Sundart

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

2017
ANNUAL REPORT

About us

Sundart is one of the leading integrated fitting-out contractors in Hong Kong, Macau and the PRC, specialising in providing professional fitting-out works for residential property and hotel projects. We have been operating our fitting-out business in Hong Kong since 1996 and we further expanded our fitting-out business to Macau and the PRC in 2005 and 2017, respectively.

We have undertaken a number of sizeable fitting-out projects in Hong Kong, Macau and the PRC. 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.

Contents

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 *(resigned on 1 February 2018)*

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)*
(resigned on 1 February 2018)
Mr. Liu Zaiwang *(Chairman)*
(appointed on 1 February 2018)
Mr. Xie Jianyu

COMPANY SECRETARY

Ms. Chui Muk Heung

AUTHORISED REPRESENTATIVES

Mr. Xie Jianyu
Mr. Pong Kam Keung *(resigned on 1 February 2018)*
Ms. Chui Muk Heung *(appointed on 1 February 2018)*

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
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
Hang Seng Bank Limited
China Guangfa Bank Co., Ltd., Macau Branch
Citibank, N.A., Hong Kong Branch

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

Conyers Trust Company (BVI) Limited
Commerce House
Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands, VG1110

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1568

COMPANY'S WEBSITE

www.sundart.com

INVESTOR RELATIONS CONTACT

PR ASIA Consultants Limited
5/F, Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

Definitions

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

"Acquisition"	has the meaning ascribed to it under the paragraph headed "Management Discussion and Analysis – Financial Review – Material acquisition and disposal" in this annual report
"AGM"	the annual general meeting of the Company to be held at 10:00 a.m. on Thursday, 31 May 2018 at Room 03-05, 11/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof
"Amended Deed"	an amended and restated deed of non-competition dated 25 July 2017 given by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for each of its subsidiaries) to amend and restate the Deed of Non-Competition
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Gangyuan"	北京港源建築裝飾工程有限公司 (Beijing Gangyuan Architectural Decoration Engineering Co., Ltd.*), a company established in the PRC with limited liability and owned as to 26.25% by Jangho Co, 68.75% by Jangho Chuangzhan and 5% by Mr. Gao Yun (高運), a director of Jangho Co, respectively
"Beijing Jiangheyuan"	北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.*), a company established in the PRC with limited liability and a controlling shareholder of the Company
"Beijing Shunyi Property"	北京順義產業投資基金管理有限公司 (Beijing Shunyi Property Investment Fund Management Limited*), a company established in the PRC with limited liability and owned as to 30% by Jangho Co, 20% by 北京順義科技創新集團有限公司 (Beijing Shunyi Technology Innovation Co., Ltd.*), 20% by 北京北控置業集團有限公司 (Beijing Enterprises Group Real-Estate Co., Ltd.*), 15% by 北京東方雨虹防水技術股份有限公司 (Beijing Oriental Yuhong Waterproof Technology Co., Ltd.*) and 15% by Mr. Liu Zhongyue (劉中岳), a senior management of Jangho Co, respectively
"Board"	the board of Directors
"business day"	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
"C&SD"	Census and Statistics Department of the Hong Kong Government
"close associates"	has the meaning ascribed to it 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, a company incorporated in the BVI with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1568)
"Company Secretary"	the company secretary of the Company

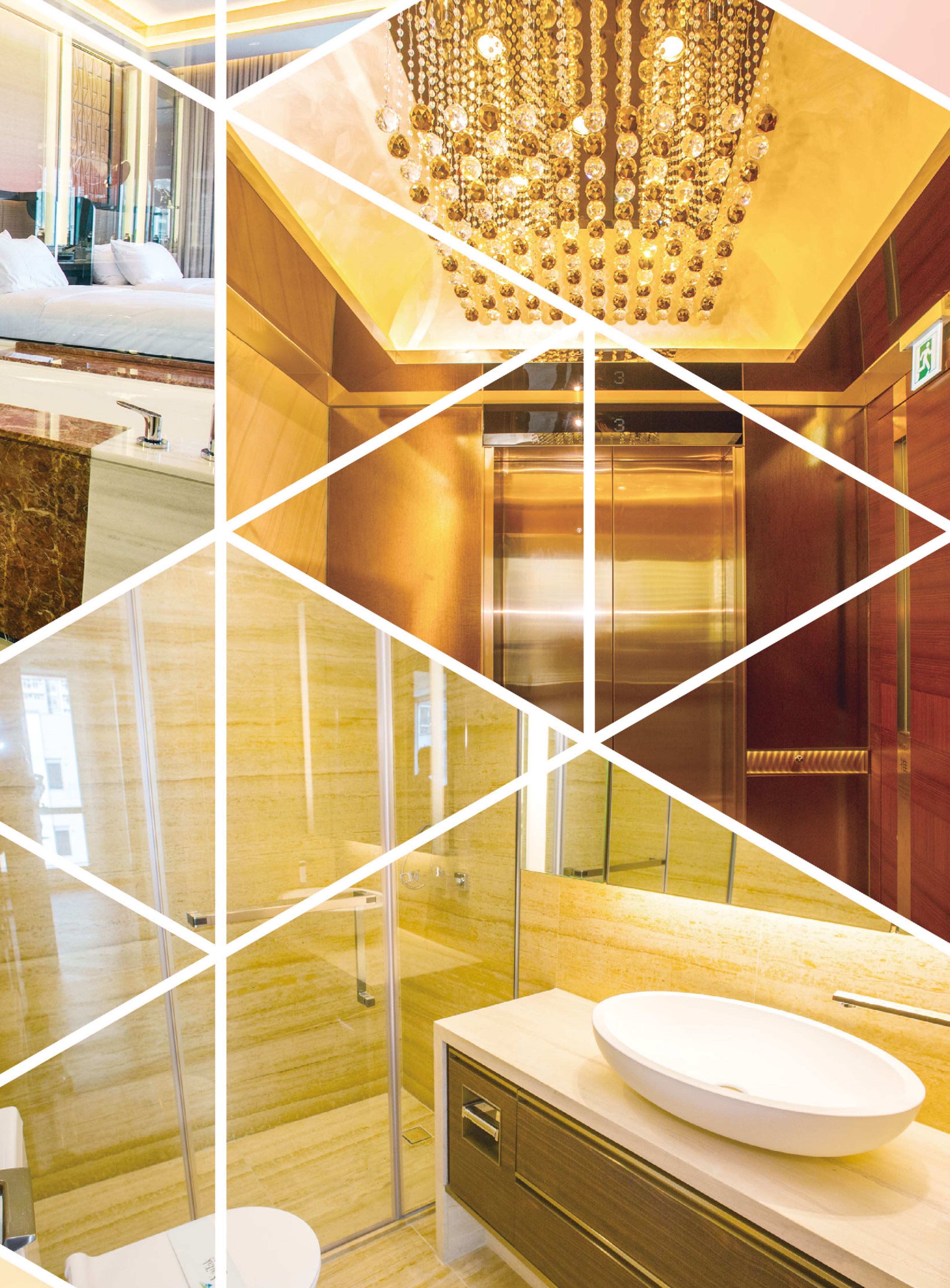
"Completion"	the completion of the Acquisition pursuant to the terms of the Equity Transfer Agreement which took place on 10 August 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of the Company, means Mr. Liu, Ms. Fu, Beijing Jiangheyuan, Jangho Co, Jangho HK and Reach Glory
"Deed of Non-Competition"	a deed of non-competition dated 8 December 2015 given by the then controlling shareholders of the Company in favour of the Company (for itself and as trustee for each of its subsidiaries)
"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 company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"ESG Report"	the environmental, social and governance report
"Equity Transfer Agreement"	has the meaning ascribed to it under the paragraph headed "Management Discussion and Analysis – Financial Review – Material acquisition and disposal" in this annual report
"FSC"	Forest Stewardship Council
"GDP"	gross domestic product
"GHMGBA"	Guangdong-Hong Kong-Macao Greater Bay Area
"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
"HKQAA"	Hong Kong Quality Assurance Agency
"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
"ISO"	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 14001"	a member of ISO 14000 which is a family of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts

"ISO 9001"	a member of ISO 9000 which is a family of standards set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction
"Jangho Chuangzhan"	北京江河創展管理諮詢有限公司 (Beijing Jangho Chuangzhan Management Consultancy Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Jangho Co
"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 of the Company
"Jangho HK"	Jangho Hong Kong Holdings Limited (江河香港控股有限公司) (formerly known as Jangho Curtain Wall Hongkong Limited (江河幕墻香港有限公司)), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Jangho Co and a controlling shareholder of the Company
"Jangho Macau"	Jangho Curtain Wall Macao Co., Ltd (江河幕墻澳門有限公司), a company incorporated in Macau with limited liability and owned as to 99% and 1% by Jangho Co and Jangho HK, respectively
"Kin Shing"	Kin Shing (Leung's) General Contractors Limited (堅城(梁氏)建築有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Listing Date"	29 December 2015, being the date of listing of the Shares on the main board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"m^2"	square meters
"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
"MOP"	Macau Pataca, the lawful currency of Macau
"Mr. Liu"	Mr. Liu Zaiwang (劉載望), the non-executive Director, a controlling shareholder of the Company and the spouse of Ms. Fu
"Ms. Fu"	Ms. Fu Haixia (富海霞), a controlling shareholder of the Company and the spouse of Mr. Liu
"Nomination Committee"	the nomination committee of the Board
"Placing and Subscription"	the placing of existing Shares and top-up subscription of new Shares under general mandate on 25 July 2016 and 28 July 2016, respectively
"PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Previous Year"	the year ended 31 December 2016

"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 HK and a controlling shareholder of the Company
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"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)"	the holder(s) of Share(s)
"Share Option Scheme"	the share option scheme, which was adopted by the Company and took effect 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 company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company since Completion
"Sundart Dalian"	大連承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Dalian) Limited*), a company established in the PRC with limited liability, deregistered on 17 October 2017, and an indirect wholly-owned subsidiary of the Company since Completion
"Sundart Engineering"	Sundart Engineering Investments Limited (承達工程投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Sundart Macau"	Sundart Engineering Services (Macau) Limited (承達工程服務（澳門）有限公司), a company incorporated in Macau with limited liability 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 company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"USD"	United States dollars, the lawful currency of the United States of America
"Year"	the year ended 31 December 2017
"Zhong Hang You Property"	北京中航油置業有限公司 (Beijing Zhong Hang You Property Limited*), a company established in the PRC with limited liability and owned as to 95% and 5% by 江河創新地產股份有限公司 (Jangho Chuangxin Property Limited*) and 中國航空油料集團公司 (China National Aviation Fuel Group Corporation*), respectively
"%"	per cent.

* *for identification purpose only*

CHAIRMAN'S STATEMENT



Chairman's Statement

Mr. Liu Zaiwang
Chairman

Dear Shareholders,

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

We are one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. During the Year, we have expanded our fitting-out business to the PRC market by the Acquisition. In addition, we also generated revenue from alteration and addition and construction works in Hong Kong and from manufacturing, sourcing and distribution of interior decorative materials business for sales globally. During the Year, a majority of our revenue was derived from our fitting-out projects in the private sector.

During the Year, the Group's revenue was HK$4,982.9 million (Previous Year: HK$5,114.9 million), profit for the year was HK$421.1 million (Previous Year: HK$523.2 million) and basic earnings per share was HK19.51 cents (Previous Year: HK25.30 cents). The Board is pleased to propose a final dividend of HK2 cents per Share for the Year. Taken together with the interim dividend of HK7 cents per Share, it is equivalent to approximately 46.1% of the profit available for distribution for the Year, which is slightly higher than the dividend policy as stated in the Prospectus.

By providing high-quality service, we work with lots of loyal business partners and can thus maintain our inherent business and enlarge our business step by step. We completed 24 fitting-out projects with an individual contract sum of not less than HK$50.0 million, and 19 alteration and addition and construction projects during the Year. Most of those projects are sizeable hotel guestrooms, casinos, residential properties and commercial buildings.

The construction of Hong Kong-Zhuhai-Macao Bridge was completed in February 2018. With enhanced boundary crossing facilities between the PRC and Macau, more business development opportunities will be presented to promote the Macau economy as well as stimulate its gambling industry and tourism. Thus, we are still optimistic about the potential growth of fitting-out business in Macau. Meanwhile, we are confident to capture new opportunities through proactive participation in the GHMGBA Initiative, so as to strengthen our leading position in the fitting-out industry. We also took this opportunity to invest in a Hong Kong real estate fund during the Year so as to bring more income to the Group. Further, leveraging on the rapid growth in the property and tourism market in the PRC, we have expanded our fitting-out business into the PRC market by the Acquisition. In the future, we strive to increase our reputation and profitability in the PRC, riding on Sundart Beijing's success and high results performance.

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

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude and thank to our Shareholders, business partners and other professional parties for their constant support for the past. We will carry on dedicating our efforts towards the long-term development and hence deliver sustainable returns to our Shareholders.

Liu Zaiwang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

MARKET REVIEW

According to the figures from C&SD, Hong Kong's GDP increased by 3.8% year-on-year in real terms in 2017.

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

In Macau, information from the Statistics and Census Service of the government of Macau indicated that Macau's GDP increased by 11.6% year-on-year in 2017. Macau's gambling industry began to pick up with 19.1% increase in revenue to approximately MOP265.7 billion. The construction of Hong Kong-Zhuhai-Macao Bridge was completed in February 2018. With enhanced boundary crossing facilities between the PRC and Macau, more business development opportunities will be presented to promote the Macau economy as well as stimulate its gambling industry and tourism. During the Year, the overall residential real estate market in Macau remained well-rounded. The overall Residential Property Price Index grew by 15.3% year-on-year in 2017. These in turn may benefit the fitting-out industry in Macau.

In 2017, China's economy grew steadily and the annual GDP increased by 6.9% year-on-year. In the meantime, the national real estate development investment reached RMB10,979.9 billion, representing a year-on-year increase of 7.0%, in which the investment in residential properties rose by 9.4% year-on-year. New housing construction area with a gross surface area of 1.8 billion m^2 increased by 7.0% year-on-year, whereas new residential construction area increased by 10.5%. Due to the benefit of "The Belt and Road Initiative", an array of construction projects commenced. Over the Year, the construction industry in the PRC has been gradually penetrating into the international market with increasing number of transactions. During the Year, infrastructure and property investments maintained a steady development and construction industry continued with its good prosperity.

BUSINESS REVIEW

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

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

Fitting-out works

The Group's fitting-out business primarily includes the fitting-out works carried out for hotels, serviced apartments, residential properties and other properties in Hong Kong, Macau and the PRC. During the Year, the fitting-out business remained as the key contributor to the Group's revenue and profit.

