 | - | 4,636 | 4,698 | 610 | 5,308 |
| Amortisation of other intangible assets | - | - | 2,700 | - | 2,700 | - | 2,700 |
| Write off of trade and other receivables | 1,067 | - | - | 9,125 | 10,192 | - | 10,192 |
| Reversal of allowance for inventories | - | - | - | (191) | (191) | - | (191) |
| Loss on disposal of property, plant and equipment | - | - | - | 15 | 15 | 1 | 16 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

Continuing operations *(Continued)*

2014

| | Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000 | Fitting-out works in Macau 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 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|---|--|---|--|---------------------------|-------------------------|--------------------------|
| Amounts included in the measure of segment results or segment assets: | | | | | | | |
| Additions of property, plant and equipment | - | 155 | - | 2,348 | 2,503 | 461 | 2,964 |
| Depreciation of property, plant and equipment | 2 | 35 | - | 4,785 | 4,822 | 768 | 5,590 |
| Amortisation of other intangible assets | - | - | 3,600 | 422 | 4,022 | - | 4,022 |
| Reversal of allowance for inventories | - | - | - | (86) | (86) | - | (86) |
| (Gain) loss on disposal of property, plant and equipment | - | - | - | (2) | (2) | 1 | (1) |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Geographical information

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

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets (excluding financial instruments) is presented based on the geographical location of the assets.

| | Revenue from external customers | | Non-current assets | |
|----------------------|---------------------------------|------------------|--------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Hong Kong | 1,713,465 | 1,090,149 | 105,161 | 71,516 |
| Macau | 2,415,142 | 1,246,872 | 130 | 150 |
| The PRC | 1,752 | 22,455 | 16,926 | 37,806 |
| Others <i>(Note)</i> | 2,787 | (22,768) | – | – |
| | 4,133,146 | 2,336,708 | 122,217 | 109,472 |

Note: Included in revenue for fitting-out projects in Russia and revenue from manufacturing, sourcing and distribution of interior decorative materials globally except for Hong Kong, Macau and the PRC.

All non-current assets of the Group are located in the respective group entities' country of domicile.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group from continuing operations are as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------------------------|--------------------|--------------------|
| Customer A <i>(Note a)</i> | 726,434 | 370,690 |
| Customer B <i>(Note a)</i> | 511,835 | 317,323 |
| Customer C <i>(Note a and b)</i> | 439,763 | 497,413 |
| Customer D <i>(Note a)</i> | 414,103 | N/A ^(c) |
| Customer E <i>(Note b)</i> | N/A ^(c) | 244,681 |

Notes:

- (a) The revenue was from fitting-out works in Macau.
- (b) The revenue was from fitting-out works in Hong Kong.
- (c) The corresponding revenue did not contribute over 10% of the total revenue of the Group from continuing operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. OTHER INCOME, OTHER GAINS AND LOSSES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Continuing operations | | |
| Other income | | |
| Interest income | 632 | 939 |
| Consultancy fee and management fee income | 2,159 | 1,737 |
| Others | 392 | 188 |
| | 3,183 | 2,864 |
| Other gains and losses | | |
| Net foreign exchange gain | 598 | 254 |
| Write off of trade and other receivables | (10,192) | – |
| (Loss) gain on disposal of property, plant and equipment | (16) | 1 |
| | (9,610) | 255 |
| | (6,427) | 3,119 |

10. FINANCE COSTS

The amounts from continuing operations represent interest on bank borrowings.

11. INCOME TAX EXPENSE

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Continuing operations | | |
| Current tax | | |
| Hong Kong Profits Tax | 15,389 | 11,238 |
| Macau Complementary Tax | 46,301 | 20,044 |
| PRC Enterprise Income Tax | 2,844 | – |
| | 64,534 | 31,282 |
| (Over) under provision in prior years | | |
| Hong Kong Profits Tax | (400) | (495) |
| Macau Complementary Tax | (494) | (150) |
| PRC Enterprise Income Tax | 15 | (287) |
| | (879) | (932) |
| | 63,655 | 30,350 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. INCOME TAX EXPENSE *(Continued)*

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

Macau Complementary Tax is 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 is 25% for both years.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Continuing operations | | |
| Profit before taxation | 435,583 | 205,790 |
| Tax at the weighted average tax rate <i>(Note)</i> | 54,294 | 24,612 |
| Tax effect of expenses not deductible for tax purpose | 7,699 | 7,530 |
| Tax effect of income not taxable for tax purpose | (106) | (91) |
| Tax effect of share of profits of associates | (802) | (2,831) |
| Overprovision in respect of prior years | (879) | (932) |
| Tax effect of tax losses not recognised | 2,883 | 661 |
| Utilisation of tax losses previously not recognised | – | (65) |
| Others | 566 | 1,466 |
| Income tax expense for the year | 63,655 | 30,350 |

Note: The weighted average applicable tax rate for different jurisdictions for the year ended 31 December 2015 is 12% (2014: 12%). The weighted average applicable tax rate represents the weighted average tax rate in different jurisdictions in which the Group operates and is calculated on the basis of the profit or loss before taxation arising in these jurisdictions and the applicable statutory tax rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12. PROFIT FOR THE YEAR

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Continuing operations | | |
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | 1,230 | 800 |
| Depreciation of property, plant and equipment | 5,308 | 5,590 |
| Amortisation of other intangible assets | 2,700 | 4,022 |
| Total depreciation and amortisation | 8,008 | 9,612 |
| Cost of inventories recognised as expense | 27,194 | 43,358 |
| Reversal of allowance for inventories (included in cost of sales) | (191) | (86) |
| Contract costs recognised as expense | | |
| Fitting-out works | 2,962,956 | 1,711,963 |
| Alteration and addition and construction works | 560,293 | 293,394 |
| | 3,523,249 | 2,005,357 |
| Operating lease payments in respect of rented properties | 21,790 | 19,315 |
| Staff costs | | |
| Gross staff costs (including directors' emoluments) | 244,456 | 210,203 |
| Less: Staff costs capitalised to contract costs | (141,489) | (125,028) |
| | 102,967 | 85,175 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. DISCONTINUED OPERATIONS

On 16 April 2015, the Group entered into a sale and purchase agreement with Jangho Hongkong to dispose of the Group's 50% equity interests in Sundart Beijing, which carried out fitting-out works in the PRC, to Jangho Hongkong. The disposal was completed on 24 April 2015.