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

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

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

Alteration and addition and construction works

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

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

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

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

Manufacturing, sourcing and distribution of interior decorative materials

One of the Group's core competencies lies in its manufacturing base and research and development center in the PRC. Through Dongguan Sundart, the Group operates a manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC with an aggregate gross floor area of over 40,000 m^2. Dongguan Sundart manufactures interior decorative timber products such as fire-rated timber doors and wooden furniture, and provides quality and reliable re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by the Group.

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

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

Principal risks

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

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

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

Other income, other gains and losses

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

Profit for the year

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

Basic earnings per share

The Company's basic earnings per share for the Year was HK19.51 cents (Previous Year: HK25.30 cents), decreased by HK5.79 cents or 22.9% year-on-year and was in line with the decrease in profit for the year. In addition, the basic earnings per share for the Year was calculated based on the weighted average number of 2,158,210,000 Shares in issue during the Year, whilst basic earnings per share for the Previous Year was calculated based on the weighted average number of 2,067,866,000 Shares then in issue. As such, the basic earnings per share for the Year was relatively lower than those for the Previous Year. Details of earnings per share are set out in note 15 to the consolidated financial statements.

Final dividend

The Board proposed a final dividend of HK2 cents per Share for the Year subject to the approval of the Shareholders at the AGM. Taken together with the interim dividend of HK7 cents per Share paid on 22 September 2017, the total dividend for the Year is HK9 cents per Share, equivalent to approximately 46.1% of the profit available for distribution for the Year, which is slightly higher than the dividend policy as stated in the Prospectus.

Material acquisition and disposal

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

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

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

Investments

Available-for-sale investments

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

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

As at 31 December 2017, the Group recorded an increase in fair value change of HK$6.9 million in investment revaluation reserve compared to that as at 31 December 2016, whereas an impairment loss of HK$8.7 million was recognised in profit or loss during the Year in respect of the listed equity securities. Up to 27 March 2018, there was a decline in the value of certain listed equity securities as the market price of those listed equity securities held by the Group retreated.

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

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

Future plans for material investments or capital assets
As at 27 March 2018, the Group did not have any plans for material investments or capital assets.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure
The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. During the Year, the Group mainly relies upon internally generated funds, bank and other borrowings and net proceeds from the Global Offering and the Placing and Subscription to finance its operations.

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

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

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

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

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

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

Contingent liabilities and capital commitments

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

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

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

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

Credit risk exposure

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

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

PROSPECTS AND STRATEGIES

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

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

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

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

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ng Tak Kwan (吳德坤), aged 63, is the executive Director and chief executive officer of the Company. He is also a director of each subsidiary of the Company, excluded GROW PATH INTERNATIONAL LIMITED, PEAK GAIN DEVELOPMENT LIMITED, Glory One Investments Limited and PROPER WEALTH GROUP LIMITED. Mr. Ng is one of the founders of the Group. He has been mainly focusing on the Group's daily operations since its commencement of business in 1986. He is also a member of the Remuneration Committee. Mr. Ng left the Group in 1996 and re-joined in October 1998. Currently, Mr. Ng is primarily responsible for the overall management of the business development of the 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 64, is the executive Director. He is also a director of several subsidiaries of the Company, including, GLORY SPRING INVESTMENTS LIMITED, Sundart Products Limited, Sundart International Supply Limited, Sundart International Supply (Macau) Limited, Sundart Living Limited, Sundart Timber, Dongguan Sundart and Sundart Macau. Mr. Leung is one of the founders of the Group. He left the Group in July 2006 and re-joined in April 2009. Currently, he is mainly responsible for overseeing the manufacturing, technical and engineering activities and sourcing and distribution of interior decorative materials of the Group.

Mr. Xie Jianyu (謝健瑜), aged 38, is the executive Director and chief financial officer of the Company. He is also a director of each subsidiary of the Company. He joined the Group in June 2012 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management of the Group. He is also a member of the Internal Control Committee. Prior to joining the Group, 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. Ng Chi Hang (吳智恒), aged 42, is the executive Director. He is also a director of several subsidiaries of the Company, including: Sundart Timber, Sundart Macau, GROW PATH INTERNATIONAL LIMITED, PEAK GAIN DEVELOPMENT LIMITED, GOOD ENCORE LIMITED, Glory One Investments Limited, Good Encore Development Limited, HONEST PARK LIMITED, PROPER WEALTH GROUP LIMITED and Sundart Engineering Investments Limited. Mr. Ng joined the Group as a quantity surveyor in Sundart Timber in September 2005 and is mainly responsible for overseeing the overall operation of the Group in Macau. Prior to joining the Group, 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 56, was the executive Director. He was also a director of Good Encore Development Limited and PROPER WEALTH GROUP LIMITED. On 1 February 2018, he resigned from directorships of these three companies. Currently, he is a director of Kin Shing and Sundart Project Management & Consultancy Limited, respectively. Mr. Pong joined the Group as a project director in Kin Shing in July 2013 and was mainly responsible for overseeing the execution of the fithing-outs projects and the legal and compliance matters of the Group. He was also a member and the chairman of the Internal Control Committee before he resigned from directorship of the Company on 1 February 2018. Prior to joining the Group, 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. Since 13 July 2016 and 20 October 2017, Mr. Pong has been respectively appointed as a non-executive director of Star Properties Group (Cayman islands) Limited and an independent non-executive director of Shuang Yun Holdings Limited, companies listed on the Stock Exchange (stock code: 1560 and 1706 respectively). Mr. Pong obtained a bachelor degree of science in building surveying from 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 46, is the non-executive Director and the chairman of the Board. Mr. Liu is primarily responsible for the overall strategy, investment planning and human resource strategy of the Group. He is also a member and the chairman of the Nomination Committee and Internal Control Committee (appointed on 1 February 2018). In February 1999, Mr. Liu founded Jangho Co, the controlling shareholder, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886), which was principally engaged in the curtain wall industry and expanded its business into the medical and health care industry in recent years. He is the legal representative, director and chairman of Jangho Co and is responsible for the overall management of Jangho Co. Mr. Liu joined the Group when Jangho Co acquired 85% interests in the Company in July 2012. 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 67, was appointed as an independent non-executive Director on 1 December 2015. He is also a member of each of the Audit and Remuneration Committees and the chairman of the Audit Committee. Mr. Tam has over 20 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 till August 2016 and currently a tax partner of that firm. 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.

Mr. Huang Pu (黃璞), aged 45, was appointed as an independent non-executive Director on 1 December 2015. 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 60, was appointed as an independent non-executive Director on 1 December 2015. He is also a member of each of the Audit and Nomination Committees. Mr. Li has over 27 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 was 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), and 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). Respectively on 12 November 2017 and 12 February 2018, he resigned from directorships of these two companies. He is currently 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) and Shenzhen Annil Co., Ltd (深圳市安奈兒股份有限公司), companies listed on the Shenzhen Stock Exchange (Stock Code: 002183 and 002875 respectively). Mr. Li obtained a bachelor degree of laws from Jilin University (吉林大學), the PRC in August 1983 and was 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, July 2014, October 2015 and September 2017, respectively.

Senior Management

Mr. Chung Tsz Lung Jimmy (鍾子龍), aged 57, is the assistant general manager of Sundart Timber. He joined the Group 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 the Group, 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 49, is the design manager of Sundart Timber. He joined the Group as a 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 over 22 years' experience in interior design and shop drawing presentation of interior decorations for various types of buildings. Prior to joining the Group, 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 graduated from the City University of Hong Kong, Hong Kong in December 1996 with a higher diploma in architectural studies. In 2009 he attended the ISO14001:2004 introduction training in the HKQAA.

Mr. Chan Hak Man (陳克民), aged 62, is the senior project manager of Sundart Timber. He joined the Group in November 2007 and is mainly responsible for organising the projects and monitoring the progress of the projects. Prior to joining the Group, Mr. Chan worked for several companies, mainly in the areas of civil engineering and interior design. Mr. Chan was respectively awarded a certificate in furniture design from the Technical Institute of the Education Department of Hong Kong in July 1981 and an associate diploma in Applied Science (Building) from Sydney Institute of Technology, Australia in December 1994.

Mr. Chiu Yeuk Ho (趙若濠), aged 57, is the senior project manager of Sundart Timber. He joined the Group as a 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 32 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 in Canada 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 55, is the senior project manager of Sundart Timber. He joined the Group as a 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 the Group, 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 Huaqiao University (華僑大學), the PRC in July 1987.

Mr. Lau Mong Yu Alex (劉夢如), aged 55, is the purchasing manager of Sundart Timber. He joined the Group as a senior purchasing officer in August 2003. He is mainly responsible for coordinating all purchasing activities of the Group. With over 22 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 the Group, 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 49, is the chief accountant of the Company and the Company Secretary. Ms. Chui joined the Group as a senior accountant in November 2003. She is mainly responsible for the company secretarial, financial and accounting matters of the Group. Before joining the 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 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 44, is the contracts manager of Sundart Timber. He joined the Group in March 2013 and is mainly responsible for participating in tender and quotation and handling contracts related matters. Prior to joining the Group, 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 61, is the managing director of Kin Shing and Sundart Project Management & Consultancy Limited. He joined the Group as a commercial director in September 2010. He is mainly responsible for the day-to-day management of Kin Shing. Mr. Man has over 37 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 Group has made continued efforts to incorporate the key elements of sound corporate governance into its management structure and internal procedures. The Group is committed to high standards of ethics and integrity in all aspects of business and ensuring that its affairs are conducted in accordance with applicable laws and regulations and for the benefits and in the interests of the Shareholders.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures in compliance with the principles and the Code Provisions set out from time to time.

In the opinion of the Directors, the Company has complied with the Code Provisions during the Year, except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

THE BOARD

Composition of the Board

As at 31 December 2017, the Board consisted of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Pong Kam Keung resigned as an executive Director with effect from 1 February 2018. The composition of the Board and its changes during the Year and up to date of this annual report are 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 (resigned on 1 February 2018)

Non-executive Director

Mr. Liu *(Chairman)*

Independent non-executive Directors

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

For biographical details of all Directors and senior management of the Group, 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 Group. 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 Group 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.

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 details of 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 22 meetings, four of which were regular meetings.

The attendance record of each Director at the Board meetings, the Audit Committee meetings, the Remuneration Committee meetings, the Nomination Committee meetings, the Internal Control Committee meetings and the general meetings of the Company held during the Year was as follows:

	Attendance/Number of meetings held						
Name of Directors	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Internal Control Committee meetings	2017 Annual general meeting	Extraordinary general meeting
Executive Directors							
Mr. Ng Tak Kwan	22/22	N/A	1/1	N/A	N/A	1/1	1/1
Mr. Leung Kai Ming	22/22	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Xie Jianyu	22/22	N/A	N/A	N/A	2/2	1/1	1/1
Mr. Ng Chi Hang	22/22	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Pong Kam Keung (resigned on 1 February 2018)	22/22	N/A	N/A	N/A	2/2	1/1	1/1
Non-executive Director							
Mr. Liu	8/22	N/A	N/A	1/1	N/A	1/1	0/1
Independent non-executive Directors							
Mr. Tam Anthony Chun Hung	8/22	2/2	1/1	N/A	N/A	0/1	1/1
Mr. Huang Pu	8/22	2/2	1/1	1/1	N/A	0/1	1/1
Mr. Li Zheng	8/22	2/2	N/A	1/1	N/A	1/1	0/1

Directors' appointment and re-election

Each of the executive Directors 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.

Each of the non-executive Director and the independent non-executive Directors 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 the 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 next 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 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 which complies with Rules 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 with 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 continues to be independent.

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. Mr. Liu is the chairman of the Board and Mr. Ng Tak Kwan is the chief executive officer. Therefore, paragraph A.2.1 of the Code Provisions has been complied with.

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.

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 Group 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 (resigned on 1 February 2018)	✔	✔	✔
Non-executive Director			
Mr. Liu	✔	✔	✔
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 respective websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are 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, review the risk management and internal control systems, and the effectiveness of the Group's internal audit function.

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.

The Audit Committee has performed the following works during the Year and up to the date of this annual report:

- to review, inter alia, the annual results of the Group for the years ended 31 December 2016 and 2017, and the interim results of the Group for the six months ended 30 June 2017;

- to review of the Group's risk management, internal control systems, financial reporting systems, and financial and accounting policies and practices;
- to review of the audit plan for the year ended 31 December 2017;
- to recommend to the Board to re-appoint the external auditor at the 2017 and 2018 annual general meetings;
- to review the effectiveness of the internal audit function of the Company;
- to review the findings in the internal control report;
- to review the 2018 internal audit plan;
- to review the continuing connected transactions of the Group; and
- to review the compliance with the terms of the Deed of Non-Competition and the Amended Deed.

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 respective 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 the Group, review performance based remuneration and ensure none of the 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.

The Remuneration Committee has performed the following works during the Year and up to the date of this annual report:

- to review, inter alia, the performance and remuneration package of the Directors;
- to review the Company's policy and structure for remuneration of all members of senior management of the Group; and
- to approve the proposed remuneration of executive Directors (where Mr. Ng Tak Kwan abstained from voting in determining his own remuneration) and senior management with effective from August 2017.

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

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 respective 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 (the chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. Huang Pu and Mr. Li Zheng.

The Nomination Committee has performed the following works during the Year and up to the date of this annual report:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board as well as the policy concerning the diversity of the members of Board;
- to assess the independence of the independent non-executive Directors;
- to review the policy for nomination of directors, performed by the Nomination Committee;
- to review the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship;
- to review the achievement of the measurable objectives set out in the board diversity policy; and
- to determine the rotation of the Directors at the 2017 and 2018 annual general meetings.

Board diversity policy

The Company has adopted a board diversity policy since the Listing Date. A summary of such board diversity policy, the measurable objectives set for implementing such board diversity policy, and the progress made towards achieving those objectives are disclosed 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 has reviewed the achievement of the measurable objectives as set out in the board diversity policy.

Diversity of the Board
The existing members of the Board are well experienced in the fitting-out and alteration and addition and construction 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 members of the Board.

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.

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	1,730
Non-audit service fee	
Service fee as the reporting accountant in relation to the Acquisition	1,800
Other services	1,166
Total	4,696

CORPORATE GOVERNANCE FUNCTIONS

The Board has performed the following corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board during the Year and up to the date of this annual report:

- 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 management of the Group;
- 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 of the Group; and
- to review the Company's compliance with the Code Provisions and the disclosure in the corporate governance report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a risk management procedure and an internal control system that are characteristics of a clear governance structure, policy procedure and reporting mechanism, to help the Group manage its risks in all business segments.