The profit for the year from the discontinued operations of fitting-out works in the PRC is set out below.

| | From 1 January 2015 to 24 April 2015 HK\$'000 | For the year ended 31 December 2014 HK\$'000 |
|---|--|--|
| (Loss) profit of fitting-out works in the PRC for the period/year | (1,115) | 3,254 |
| Gain on disposal of subsidiaries (<i>note 35(a)</i>) | 10,487 | – |
| | 9,372 | 3,254 |
| Profit (loss) for the period/year from discontinued operations attributable to: | | |
| Owners of the Company | 9,651 | 2,440 |
| Non-controlling interests | (279) | 814 |
| | 9,372 | 3,254 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. DISCONTINUED OPERATIONS *(Continued)*

The results of the operation of fitting-out works in the PRC for the period/year, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

| | From 1 January 2015 to 24 April 2015 HK\$'000 | For the year ended 31 December 2014 HK\$'000 |
|--|---|--|
| Revenue | 338,029 | 1,112,328 |
| Cost of sales | (309,973) | (1,038,269) |
| Gross profit | 28,056 | 74,059 |
| Other income, other gains and losses | (293) | 1,060 |
| Selling expenses | (20) | (58) |
| Administrative expenses | (27,550) | (69,237) |
| Finance costs | (1,302) | (1,207) |
| (Loss) profit before taxation | (1,109) | 4,617 |
| PRC Enterprise income tax expense | (6) | (1,363) |
| (Loss) profit for the period/year | (1,115) | 3,254 |
| Other income, other gains and losses represents: | | |
| Other income | | |
| Interest income | 239 | 548 |
| Rental income | – | 207 |
| Others | – | 346 |
| | 239 | 1,101 |
| Other gains and losses | | |
| Net foreign exchange (loss) gain | (587) | 169 |
| Gain (loss) on disposal of property, plant and equipment | 55 | (210) |
| | (532) | (41) |
| | (293) | 1,060 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. DISCONTINUED OPERATIONS (Continued)

| | From 1 January 2015 to 24 April 2015 HK\$'000 | For the year ended 31 December 2014 HK\$'000 |
|--|---|--|
| Profit for the period/year has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | 1,156 | 3,500 |
| Amortisation of other intangible assets | 5 | 16 |
| Total depreciation and amortisation | 1,161 | 3,516 |
| Gross rental income from investment property | – | (207) |
| Less: Direct operating expense from investment property that generated rental income during the year | – | 67 |
| | – | (140) |
| Contract costs recognised as expense | 309,973 | 1,038,269 |
| Operating lease payments in respect of rented properties | 2,310 | 8,012 |
| Staff costs | | |
| Gross staff costs (including directors' emoluments) | 17,115 | 85,485 |
| Less: Staff costs capitalised to contract costs | (9,350) | (47,540) |
| | 7,765 | 37,945 |
| Cash flows of discontinued operations: | | |
| Net cash used in operating activities | (89,500) | (67,011) |
| Net cash used in investing activities | (19,428) | (29,847) |
| Net cash from financing activities | 85,731 | 1,690 |
| Net cash outflow | (23,197) | (95,168) |

The carrying amounts of the assets and liabilities of Sundart Beijing at the date of disposal are disclosed in note 35(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14. DIVIDEND

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Dividends for ordinary shareholders of the Company recognised as distribution during the year: | | |
| Interim dividend paid | 450,000 | – |
| Interim dividend per share (HK\$) | 88,235 | – |

A final dividend for the year ended 31 December 2015 of HK8 cents per share, amounting to HK\$160,000,000 in aggregate, was proposed by the directors of the Company on 24 March 2016 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

| Name of directors | Notes | 2015 | | | | Total HK\$'000 |
|--------------------------------------|----------|------------------|--|--|--|-------------------|
| | | Fees HK\$'000 | Salaries and other benefits HK\$'000 | Discretionary incentive payments HK\$'000 | Retirement benefit scheme contributions HK\$'000 | |
| Executive directors: | | | | | | |
| Mr. Ng Tak Kwan | | – | 2,040 | 2,171 | 18 | 4,229 |
| Mr. Leung Kai Ming | | – | 2,044 | 1,170 | 18 | 3,232 |
| Mr. Wang Qifeng | (d) | – | 101 | – | 19 | 120 |
| Mr. Xie Jianyu | | – | 1,248 | 200 | 18 | 1,466 |
| Mr. Ng Chi Hang | (c) | – | 601 | – | 8 | 609 |
| Mr. Pong Kam Keung | (c) | – | 729 | – | 8 | 737 |
| Mr. Xu Xingli | (a), (d) | – | – | – | – | – |
| Non-executive director: | | | | | | |
| Mr. Liu Zaiwang | (c) | – | 5 | – | – | 5 |
| Independent non-executive directors: | | | | | | |
| Mr. Tam Anthony Chun Hung | (e) | 2 | – | – | – | 2 |
| Mr. Huang Pu | (e) | 2 | – | – | – | 2 |
| Mr. Li Zheng | (e) | 2 | – | – | – | 2 |
| | | 6 | 6,768 | 3,541 | 89 | 10,404 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

| Name of directors | Notes | 2014 | | | | Total HK\$'000 |
|----------------------|----------|------------------|---|--|--|-------------------|
| | | Fees HK\$'000 | Salaries and other benefits HK\$'000 | Discretionary incentive payments HK\$'000 | Retirement benefit scheme contributions HK\$'000 | |
| Executive directors: | | | | | | |
| Mr. Ng Tak Kwan | | – | 2,040 | 170 | 17 | 2,227 |
| Mr. Leung Kai Ming | | – | 2,050 | 170 | 17 | 2,237 |
| Mr. Wang Qifeng | (d) | – | 428 | – | 37 | 465 |
| Mr. Xie Jianyu | | – | 1,114 | 80 | 17 | 1,211 |
| Mr. Ma Zhenyu | (b) | – | 75 | – | 3 | 78 |
| Mr. Xu Xingli | (a), (d) | – | – | – | – | – |
| | | – | 5,707 | 420 | 91 | 6,218 |

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emolument shown above was mainly for his services as a director of the Company and the independent non-executive directors' emoluments shown above were mainly for the services as directors of the Company.

Notes:

- (a) Appointed on 21 August 2014
- (b) Resigned on 21 August 2014
- (c) Appointed on 23 July 2015
- (d) Resigned on 23 July 2015
- (e) Appointed on 1 December 2015

The discretionary incentive payments are discretionary and are determined with reference to the performance of individual and the Group.