The Group has established an organisational structure for risk management, composed of the Board, the Audit Committee, the risk management team, and the business departments, management and staff of the Group. The Board assesses and determines the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, and ensures that it establishes and maintains proper and effective risk management and develops a suitable corporate risk culture. The Board also monitors the coordination among the staff, corporate strategy, risk, internal control and compliance.

The Group has also developed and adopted a management system for corporate risks, which provides effective solutions to risk identification, assessment and handling. For at least once a year, the risk management team identifies the risk factors affecting the Group in realising its business objectives, works out ratings and rankings for such risks based on their possibility and impact, formulates solutions and strategies to major risks, and designates the people in charge of addressing such risks.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in on-going monitoring of the internal control systems of the Group by identifying deficiencies in the design and implementation of internal controls and proposing recommendations for improvement.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems for the Year, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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 2583 9938;

3. By fax number 2583 9138; or

4. By email at sundart@prasia.net

The Company uses a number of formal communication channels to account to the 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 the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the respective 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 providing 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 the 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 is disclosed below.

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 during the Year. The Articles of Association is available on the respective websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The Company Secretary 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 as well as the Board activities are efficiently and effectively conducted. She 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, the Company Secretary has taken no less than 15 hours of relevant professional training for the Year.

Environmental, Social and Governance Report

The Group has prepared an ESG Report for the financial year pursuant to the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

The ESG Report covers the policies and performance in relation to material environmental and social issues of the Group on the following principal activities and its compliance therewith:

- fitting-out works in Hong Kong and Macau; and
- alteration and addition and construction works in Hong Kong.

Each of the business departments of the Group has participated in preparing the ESG Report in order to identify the impact of the Group on the environment and society, and to evaluate its importance to the Group's business and each stakeholder. According to the requirements of the Environmental, Social and Governance Reporting Guide and the results of the importance assessment, the Group has established the following reporting scope for the ESG Report:

Aspects of the Guide	Material ESG Issues of the Group
A. Environmental	
A1. Emissions	• Exhaust gas and sewage management • Greenhouse gas emissions • Waste management
A2. Use of resources[1]	• Use of energy • Water consumption management
A3. Environment and natural resources	• Construction noise • Construction dust
B. Social	
B1. Employment	• Equal opportunities • Treatment for employees
B2. Health and safety	• Occupational health and safety
B3. Development and training	• Career development
B4. Labour standards	• Forbidding child or forced labour
B5. Supply chain management	• Green purchase • Supplier management
B6. Product responsibility	• Product quality
B7. Anti-corruption	• Anti-bribery and anti-corruption
B8. Community investment	• Social service

[1] Disclosure for the data of packaging materials is not applicable as the Group does not consume packaging materials during production.

A) ENVIRONMENTAL

A1. Emissions

The Group aims at advocating energy saving and environmental protection. It adopts various management measures to fulfill its energy saving and environmental protection responsibilities and actively conducts relevant trainings.

The Group actively supports and maintains its role in environmental protection, strives to cultivate and improve the environmental protection awareness of its employees, reinforces the concept of environmental protection in the Group and formulates multiple environmental protection and management policies to mitigate the impact on the environment, such as the Chemical Management Guidelines, Sewage Management Guidelines, Waste Management Guidelines, Exhaust Gas Management Guidelines and Noise Management Guidelines. The employees are required to follow the codes in the guidelines and timely rectify the non-compliance with the guidelines.

The Group has not identified any non-compliance with relevant environmental laws and regulations during the Year.

Exhaust gas and sewage management

There is no significant direct exhaust gas emission and sewage disposal during the Group's operation and the following measures have been taken to ensure the operation of the Group to meet the relevant environmental requirements.

In the process of fitting-out works, the volatile organic compounds in the paint and other finishes would stink and affect the surrounding indoor air quality. To reduce the level of concentration of the volatile organic compounds at the fitting-out site, the Group would try its best to procure its customers to choose low volatile organic compound coatings before construction, thereby reducing the emission of hazardous gas that is harmful to both health and environment. The employees of the Group store the unused volatile finishes in sealed containers. Besides, the fitting-out site maintains good ventilation to prevent odours from affecting nearby residents.

During construction works, the Group regularly measures the level of concentration of air pollutants to monitor compliance, and has not found any major or non-compliance event that the air pollutants exceeded the prescribed standard. To reduce air pollutants, good ventilation should be maintained and construction aggregate collectors should be placed at construction sites, and continuous sprinkling should be used to mitigate the spread of dust. The Group uses sealed containers for volatile gas to reduce exhaust gas emission. The Group does not own large-size transport vehicles, but requires its suppliers of materials to use ultra low sulphur diesel for their vehicles to reduce sulfur dioxide generated from the transport of materials. The Group also uses the power supply from the power companies wherever possible to reduce the direct burning of diesel at construction sites.

For sewage treatment, the Group has stipulated that untreated sewage (such as mud sewage) should not be directly discharged into stormwater drains and is required to be filtered and processed in sedimentation tanks before being discharged into sewers.

Greenhouse gas emissions

The Group's greenhouse gas sources are mainly from electricity consumption in construction and offices and water used in construction. During the Year, the greenhouse gas emitted by the Group amounted to 295 tons of carbon dioxide equivalent[2], with the density of 0.01 tons of carbon dioxide equivalent per square meter of gross floor area. For measures on reducing greenhouse gas emissions, please refer to the section of "A2 Use of Resources".

2 The data does not include the energy consumption that the Group cannot directly manage and control. The carbon emission is calculated with reference to the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), and the Reporting Guidance on Environmental KPIs of HKEx.

Waste management

The Group's wastes are mainly materials for the protection of finished products for fitting-out works, as well as paper and toner cartridges used in each business. During the Year, the amount of consumables the Group procured amounted to:

Type of waste	Unit	Amount
Protective materials for fitting-out construction	Ton	292.53
Paper	Ton	16.70
Toner cartridges	Ton	0.21

Note: Although paints and solvents were used in the fitting-out works of the Group, only limited amount of them were disposed of. Therefore, disclosure of the data of such waste is not applicable.

The Group has established various work and management guidelines and required employees to manage and dispose of wastes in accordance with the requirements in the guidelines. Chemicals should be stored in sealed containers and placed at designated locations. Chemicals shall not be disposed of in sewers and shall be collected separately and disposed of in a lawful manner. Construction wastes should be classified with recyclable wastes to be processed by recycling agents. Wastes should be reused as much as possible, or transported to designated landfills by qualified transportation companies and disposed of in accordance with local laws.

A2. Use of resources

The Group has made clear regulations on water, electricity, materials, paper and other resources used in business to ensure the effective use of resources, and it prohibits waste to maximise energy efficiency. At the same time, during the construction of projects, the Group, whenever possible, chooses environmentally friendly materials, such as wooden products certified by the FSC, to ensure the reuse of resources.

The Group uses renewable and recyclable packaging materials, such as eco-friendly plastic, recycled paper and cardboards, in compliance with its green policies. In addition, the Group has obtained the ISO 14001 regarding the international environmental management systems issued by the HKQAA to effectively manage the use of office and factory resources, such as water, electricity and paper, and conducts regular authentication followed by supervision and correction in order to ensure the effective use of resources.