Mr. Ng Tak Kwan is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2014: two directors), details of whose emoluments are disclosed in note 15 above. Details of the remuneration for the year of the remaining two (2014: three) highest paid employees who are neither a director nor chief executive of the Company are follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Salaries and other benefits | 5,613 | 10,574 |
| Contributions to retirement benefit scheme | 36 | 50 |
| | 5,649 | 10,624 |

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | 2015 | 2014 |
|--------------------------------|------|------|
| HK\$2,000,001 to HK\$2,500,000 | 1 | 1 |
| HK\$2,500,001 to HK\$3,000,000 | – | – |
| HK\$3,000,001 to HK\$3,500,000 | 1 | – |
| HK\$3,500,001 to HK\$4,000,000 | – | 1 |
| HK\$4,000,001 to HK\$4,500,000 | – | – |
| HK\$4,500,001 to HK\$5,000,000 | – | – |
| HK\$5,000,001 to HK\$5,500,000 | – | 1 |

No emolument was paid to the directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any of their emoluments for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit for the year attributable to owners of the Company of HK\$381,579,000 and the weighted average number of shares of 1,504,110,000 in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit for the year attributable to owners of the Company of HK\$177,880,000 and on 1,500,000,000 shares, which were issued pursuant to the capitalisation issue as detailed in note 33(c) and deemed to have been issued since 1 January 2014.

No diluted earnings per share are presented for the year as there were no potential ordinary shares in issue.

From continuing operations

The calculation of the basic earnings per share for continuing operations attributable to owners of the Company is based on the following data:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Profit for the year attributable to owners of the Company | 381,579 | 177,880 |
| Less: Profit for the year from discontinued operations attributable to owners of the Company | (9,651) | (2,440) |
| Profit for the year attributable to owners of the Company from continuing operations | 371,928 | 175,440 |

The denominators used are the same as those detailed above.

From discontinued operations

Basic earnings per share from the discontinued operations for the year is HK0.64 cent per share (2014: HK0.16 cent per share), based on the profit for the year from the discontinued operations attributable to owners of the Company of HK\$9,651,000 (2014: HK\$2,440,000) and the denominators detailed above for the basic earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements <i>HK\$'000</i> | Plant and machinery <i>HK\$'000</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--|--------------------------------------|--------------------------|
| COST | | | | | |
| At 1 January 2014 | 18,579 | 21,930 | 15,043 | 3,318 | 58,870 |
| Exchange adjustments | (7) | (35) | (28) | (7) | (77) |
| Additions | 5,867 | 1,131 | 2,088 | 75 | 9,161 |
| Disposals | (931) | – | (34) | (138) | (1,103) |
| At 31 December 2014 | 23,508 | 23,026 | 17,069 | 3,248 | 66,851 |
| Exchange adjustments | (554) | (1,021) | (254) | (58) | (1,887) |
| Additions | 2,328 | 2,300 | 597 | 338 | 5,563 |
| Disposal of a subsidiary (note 35(a)) | (10,638) | – | (7,520) | (490) | (18,648) |
| Disposals | – | – | (70) | (333) | (403) |
| At 31 December 2015 | 14,644 | 24,305 | 9,822 | 2,705 | 51,476 |
| DEPRECIATION | | | | | |
| At 1 January 2014 | 7,621 | 11,654 | 7,521 | 1,592 | 28,388 |
| Exchange adjustments | 9 | 22 | (5) | (2) | 24 |
| Provided for the year | 3,636 | 2,063 | 2,840 | 551 | 9,090 |
| Eliminated on disposals | (721) | – | (15) | (101) | (837) |
| At 31 December 2014 | 10,545 | 13,739 | 10,341 | 2,040 | 36,665 |
| Exchange adjustments | (217) | (336) | (194) | (42) | (789) |
| Provided for the year | 2,247 | 2,133 | 1,615 | 469 | 6,464 |
| Disposal of a subsidiary (note 35(a)) | (4,235) | – | (3,554) | (75) | (7,864) |
| Eliminated on disposals | – | – | (45) | (220) | (265) |
| At 31 December 2015 | 8,340 | 15,536 | 8,163 | 2,172 | 34,211 |
| CARRYING VALUES | | | | | |
| At 31 December 2015 | 6,304 | 8,769 | 1,659 | 533 | 17,265 |
| At 31 December 2014 | 12,963 | 9,287 | 6,728 | 1,208 | 30,186 |

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

| | |
|-----------------------------------|---|
| Leasehold improvements | 10%–50% or over the remaining term of lease, if shorter |
| Plant and machinery | 9%–30% |
| Furniture, fixtures and equipment | 10%–44.44% |
| Motor vehicles | 17%–33 $\frac{1}{3}$ % |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. INVESTMENT PROPERTY

| | HK\$'000 |
|--|----------|
| FAIR VALUE | |
| At 1 January 2014 | 8,394 |
| Exchange adjustments | (28) |
| At 31 December 2014 | 8,366 |
| Exchange adjustments | 1 |
| Disposal of a subsidiary (<i>note 35(a)</i>) | (8,367) |
| At 31 December 2015 | – |

The fair values at 31 December 2014 have been arrived by an independent qualified professional valuer not connected with the Group, namely Asset Appraisal Limited. It is a member of the Hong Kong Institute of Surveyors. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The investment property is situated in the PRC under medium term lease.

20. GOODWILL

| | HK\$'000 |
|---|----------|
| Carrying amount as at 1 January 2014, 31 December 2014 and 2015 | 1,510 |

Amount represented the excess of consideration paid over the fair value of net assets taken over on the acquisition of subsidiaries, Sundart Timber and Sundart Living Limited ("Sundart Living"). For the purpose of impairment test, the carrying amount of goodwill had been allocated to the cash generating unit of Sundart Timber and Sundart Living under the fitting-out works in Hong Kong segment, the manufacturing, sourcing and distribution of interior decorative materials segment, amount to HK\$746,000 and HK\$764,000, respectively.

The recoverable amounts of cash-generating units of Sundart Timber and Sundart Living have been determined based on a value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 2-year period and discount rates of 15%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of cash-generating unit to exceed the aggregate recoverable amounts of cash-generating unit.

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21. OTHER INTANGIBLE ASSETS

| | Registrations <i>HK\$'000</i> <i>(Note a)</i> | Patents <i>HK\$'000</i> <i>(Note a)</i> | Licenses <i>HK\$'000</i> <i>(Note b)</i> | Total <i>HK\$'000</i> |
|--|---|---|--|--------------------------|
| COST | | | | |
| At 1 January 2014 | 8,308 | 209 | 18,000 | 26,517 |
| Disposals | (1,124) | (130) | – | (1,254) |
| At 31 December 2014 | 7,184 | 79 | 18,000 | 25,263 |
| Disposal of a subsidiary (<i>note 35(a)</i>) | – | (79) | – | (79) |
| At 31 December 2015 | 7,184 | – | 18,000 | 25,184 |
| ACCUMULATED AMORTISATION | | | | |
| At 1 January 2014 | 7,893 | 132 | 11,700 | 19,725 |
| Charged for the year | 415 | 23 | 3,600 | 4,038 |
| Eliminated on disposals | (1,124) | (130) | – | (1,254) |
| At 31 December 2014 | 7,184 | 25 | 15,300 | 22,509 |
| Charged for the year | – | 5 | 2,700 | 2,705 |
| Disposal of a subsidiary (<i>note 35(a)</i>) | – | (30) | – | (30) |
| At 31 December 2015 | 7,184 | – | 18,000 | 25,184 |
| CARRYING VALUES | | | | |
| At 31 December 2015 | – | – | – | – |
| At 31 December 2014 | – | 54 | 2,700 | 2,754 |

Notes:

- a. The Group's registrations and patents related to door products and timber panels which were acquired from SUNDART PRODUCTS GROUP LIMITED ("SPG") and through acquisition of Dongguan Sundart Home Furnishing Co., Ltd. ("Dongguan Sundart"). SPG and Dongguan Sundart were previously beneficially owned by Mr. Leung Kai Ming, a director of the Company, that give him control over these companies.
- b. The Group's licenses represent various licenses and qualifications for building construction acquired on acquisition of Kin Shing (Leung's) General Contractors Limited.

The other intangible assets are amortised on straight-line basis over 5 years.

22. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment as at 31 December 2015 represents the Group's investment of 200,400,000 ordinary shares of Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, which is measured at fair value.

Notes to the Consolidated Financial Statements

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23. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Unlisted shares, at cost | – | – |
| Deemed contribution to an associate | 100,000 | 60,000 |
| Share of post-acquisition profit and other comprehensive income, net of dividends received | 3,442 | 6,656 |
| | 103,442 | 66,656 |
| Amount due from an associate | – | 142 |

Deemed contribution in an associate represents loan advanced to an associate which is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors of the Company, the loan is in substance formed part of investment in an associate.

Amount due from an associate was unsecured, interest-free and repayable on demand.

As at 31 December 2015 and 2014, the Group had interests in the following associates:

| Name of entity | Form of business structure | Country of incorporation | Principal place of operation | Class of share held | Proportion of issued capital and voting rights held by the Group | | Principal activities |
|---|----------------------------|--------------------------|------------------------------|---------------------|--|-----------|----------------------------|
| | | | | | 2015 % | 2014 % | |
| EAGLE VISION DEVELOPMENT LIMITED ("Eagle Vision") | Incorporated | BVI | Hong Kong | Ordinary | 28.57 | 28.57 | Investment holding |
| Sundart Beijing | Sino-foreign joint venture | The PRC | The PRC | Registered capital | – | N/A | Interior fitting-out works |

Eagle Vision acquired 70% equity interests in Steve Leung Designers Limited ("Steve Leung") during the year ended 31 December 2014. Steve Leung and its subsidiaries are engaged in the provision of interior design services in Hong Kong and the PRC.

The Group owned 25% equity interests in Sundart Beijing since 25 April 2015. On 25 June 2015, the Group disposed of the remaining 25% equity interests in Sundart Beijing to Jangho Hongkong at a consideration in cash of HK\$45,717,000. Loss on disposal amounting to HK\$766,000 was recognised during the year.

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For the year ended 31 December 2015

23. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE *(Continued)*

The summarised consolidated financial information of Eagle Vision and which is prepared in accordance with HKFRSs, is set out below:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Current assets | 214,755 | 183,416 |
| Non-current assets | 419,944 | 438,024 |
| Current liabilities | (474,402) | (443,800) |
| Non-current liabilities | (21,907) | (21,719) |
| Net assets attributable to: | | |
| Shareholders | 12,049 | 23,299 |
| Non-controlling interests | 126,341 | 132,622 |
| | 138,390 | 155,921 |
| Revenue | 255,720 | 298,595 |
| Profit for the year | 20,371 | 84,062 |
| Attributable to: | | |
| Shareholders | 15,281 | 58,942 |
| Non-controlling interests | 5,090 | 25,120 |
| | 20,371 | 84,062 |
| Other comprehensive expense for the year | (4,322) | (2,496) |
| Attributable to: | | |
| Shareholders | (3,026) | (1,747) |
| Non-controlling interests | (1,296) | (749) |
| | (4,322) | (2,496) |

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23. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (Continued)

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Total comprehensive income for the year | 16,049 | 81,566 |
| Attributable to: | | |
| Shareholders | 12,255 | 57,195 |
| Non-controlling interests | 3,794 | 24,371 |
| | 16,049 | 81,566 |
| Dividend received from the associate during the year | 7,320 | 10,000 |

Reconciliation of the above summarised consolidated financial information of Eagle Vision to the carrying amount of the interests in the associate recognised in the consolidated financial statements:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Net assets of Eagle Vision | 138,390 | 155,921 |
| Less: Non-controlling interests in Eagle Vision | (126,341) | (132,622) |
| Equity attributable to shareholders of Eagle Vision | 12,049 | 23,299 |
| Proportion of the Group's ownership interests in Eagle Vision | 28.57% | 28.57% |
| | 3,442 | 6,656 |
| Deemed investments in Eagle Vision | 100,000 | 60,000 |
| Carrying amount of the Group's interests in Eagle Vision | 103,442 | 66,656 |

24. INVENTORIES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------------|------------------|------------------|
| At net realisable value: | | |
| Raw materials | 28,688 | 27,375 |
| Work-in-progress | 28,784 | 30,912 |
| Finished goods | 625 | 2,045 |
| | 58,097 | 60,332 |

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25. AMOUNT DUE FROM A RELATED COMPANY

Related company is a company in which a director of ultimate holding company and his spouse have 100% beneficial interests over the related company.

Amount due from a related company as at 31 December 2014 represents the retentions receivable, which will be recovered more than twelve months after the end of the reporting period.

26. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/ULTIMATE HOLDING COMPANY

Amount due from a fellow subsidiary represents the deposits paid to the fellow subsidiary in respect of supply and installation of window and louver systems provided by that fellow subsidiary. The relevant works is expected to be substantially completed by March 2016.

Amounts due to fellow subsidiaries

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------|------------------|------------------|
| Trade payables | 6,280 | 20,629 |
| Retentions payable | 3,042 | 487 |
| Other payable | 1,928 | – |
| | 11,250 | 21,116 |

Amount due to ultimate holding company

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------|------------------|------------------|
| Trade payables | – | 25,549 |
| Other payables | – | 5,831 |
| | – | 31,380 |

The fellow subsidiaries and ultimate holding company allow a credit period of 21 to 30 days to the Group.