Use of energy

The Group's business mainly uses electricity as the source of energy. During the Year, the energy consumption for construction works and offices was:

		Construction works		Offices	
Type of energy	Unit	Amount	Density (per square meter of gross floor area)	Amount	Density (per sqm GFA)
Electricity	kWh	217,425.00	8.31	260,950.00	79.22

Note: The electricity usage of fitting-out works is not included in the statistics as relevant electricity was in general supplied directly by the main contractor/client and the relevant usage was not provided to the Group.

The Group has set guidelines, requiring its employees to turn off some of the unnecessary indoor lights beyond normal office hours. For machines not for continuous use, employees should switch off the power during non-operation hours. In procuring new machinery, the Group will prioritise energy-efficient machines. The construction sites shall also use outdoor lighting with higher lighting efficiency.

Water consumption management

During fitting-out works and construction works, the Group mainly uses water for material preparation, cleaning and dust suppression. The Group's water consumption for construction works during the Year was 7,160 cubic meters, with the density of 0.31 cubic meters per square meter of site construction area. The water consumption in offices and fitting-out works is not included in the statistics as such water usage was supplied by the properties and the relevant consumption was not provided to the Group.

The Group is committed to raising the employees' awareness of water consumption, using water resources in accordance with the principle of "use only when necessary". The waste water at the construction sites is reused in cleaning and dust suppression after filtering by sewage treatment facilities when feasible. Regular inspection is conducted on pipes to avoid unnecessary leakage. The Group also encourages employees to reuse domestic waste water and reduce water consumption in offices.

A3. Environment and natural resources

The Group is highly concerned about the impact of its business on the environment and natural resources. In addition to compliance with the relevant environmental regulations and international standards for conducting appropriate protection of the natural environment, the Group has also incorporated the concept of environmental protection into internal management and project implementation process.

With a view to minimising the environmental impacts, the Group regularly monitors the potential impact of its business operations on the environment and promotes green office and production environment through four basic principles, namely reducing, reusing, recycling and replacing. At the same time, the Group authenticates the effective use of resources each year to ensure that such effective resource use can be improved continuously. The Group has also engaged the HKQAA to conduct regular authentication on its qualification of ISO 14001.

Construction noise

During construction and fitting-out works, the operation of machinery and equipment and the construction processes creates noise, which may affect the people nearby. The Group strictly complies with the Noise Control Ordinance and its established Noise Management Guidelines to reduce the noise generated from construction and controls the affecting areas of the noise.

The Noise Management Guidelines require each of the project supervisors to implement the following noise control measures, which includes but not limited to:

- maximising the use of quiet mechanical tools whenever possible, such as "Quality Powered Mechanical Equipment" approved by the Environmental Protection Department;
- placing tools with more noise, such as pumps, further away from the noise-sensitive areas such as homes, schools, hospitals and other places;
- improving construction processes to reduce unnecessary knocking and cutting works;
- prohibiting construction activities with high noise intensity during evening and night hours;
- installing noise barriers near noisy mechanical equipments;
- shutting down mechanical equipment not in use from time to time and conducting regular maintenance and repair for equipment;
- monitoring noise intensity regularly and applying for a valid Construction Noise Permit for construction works to ensure compliance with the Noise Control Ordinance.

Construction dust

Construction works may spread dust and deteriorate the air quality near the construction site. Transport vehicles entering and leaving the construction site may also bring the dust inside the construction site away. Therefore, in order to comply with the Air Pollution Control (Construction Dust) Regulation, project supervisors are required to implement a series of dust control measures to reduce the impact of dust on the surrounding environment. The measures include but not limited to:

- paving concrete or hardcores on the transport route with continuous spraying to reduce the dust at the construction site taken away by transport vehicles;
- cleaning the body and wheels of the transport vehicle before it leaves the construction site;
- transporting vehicles can only be in motion of a speed up to five kilometers per hour at the construction site to reduce exhaust gas generated from vehicles;
- spraying over the stockpile of dusty materials before transportation;
- covering the stockpile of dusty materials with impermeable coating or storing the stockpile of materials in warehouse;
- setting hoarding of no less than 2.4 metres high from ground level along boundary of the construction site adjoining the street or public area;
- conducting regular inspection on the dust concentration level at the construction site to evaluate the effectiveness of dust control measures.

B) SOCIAL

B1. Employment

Equal opportunities

"People-oriented" is not only the ultimate quality management philosophy of the Group, but also the cornerstone of the Group's long-term development. The Group is committed to creating a diversified environment and is proud of being an employer who believes in equal opportunities. All eligible job applications, internal transfers and promotions are regardless of factors such as race, color, religion, sex, sexual orientation and age, so as to ensure equal opportunities and fair treatment for all employees and job applicants.

Treatment for employees

The remuneration of the Group's employees is determined with reference to market terms and industry practice, and the grant of performance incentives is based on the financial performance of the Group and the performance of individual employees. The employee benefits scheme of the Group includes mandatory and voluntary provident fund schemes and medical insurance. At the same time, the Share Option Scheme has been effective from 1 December 2015. The purpose of the Share Option Scheme is to motivate the eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Group is confident that the operation of the scheme can enhance the loyalty and cohesion of its employees.

In addition to the statutory holidays, the Group satisfies the special needs of employees through a comprehensive leave system, providing marriage leave, compassionate leave, study leave and examination leave. In addition, according to the prevailing department's workload, employees can be compensated by means of alternative leave or overtime allowance for their overtime work.

The Group has not identified any non-compliance with the relevant employment laws and regulations during the Year.

B2. Health and safety

Occupational health and safety

Human resources are precious assets of the Group. The Group is committed to a high standard of health and safety and has formulated and implemented its health and safety policies. Prior to the commencement of each project, the Group conducts a risk assessment and provides specialised trainings for workers depending on the characteristics and difficulties of the projects. Meanwhile, any staff (including administrative staff) who enters the construction site must undergo relevant health and safety trainings of the Group and also comply with the requirements of the Occupational Safety and Health Ordinance. Thus, the staff of the Group can work in a healthy and safe environment in order to reduce unnecessary accidents.

Moreover, the Group has specifically set up a safety management committee to oversee the implementation of the health and safety policies and to update the policies annually so as to ensure that the Group maintains a high standard of health and safety.

The Group conducts regular fire drills, introductions to the use of fire extinguishers and first-aid trainings to enhance employees' safety awareness.

In order to enhance safety management standards on an ongoing basis, the Group has engaged an accredited external independent safety auditor to audit the safety management of the Group twice a year and report to the Labour Department, so as to continuously modify and optimise the existing safety management.

The Group has not identified any non-compliance with the relevant laws and regulations in respect of health and safety during the Year.

B3. Development and training

Career development

Internal promotion is encouraged by the Group to offer a career development platform for its staff. On-the-job trainings, tutorials and courses are provided so that the staff of the Group can continuously improve their ability and realise their value.

The Group has a well-established training system and mechanism to support on-the-job education and trainings for its staff, so as to enhance their knowledge and skills. The Group provides induction, on-the-job and external trainings.

A new employee would receive an induction training in the first week upon his/her arrival. In particular, the employee would be introduced to the structure and missions of the Group, his/her role in achieving the business objectives and success of the Group, all the departments and their relations among one another, and standard office procedures.

The Group encourages and provides its employees with subsidies to participate in external training programs and lectures for personal development. During the year, the Group's training programs included external training courses on aspects such as safety supervision, occupational safety and health, first aid, engineering management, environmental protection, courses and training about ISO as well as use of Excel.