The aged analysis of trade payables to fellow subsidiaries presented based on invoice date are as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------|------------------|------------------|
| 1–30 days | 6,280 | 1,359 |
| Over 90 days | – | 19,270 |
| | 6,280 | 20,629 |

The trade payables to ultimate holding company presented based on the invoice date are aged over 90 days.

As at 31 December 2015, the retentions payable to a fellow subsidiary of HK\$1,521,000 (2014: HK\$487,000) are expected to be paid after one year.

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27. OTHER FINANCIAL ASSETS

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

Trade and other receivables

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------------|------------------|------------------|
| Trade receivables | 269,696 | 410,968 |
| Prepayments and deposits | 275,434 | 394,239 |
| Other receivables | 10,198 | 20,958 |
| | 555,328 | 826,165 |

Trade receivables

The Group allows an average credit period of 30 to 45 days to their trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of each reporting period.

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------|------------------|------------------|
| 1–30 days | 178,801 | 143,260 |
| 31–60 days | 48,582 | 119,084 |
| 61–90 days | 33,052 | 53,286 |
| Over 90 days | 9,261 | 95,338 |
| | 269,696 | 410,968 |

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.

During the year, the Group has written off trade receivables amounting to HK\$10,192,000 (2014: nil) because the management considered that the amount is uncollectable.

As at 31 December 2015, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$46,053,000 (2014: HK\$176,617,000), which are past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, the directors of the Company believe that no impairment is required. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

27. OTHER FINANCIAL ASSETS (Continued)

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------|------------------|------------------|
| Overdue | | |
| 1-30 days | 41,515 | 19,480 |
| 31-60 days | – | 39,183 |
| 61-90 days | 73 | 52,159 |
| Over 90 days | 4,465 | 65,795 |
| | 46,053 | 176,617 |

Other receivables

As at 31 December 2015, other receivables amounting to nil (2014: HK\$900,000), have been pledged to secure bills payable and are therefore classified as current assets.

As at 31 December 2015, other receivables of nil (2014: HK\$1,876,000) are unsecured, interest bearing at 9% per annum and repayable on demand.

Bills receivable

The bills receivable is aged within 30 days.

Retentions receivable

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Retentions receivable which: | | |
| – will be recovered within twelve months | 247,584 | 182,580 |
| – will be recovered more than twelve months after the end of the reporting period | 99,343 | 145,223 |
| | 346,927 | 327,803 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Contracts in progress at the end of each reporting period: | | |
| Contract costs incurred plus recognised profits less recognised losses | 8,781,349 | 8,265,714 |
| Less: Progress billings | (7,981,840) | (7,465,735) |
| | 799,509 | 799,979 |
| Analysed for reporting purposes as: | | |
| Amounts due from contract customers | 857,626 | 879,076 |
| Amounts due to contract customers | (58,117) | (79,097) |
| | 799,509 | 799,979 |

The Group's retentions held by customers and advances received from customers for contract work are as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Retentions receivable for contract work | | |
| External customers (included in retentions receivable and amount due from a related company) | 346,927 | 327,822 |
| Advances received for contract work | | |
| External customers (included in trade and other payables) | 323,753 | 563,344 |

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits and bank balances carry interest at prevailing market interest rates.

Pledged bank deposits represent deposits pledged to secure bills payable and are therefore classified as current assets.

As at 31 December 2015, the Group's pledged bank deposits amounting to nil (2014: HK\$32,648,000), and bank balances amounting to HK\$2,711,000 (2014: HK\$21,356,000), are denominated in RMB.

Notes to the Consolidated Financial Statements

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30. OTHER FINANCIAL LIABILITIES

Trade and other payables

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 14 to 30 days.

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------------------------|------------------|------------------|
| Contract creditors and suppliers | 562,908 | 501,666 |
| Retentions payable | 206,561 | 224,140 |
| Deposits received | 769,469 | 725,806 |
| Other payables | 330,859 | 563,712 |
| | 84,646 | 93,282 |
| Total | 1,184,974 | 1,382,800 |

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------|------------------|------------------|
| 1-30 days | 506,711 | 345,196 |
| 31-60 days | 33,484 | 27,733 |
| 61-90 days | 10,928 | 10,488 |
| Over 90 days | 11,785 | 118,249 |
| | 562,908 | 501,666 |

As at 31 December 2015, the Group's retentions payable of HK\$55,837,000 (2014: HK\$116,059,000) is expected to be paid after one year.

Bills payable

At the end of the reporting period, bills payable are repayable within 60 days (2014: 180 days) and are secured by other receivables and pledged bank deposits set out in notes 27 and 29 respectively.

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31. BANK BORROWINGS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Term loans – unsecured | 136,500 | 112,430 |
| Trust receipt loans – unsecured | 118,064 | 6,389 |
| | 254,564 | 118,819 |
| Carrying amount based on scheduled repayment date repayable: | | |
| Within one year | 254,564 | 96,319 |
| More than one year, but not exceeding two years | – | 22,500 |
| | 254,564 | 118,819 |
| Less: Amounts due within one year shown under current liabilities | (254,564) | (96,319) |
| Amounts shown under non-current liabilities | – | 22,500 |
| Fixed-rate borrowings | – | 254 |
| Variable-rate borrowings | 254,564 | 118,565 |
| | 254,564 | 118,819 |

As at 31 December 2015, the Group has variable-rate borrowings which are unsecured, bear interest at 0.90% to 2.35% (2014: 0.90% to 2.25%) over Hong Kong Interbank Offered Rate per annum and interest is repriced every one to three months. As at 31 December 2015, the average effective interest rate (which is also equal to contracted interest rate) on the Group's bank loans is 2.07% (2014: 1.85%) per annum.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

| | 2015 | 2014 |
|--------------------------|----------------|----------------|
| Fixed-rate borrowings | N/A | 7.20% |
| Variable-rate borrowings | 1.03% to 3.25% | 1.06% to 2.49% |

Notes to the Consolidated Financial Statements

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32. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the year:

| | <i>HK\$'000</i> |
|--|-----------------|
| At 1 January 2014 | 932 |
| Exchange adjustments | (2) |
| Charge to profit or loss | 25 |
| At 31 December 2014 | 955 |
| Disposal of a subsidiary (<i>note 35(a)</i>) | (955) |
| At 31 December 2015 | – |

Deferred taxation represents the temporary differences between the carrying amounts of the investment property situated in the PRC and the corresponding tax bases.

Under the EIT Law and Implementation Regulation of the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements as the directors of the Company do not plan to declare dividends in the foreseeable future.

At the end of the reporting period, the Group has unused estimated tax losses of HK\$33,716,000 (2014: HK\$30,538,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are HK\$14,298,000 as at 31 December 2014, representing the tax loss of Sundart Beijing that was disposed of during the year, that will expire in 2019. At 31 December 2015, the losses of HK\$33,716,000 (2014: HK\$16,240,000) may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

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33. SHARE CAPITAL

| | Number of shares | Share capital | |
|--|------------------|---------------|----------|
| | | USD | HK\$'000 |
| Authorised: | | | |
| At 1 January 2014 and 31 December 2014 | | | |
| – ordinary shares of USD1 each | 50,000 | 50,000 | 390 |
| At 31 December 2015 (<i>note a</i>) | | | |
| – with no par value | N/A | N/A | N/A |
| Issued and fully paid: | | | |
| At 1 January 2014 and 31 December 2014 | 5,100 | 5,100 | 40 |
| Issue of shares (<i>note b</i>) | 500,000,000 | N/A | 654,210 |
| Capitalisation issue (<i>note c</i>) | 1,499,994,900 | N/A | 15,000 |
| At 31 December 2015 | | | |
| – with no par value | 2,000,000,000 | | 669,250 |

- (a) On 11 August 2015, pursuant to written resolutions of Reach Glory, the sole shareholder of the Company, the Company disappplied Part IV of Schedule 2 of the BVI Companies Act and immediately after the disapplication, the Company was authorised to issue up to 50,000 shares of USD1 par value each. On 1 September 2015, the Company increased its authorised shares to an unlimited number comprising shares of USD1 par value each. On the same day, the Company repurchased the then existing 5,100 shares of par value of USD1 each in issue for a consideration of USD5,100, and 5,100 new shares of no par value were issued to Reach Glory, for a consideration of USD5,100. On 7 September 2015, the Company further amended its authorised shares by a further amendment of its memorandum of association to an unlimited number comprising shares of no par value.
- (b) On 29 December 2015, 500,000,000 ordinary shares with no par value of the Company were issued at a price of HK\$1.38 by way of initial public offering. Those shares rank pari passu with the existing ordinary shares of the Company. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK\$690,000,000, net of transaction cost amounting to HK\$35,790,000, were credited to the Company's share capital.
- (c) On 29 December 2015, the Company capitalised HK\$15,000,000 standing to the credit of share premium of the Company and applied such amount in paying up in full 1,499,994,900 shares of the Company for allotment and issue to Reach Glory. The new shares rank pari passu in all respects with the issued ordinary shares of the Company.

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34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Non-current assets | | |
| Investments in subsidiaries | 678,192 | 256,869 |
| Property, plant and equipment | 765 | 1,094 |
| | 678,957 | 257,963 |
| Current assets | | |
| Other receivables, prepayments and deposits | 2,805 | 1,763 |
| Tax recoverable | 102 | – |
| Bank balances and cash | 60,481 | 934 |
| | 63,388 | 2,697 |
| Current liabilities | | |
| Other payables | 15,673 | 2,243 |
| Tax payable | – | 176 |
| Amount due to a fellow subsidiary | 1,928 | – |
| Amounts due to subsidiaries | – | 174,176 |
| | 17,601 | 176,595 |
| Net current assets (liabilities) | 45,787 | (173,898) |
| Total assets less current liabilities | 724,744 | 84,065 |
| Capital and reserves | | |
| Share capital | 669,250 | 40 |
| Reserves | 55,494 | 84,025 |
| | 724,744 | 84,065 |

The Company's statement of financial position was approved and authorised for issue by the board of directors on 24 March 2016 and are signed on its behalf by:

Ng Tak Kwan
Director

Xie Jianyu
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued) Movement in the Company's reserves

| | Share premium HK\$'000 | Other reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 |
|-----------------------------------|------------------------------|------------------------------|------------------------------------|-------------------|
| At 1 January 2014 | 34,700 | 33,600 | 3,818 | 72,118 |
| Profit for the year | – | – | 11,907 | 11,907 |
| At 31 December 2014 | 34,700 | 33,600 | 15,725 | 84,025 |
| Profit for the year | – | – | 436,469 | 436,469 |
| Capitalisation issue (note 33(c)) | (15,000) | – | – | (15,000) |
| Dividend paid (note 14) | – | – | (450,000) | (450,000) |
| At 31 December 2015 | 19,700 | 33,600 | 2,194 | 55,494 |

35. DISPOSALS OF SUBSIDIARIES

(a) Disposal of interests in Sundart Beijing

On 16 April 2015, the Group entered into a sale and purchase agreement with Jangho Hongkong to dispose of the Group's 50% equity interests in Sundart Beijing to Janhgo Hongkong at a consideration of HK\$91,434,000. The transaction was completed on 24 April 2015 upon the government approval of such equity transfer. Thereafter, the Group retained only 25% equity interests of Sundart Beijing. The Group has determined that it has significant influence over Sundart Beijing, as it has the power to appoint one out of three directors of Sundart Beijing. The retained 25% equity interests in Sundart Beijing has been accounted for as an investment in an associate using the equity method of accounting since the date of disposal of 50% equity interests in Sundart Beijing.

The assets and liabilities disposed of in the transaction were as follows:

| | HK\$'000 |
|--|-----------|
| Property, plant and equipment | 10,784 |
| Investment property | 8,367 |
| Other intangible assets | 49 |
| Amount due from a related company | 19 |
| Trade and other receivables | 301,985 |
| Bills receivable | 2,155 |
| Amounts due from customers for contract work | 372,208 |
| Retentions receivable | 93,876 |
| Tax recoverable | 1,594 |
| Pledged bank deposits | 50,614 |
| Bank balances and cash | 20,735 |
| Trade and other payables | (254,075) |
| Bills payable | (165,943) |
| Amounts due to customers for contract work | (56,398) |
| Amount due to ultimate holding company | (62,441) |
| Amounts due to fellow subsidiaries | (60,996) |
| Amount due to a non-controlling shareholder | (40,394) |
| Bank borrowings | (14,091) |
| Bank overdrafts | (25,329) |
| Deferred tax liabilities | (955) |
| | 181,764 |

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35. DISPOSALS OF SUBSIDIARIES (Continued)

(a) Disposal of interests in Sundart Beijing (Continued)

| | HK\$'000 |
|---|-----------|
| Gain on disposal of subsidiaries: | |
| Cash consideration received | 91,434 |
| Less: Transaction costs and related tax | (2,310) |
| Add: Fair value of the retained 25% equity interests in Sundart Beijing | 45,440 |
| Less: Net asset disposed of | (181,764) |
| Add: Non-controlling interests | 45,441 |
| Release of translation reserve upon disposal | 12,246 |
| | 10,487 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 91,434 |
| Bank overdrafts, net of bank balances and cash disposed of | 4,594 |
| | 96,028 |

The cash consideration was settled by Jangho Hongkong in full by 16 June 2015.