The above training programs aimed to enhance employees knowledge in related work and expertise to give strong support to the development of the Group and its talents.

B4. Labour standards

Forbidding child or forced labour

The Group strictly complies with the relevant requirements of the labour laws. All job applicants must conform to the age requirement specified by local laws. The Group absolutely forbids the recruitment of child labour, for which a comprehensive procedure of selection and recruitment is adopted. The Group conducts open recruitment for new employees based on the job requirements of different positions and will only employ qualified candidates.

The Group employs staff based on fair, open and voluntary principles. The Group has not identified any non-compliance with the relevant laws and regulations in respect of labour standards during the Year.

B5. Supply chain management

Green purchase

Supply chain management has been a key component in the quality control system of the Group. The Group purchases materials from the suppliers designated by the architects/customers who usually have strict requirements on material purchases. The Group also, whenever possible, selects environmentally friendly materials, such as FSC-certified wooden products and low volatile organic compound coatings to minimise environmental impact caused by the materials used.

Supplier management

Furthermore, the Group established management policies on supplier management. When selecting new suppliers, the procurement department is required to assess the background, product quality, business compliance, etc, of the suppliers. Suppliers who have passed the assessments will be placed on the supplier list of the Group according to its business needs. To ensure that materials purchased by the Group meet its quality requirements, the procurement department only enters into contracts with and purchases from the suppliers on the list. The Group assesses its suppliers annually to understand their business conditions and performance on quality control, and build long-term cooperation relationship with outstanding suppliers.

B6. Product responsibility

Product quality

As for its missions, the Group tries the best to provide the customers with high-quality and professional products and services, and establishes good and long-standing relationships with the customers. In addition to providing services to customers, the Group has established good communication channels. It prepares surveys to certain customers in order to have a sufficient understanding of their needs, and reflect their needs in the daily project management as far as possible so as to improve the quality of services.

In respect of work completion and acceptance, the Group is required to examine each item on the list of work completion and acceptance, and the customers will provide a report on work completion and acceptance subject to their satisfaction. Moreover, the Group offers well-established after-sales services to customers for work maintenance. The Group also seeks customers' feedback from after-sales visits to improve its products in the future and thus to enhance the quality of services of the Group as a whole.

In addition, the Group has established a comprehensive management system. The Group has been awarded ISO 9001 (quality control), ISO 14001 (environmental management system) and OHSAS 18001 (certification on occupational health and safety management system). Meanwhile, the Group undergoes regular authentication from the HKQAA each year to ensure that all the Group's management measures comply with the relevant authentication requirements and standards.

The Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility during the Year.

B7. Anti-corruption

Anti-bribery and anti-corruption

The Group has been adhering to its "open-minded, responsible and upright" principles. All employees are required to strictly follow the code on personal and professional conducts and the guidelines on anti-bribery and anti-corruption conducts as provided in the staff regulations of the Group with details as follows:

1. Soliciting or accepting advantages including gifts, loans, fees, rewards, office facilities, employment, contracts, services and discounts, etc. from customers, suppliers or any other person in connection with the Group's interests is strictly prohibited. Acceptance of voluntarily given advantages may however be considered if:

   (i) the acceptance will not influence the decision and behaviour of the recipient;

   (ii) the recipient will not feel obliged to do something in return for the offer;

   (iii) the recipient can openly discuss the acceptance without reservation; and

   (iv) the nature and value of advantage (like advertising or promotional gift) are such that refusal could be regarded as unsociable or impolite.

2. Under no circumstances should staff offer bribes or similar advantages to any person or company in order to obtain or retain business, or to acquire confidential business information, or to seek for any other return of personal advantages.

The Group has set up a reporting channel, if staff or business partners find that any Sundart's staff breach the regulation or have other misbehaviour, the whistleblower can provide the information to the independent non-executive Directors by email. The identities of the whistleblowers and the reported information will be kept strictly confidential. The Board of independent non-executive Directors will conduct a detailed investigation of the matters. If necessary, the reported person will be punished; or severe cases will be brought to related law enforcement authorities.

The Group has not identified any non-compliance with anti-corruption laws and regulations during the Year.

B8. Community investment

Social service

The Group always attaches importance to corporate social responsibilities. Apart from commercial activities, the Group encourages its management and staff to participate in community services to contribute to society. Over the years, "Sundart Cheers", a committee founded by the Group and is adhering to the Group's principal of corporate social responsibility, has organised a variety of activities. It not only enhanced the mutual trust and cooperation among the staff, but also boosted their morale. In addition, it also motivated staff to actively organise social service activities such as charitable donations and volunteer visits, all in a bid to contribute to society in multiple aspects.

In 2017, "Sundart Cheers" organised fundraising events and donated money and holiday gifts to charities and social enterprises. Besides, employees organised volunteer visits on a regular basis, such as visits to elderly centers and other community outreach activities, to care for the needy.

Directors' Report

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

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 44 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 65.

An interim dividend of HK7 cents per Share amounting to approximately HK$151.1 million was paid to the then Shareholders during the Year. The Directors proposed the payment of a final dividend of HK2 cents per Share for the Year to the Shareholders on the register of members on 8 June 2018, amounting to approximately HK$43.2 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 37 to the consolidated financial statements. No important event affecting the Group that has occurred since the end of the financial year ended 31 December 2017 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 performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate trainings and by 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, Macau and/or the PRC. The Group provides professional and quality services in fitting-out business whilst maintaining long term profitability, business and asset growth. The Group maintains good reputation and long-term working relationships with its customers in the provision of product re-engineering and pre-fabrication technique for sizeable fitting-out projects to meet its customers' requirements.

Subcontractors and suppliers

The Group firmly believes that its subcontractors and suppliers are equally important in cost control and increasing its bargaining power on procurement of materials, which further secures its competitiveness when bidding for tenders. The Group proactively communicates with its subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require the Group to engage subcontractors and suppliers nominated by them, the Group will select subcontractors and suppliers from its approved lists of subcontractors and suppliers. In addition, during the continuance of the contracts with the subcontractors, the Group will provide them with its internal guidelines on safety and environmental issues and require them to follow. The Group effectively implements the subcontractor assessment process to monitor the performance of its subcontractors by conducting regular site visits, evaluation on the performance of the contract and other measures.

Environmental policies and performance

The Group believes that its business also depends on its ability to meet the customers' requirements in respect of safety, quality and environmental aspects. To meet the customers' requirements on safety, quality and environmental aspects, the Group has established safety, quality and environmental management systems. Through the systematic and effective control of its operations, compliance with safety, quality and environmental requirements can be further assured. The Group believes that its certifications to ISO 9001 and ISO 14001 enhance its public image and credibility and also help the Group improve its customers' confidence in its services. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report".

Compliance with relevant laws and regulations

The Group mainly undertakes fitting-out works in Hong Kong, Macau and the PRC, alteration and addition and construction works in Hong Kong and the operations of manufacturing, sourcing and distribution of interior decorative materials are primarily carried out in Hong Kong, Macau and the PRC. The Directors confirmed that during the Year, 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 140.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association amounted to HK$1,305.2 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 68 and note 33 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. Ng Chi Hang
Mr. Pong Kam Keung *(resigned on 1 February 2018)*

Non-executive Director

Mr. Liu *(Chairman)*

Independent non-executive Directors

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

In accordance with Article 75 of the Articles of Association and pursuant to paragraph A.4.2 of the Code Provisions, Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng shall retire, and being eligible, offer themselves for re-election at the AGM.