(b) Disposal of interests in Elite Tech Holdings Limited

On 29 June 2015, the Group transferred its interests in Elite Tech Holdings Limited, which holds 100% equity interests in Sundart Emirates Interior Contracting LLC to Jangho Hongkong at a consideration of HK\$1.

The assets and liabilities disposed of in the transaction were as follows:

| | HK\$'000 |
|--|----------|
| Other receivable | 13 |
| Loss on disposal: | |
| Net asset disposed of | (13) |
| Release of translation reserve upon disposal | 2 |
| | (11) |

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36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Within one year | 11,473 | 16,356 |
| In the second to fifth year inclusive | 5,195 | 11,947 |
| | 16,668 | 28,303 |

Leases for rented premises are negotiated for a period of 1 to 7 years with fixed rental.

37. CAPITAL COMMITMENTS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements | — | 319 |

38. PERFORMANCE BONDS AND ADVANCE PAYMENT BONDS

As at 31 December 2015, the Group has issued performance bonds and advance payment bonds in respect of supply and installation contracts through the banks amounting to HK\$1,125,839,000 (2014: HK\$1,352,576,000).

39. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of a specified amount or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

Eligible employees in Macau currently participate in a defined contribution pension scheme operated by the local government which is a fixed amount for each employee.

The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

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39. RETIREMENT BENEFIT PLANS (Continued)

During the year, the Group has made contributions to retirement benefit schemes as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Continuing operations | | |
| Contributions paid and payable | 7,308 | 6,667 |
| Less: Capitalised to contract costs | (2,322) | (1,874) |
| | 4,986 | 4,793 |
| Discontinued operations | | |
| Contributions paid and payable | 1,783 | 7,125 |
| Less: Capitalised to contract costs | (1,051) | (3,363) |
| | 732 | 3,762 |

40. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 1 December 2015 (the "Share Option Scheme") for the purpose of providing incentives or rewards to any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an independent non-executive director), a direct or indirect shareholder of any member of the Company and its subsidiaries and an associate of any of the aforementioned persons ("Eligible Persons") who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group. Under the Share Option Scheme, the board of directors of the Company may grant options to Eligible Persons, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at 29 December 2015, being the date of the listing of ordinary shares of the Company (i.e. 200,000,000 shares). The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Persons (including both exercised and outstanding options), in any 12-month period shall not exceed 1% of the shares of the Company in issue for the time.

Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date which the share option is deemed to be granted and accepted. The subscription price is determined by the board of directors of the Company, and shall not be less than whichever is the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer and (ii) the average closing price of the shares for the five business days immediately preceding the offer date.

No share options were granted, forfeited or expired during the year.

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41. RELATED PARTY TRANSACTIONS

Apart from amounts due from an associate and a related company and amounts due from/to group companies as set out in notes 23, 25 and 26 respectively and the disposals of subsidiaries and an associate in notes 35 and 23 respectively, the Group had entered into the following significant transactions with its related companies and group companies:

| Relationship | Transaction | 2015 HK\$'000 | 2014 HK\$'000 |
|---|---|------------------|------------------|
| Continuing operations | | | |
| A related company and its subsidiaries* | Rent and rates and building management fee expense | 366 | – |
| | Management fee income | 361 | 418 |
| | Revenue from trading of interior decorative materials | – | 71 |
| | Revenue from fitting-out works | 3,143 | 5,632 |
| | Revenue from alteration and addition and construction works | – | 16,113 |
| | Purchase of materials | 445 | – |
| A fellow subsidiary | Supply and installation of window and louver systems | 37,195 | 6,240 |
| | License fee income from trademark | 148 | – |
| An associate | Interest income | 91 | – |
| Discontinued operations | | | |
| Ultimate holding company | Revenue from fitting-out works | – | 189 |
| A related company | Revenue from fitting-out works | – | 369 |
| A fellow subsidiary | Interest expenses | 700 | – |
| | Revenue from fitting-out works | – | 239 |
| A subsidiary of an associate | Revenue from fitting-out works | 379 | 631 |

* The related company refers to Rykadan Capital Limited, of which Chief Executive of the Company, Mr. Ng Tak Kwan, is the substantial shareholder.

Notes to the Consolidated Financial Statements

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41. RELATED PARTY TRANSACTIONS *(Continued)*

In addition,

- (a) as at 31 December 2014, the Group had outstanding advance payment bonds amounting to HK\$49,700,000, issued in favour of a customer of a fellow subsidiary through a bank and was released during the year ended 31 December 2015.
- (b) as at 31 December 2014, the ultimate holding company had outstanding performance bonds, advance payment bonds and tender bonds amounting to HK\$65,838,000 issued in favour of customers of the Group through a bank and was released upon disposal of 50% equity interests in Sundart Beijing.
- (c) as at 31 December 2014, the Group's banking facilities were guaranteed by Jangho Co., Jangho Hongkong and Mr. Liu Zaiwang and his spouse. The Group did not pay any charges for the guarantee granted. The guarantee was released during the year ended 31 December 2015.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------------------------|------------------|------------------|
| Salaries and short-term benefits | 28,165 | 25,436 |
| Post-employment benefits | 337 | 288 |
| | 28,502 | 25,724 |

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

42. JOINT OPERATION

The Group has a joint operation, namely Sundart APG Consortium. The Group has shared its portion of scope of works in the business to operate construction project, building design and consulting, related activities for the supply and installation of construction materials and products. The Group is entitled to the project income received HK\$129,004,000 (2014: HK\$23,643,000) for the year ended 31 December 2015 and bears a 50% share of the administrative expenses of the joint operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

43. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2015 and 2014 are as follows:

| Name of subsidiaries | Place of incorporation or establishment/ operations | Issued and fully paid capital/ registered capital/ quota capital | Equity interests attributable to the Group | | Principal activities |
|---|---|--|--|------|---|
| | | | 2015 | 2014 | |
| <i>Direct subsidiaries:</i> | | | | | |
| Sundart Investments Limited | Hong Kong | HK\$1,000 | 100% | 100% | Investment holding |
| Sundart Products Limited | BVI/Hong Kong | USD1 | 100% | 100% | Investment holding and leasing of intellectual properties |
| GLORY SPRING INVESTMENTS LIMITED | BVI/Hong Kong | USD1 | 100% | 100% | Investment holding |
| GLORYELD ENTERPRISES LIMITED | BVI/Hong Kong | USD1 | 100% | 100% | Investment holding |
| <i>Indirect subsidiaries:</i> | | | | | |
| Sundart Timber | Hong Kong | HK\$46,510,000 | 100% | 100% | Investment holding and fitting-out works |
| Sundart Engineering Services (Macau) Limited | Macau | MOP100,000 | 100% | 100% | Fitting-out works |
| Elite Base Engineering Limited | Hong Kong | HK\$1 | 100% | 100% | Fitting-out works |
| Grace United Development Limited | Hong Kong | HK\$1 | 100% | 100% | Fitting-out works |
| Sundart Beijing (Note 1) | The PRC | HK\$136,700,000 | – | 75% | Fitting-out works |
| 大連承達創建裝飾工程有限公司 (Note 1) | The PRC | RMB1,000,000 | – | 75% | Fitting-out works |
| Kin Shing (Leung's) General Contractors Limited | Hong Kong | HK\$17,800,000 | 100% | 100% | Construction and civil engineering works |

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For the year ended 31 December 2015

43. PARTICULARS OF THE SUBSIDIARIES (Continued)

| Name of subsidiaries | Place of incorporation or establishment/ operations | Issued and fully paid capital/ registered capital/ quota capital | Equity interests attributable to the Group | | Principal activities |
|--|---|--|--|------|---|
| | | | 2015 | 2014 | |
| Sundart Project Management & Consultancy Limited | Hong Kong | HK\$1 | 100% | 100% | Project management and consultancy services |
| Sundart Living | Hong Kong | HK\$100 | 100% | 100% | Investment holding |
| Dongguan Sundart (Note 3) | The PRC | HK\$41,000,000 | 100% | 100% | Manufacturing and distribution of interior decorative materials |
| Sundart International Supply Limited | Hong Kong | HK\$10,000 | 100% | 100% | Sourcing and distribution of interior decorative materials |
| Sundart International Supply (Macau) Limited | Macau | MOP25,000 | 100% | 100% | Sourcing and distribution of interior decorative materials |
| Sundart Engineering (Far East) Limited | Hong Kong | HK\$1 | 100% | 100% | Inactive |
| EASY GLORY HOLDINGS LIMITED | BVI/Hong Kong | USD1 | 100% | 100% | Investment holding |
| Elite Tech Holdings Limited (Note 2) | Hong Kong | HK\$1 | — | 100% | Investment holding |
| Sundart Emirates Interior Contracting LLC (Note 2) | Abu Dhabi | AED150,000 | — | 100% | Inactive |

Notes:

1. These companies ceased to be subsidiaries of the Company with effective from 24 April 2015.
2. These companies ceased to be subsidiaries of the Company with effective from 29 June 2015.
3. This company was formerly named as Dongguan Sundart Timber Products Co., Ltd. 東莞承達木材制品有限公司. This is a wholly foreign-owned enterprise in the PRC.

None of the subsidiaries had issued any debt securities during the year.

Notes to the Consolidated Financial Statements

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44. NON-CONTROLLING INTERESTS

Non-controlling interests rate to 25% of the equity interests of Sundart Beijing. The table below shows its details.

| | 2015* HK\$'000 | 2014 HK\$'000 |
|---|-------------------|------------------|
| (Loss) profit allocated to non-controlling interests | (279) | 814 |
| Other comprehensive income allocated to non-controlling interests | 3 | 396 |
| Contribution from non-controlling interests as capital injection | – | 7,500 |
| Accumulated non-controlling interests | – | 45,717 |

Summarised consolidated financial information in respect of Sundart Beijing is set out below. The summarised consolidated financial information below represent amounts before intragroup eliminations.

| | 2014 HK\$'000 |
|--|------------------|
| Current assets | 665,356 |
| Non-current assets | 18,603 |
| Current liabilities | (500,137) |
| Non-current liabilities | (955) |
| Equity attributable to shareholders of Sundart Beijing | 182,867 |

| | 2015* HK\$'000 | 2014 HK\$'000 |
|---|-------------------|------------------|
| Revenue | 338,029 | 1,112,328 |
| Expenses | (339,144) | (1,109,074) |
| (Loss) profit for the year | (1,115) | 3,254 |
| Other comprehensive income | 12 | 1,584 |
| Total comprehensive (expense) income for the year and attributable to shareholders of Sundart Beijing | (1,103) | 4,838 |
| Net cash used in operating activities | (89,500) | (67,011) |
| Net cash used in investing activities | (19,428) | (29,847) |
| Net cash from financing activities | 85,731 | 1,690 |
| Net cash outflow | (23,197) | (95,168) |

* Sundart Beijing ceased to be a subsidiary of the Group following the disposal of another 50% equity interests on 24 April 2015.

Financial Summary

| | Year ended 31 December | | | |
|--|------------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| RESULTS | | | | |
| Continuing operations | | | | |
| Revenue | 4,133,146 | 2,336,708 | 1,632,286 | 1,752,994 |
| Profit before taxation | 435,583 | 205,790 | 152,890 | 123,413 |
| Income tax expense | (63,655) | (30,350) | (26,385) | (16,168) |
| Profit for the year from continuing operations | 371,928 | 175,440 | 126,505 | 107,245 |
| Profit for the year from discontinued operations | 9,372 | 3,254 | 22,361 | 2,557 |
| Profit for the year | 381,300 | 178,694 | 148,866 | 109,802 |
| Profit (loss) for the year attributable to: | | | | |
| Owners of the Company | 381,579 | 177,880 | 143,276 | 110,067 |
| Non-controlling interests | (279) | 814 | 5,590 | (265) |
| | 381,300 | 178,694 | 148,866 | 109,802 |
| Earnings per share | | | | |
| From continuing and discontinued operations | | | | |
| Basic (HK cents) | 25.37 | 11.86 | 9.55 | 7.34 |
| From continuing operations | | | | |
| Basic (HK cents) | 24.73 | 11.70 | 8.43 | 7.15 |

| | At 31 December | | | |
|--|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| ASSETS AND LIABILITIES | | | | |
| Total assets | 2,980,976 | 2,613,283 | 1,903,724 | 1,496,313 |
| Total liabilities | (1,571,456) | (1,755,896) | (1,231,436) | (958,904) |
| Net assets | 1,409,520 | 857,387 | 672,288 | 537,409 |
| Equity attributable to owners of the Company | 1,409,520 | 811,670 | 635,281 | 507,045 |
| Non-controlling interests | – | 45,717 | 37,007 | 30,364 |
| Total equity | 1,409,520 | 857,387 | 672,288 | 537,409 |