Information regarding the Directors' and chief executive's emoluments are set out in note 12 to the consolidated financial statements.

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 an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and has duly reviewed the confirmation of independence of each of the 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, the non-executive Director and each of independent non-executive Directors have signed appointment letters with the Company. The appointment of each of the 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 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 they were deemed or taken to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Nature of interests/capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Liu *(note)*	Interest in controlled corporation	1,500,000,000	69.5%

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 25.07% beneficially owned by Mr. Liu and therefore, Mr. Liu was deemed to be interested in the Shares indirectly held by Jangho Co through Jangho HK and Reach Glory under the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 such provision of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors and the chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) or entities who had an interest or a short position in the Shares and the underlying Shares (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Long positions in the Shares and underlying Shares

Name of substantial shareholders	Nature of interests/capacity	Number of Shares held	Approximate percentage of shareholding *(Note 1)*
Reach Glory	Beneficial owner	1,500,000,000	69.5%
Jangho HK *(note 2)*	Interest in controlled corporation	1,500,000,000	69.5%
Jangho Co *(note 3)*	Interest in controlled corporation	1,500,000,000	69.5%
Beijing Jiangheyuan *(note 4)*	Interest in controlled corporation	1,500,000,000	69.5%
Ms. Fu *(note 5)*	Interest of spouse	1,500,000,000	69.5%

Notes:

1. On the basis of 2,158,210,000 Shares in issue as at 31 December 2017.

2. Reach Glory was beneficially wholly-owned by Jangho HK and therefore Jangho HK was deemed to be interested in the Shares held by Reach Glory under the SFO.

3. Jangho HK was beneficially wholly-owned by Jangho Co and therefore Jangho Co was deemed to be interested in the Shares held by Jangho HK through Reach Glory under the SFO.

4. 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 HK and Reach Glory under the SFO.

5. 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, so far as is known to the Directors or the chief executive of the Company, as at 31 December 2017, no other person (other than the Directors or the chief executive of the Company) had an interest or a short position in the Shares or the underlying Shares 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, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

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 deemed to be granted and 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 from 1 December 2015. No share options were granted, forfeited or expired during the Year.

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 paragraph 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. Nine of such transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

Continuing connected transactions

Trademark license agreement with Sundart Beijing and Sundart Dalian

Prior to Completion, Sundart Beijing was owned as to 75% and 25% by Jangho HK and Jangho Co, respectively, and Sundart Dalian was a wholly-owned subsidiary of Sundart Beijing. Jangho HK and Jangho Co are substantial shareholders of the Company. Each of Sundart Beijing and Sundart Dalian was an associate of Jangho HK and Jangho Co and was therefore a connected person of the Company within the meaning of the Listing Rules before Completion.

On 4 December 2015, the Company entered into a trademark license agreement (the "**Trademark License Agreement**") with Sundart Beijing and Sundart Dalian, pursuant to which, the Company granted 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 for the purposes related to such business in the PRC for the period commencing from 4 December 2015 to 31 December 2017 (the "**Licensed Period**"). The license fee under the Trademark License Agreement for the period from the date thereof to 31 December 2015 and for two years ended 31 December 2017 amounted to HK$0.1 million, HK$1.9 million and HK$1.9 million, respectively.

Upon Completion, each of Sundart Beijing and Sundart Dalian ceased to be a connected person of the Company and the transactions under the Trademark License Agreement ceased to be continuing connected transactions of the Company. The license fee amounted to HK$1.2 million before Completion for the Year.

Prior to Completion, the Trademark License Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios (other than the profits ratio) in respect of the transaction under the Trademark License Agreement was, on an annual basis, less than 5%; (ii) the license fees for each financial year during the Licensed Period was less than HK$3,000,000; and (iii) the transaction under the Trademark License Agreement has been conducted on normal commercial terms, the transaction fell within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules and has been fully exempt from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Master subcontracting agreement with Inno Unity Engineering Limited ("Inno")
Inno is a private limited company incorporated in Hong Kong and provides interior fitting-out works and alteration and addition works. Inno is owned as to 90% by Mr. Leung Hon Sing, Allan, a director of Kin Shing. Kin Shing is an indirect wholly-owned subsidiary of the Company, and thus, Mr. Leung is a core connected person of the Company. Inno is an associate of Mr. Leung and is therefore a connected person of the Company within the meaning of the Listing Rules.

On 4 January 2016, Kin Shing entered into a master subcontracting agreement (the "**Master Subcontracting Agreement**") with Inno, pursuant to which, Kin Shing subcontracted various subcontracting works, including but not limited to electrical and mechanical works, builder's works and other minor works, to Inno for a term commencing from 4 January 2016 and ending on 31 December 2018 (the "**Subcontracting Period**"). The maximum transaction amounts for the three years ending 31 December 2018 are HK$2.95 million per annum. During the Year, the aggregate transaction amount was HK$2.6 million.

The Master Subcontracting Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Master Subcontracting Agreement are, on an annual basis, less than 5%; (ii) the transaction amounts for each financial year during the Subcontracting Period are less than HK$3,000,000; and (iii) the transactions under the Master Subcontracting Agreement have been and will be conducted on normal commercial terms, the transactions fell within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules and are fully exempt from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Entrustment agreement with Jangho Co, Jangho Chuangzhan and Beijing Gangyuan
Jangho Co is a substantial shareholder of the Company and Jangho Chuangzhan, a wholly-owned subsidiary of Jangho Co, is an associate of Jangho Co. Each of Jangho Co and Jangho Chuangzhan is a connected person of the Company within the meaning of the Listing Rules.

On 25 July 2017, Sundart Beijing entered into an entrustment agreement (the "**Entrustment Agreement**") with Jangho Co, Jangho Chuangzhan and Beijing Gangyuan, pursuant to which, Sundart Beijing was entitled to exercise all shareholders' rights over 95% of the equity interest collectively held by Jangho Co and Jangho Chuangzhan in Beijing Gangyuan other than the right to receive dividend, the right to receive residual assets and properties upon the winding up of Beijing Gangyuan and the entitlement and undertaking to profit and loss in Beijing Gangyuan for a term of two years commencing from the Completion and shall automatically be extended for one year if none of the parties to the Entrustment Agreement has proposed termination or modification thereof upon its expiration (the "**Entrustment Period**"). The entrustment fee under the Entrustment Agreement for the Entrustment Period payable by Jangho Co and Jangho Chuangzhan in aggregate is RMB0.3 million per annum. During the Year, the entrustment fee income from Jangho Co and Jangho Chuangzhan were RMB36,000 and RMB95,000, respectively.

The Entrustment Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios (other than profits ratio) in respect of the entrustment fee under the Entrustment Agreement is, on an annual basis, less than 5%; (ii) the total consideration is less than HK$3,000,000; and (iii) the transaction under the Entrustment Agreement have been and will be conducted on normal commercial terms, the transaction fell within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules and is fully exempt from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Guarantees from Jangho Co in respect of the banking facilities

As at 31 December 2017, Sundart Beijing has maintained three banking facilities which were secured by guarantees provided by Jangho Co (the "**Guarantees**"). As Jangho Co is a substantial shareholder of the Company, the provision of Guarantees constituted continuing connected transactions in the form of financial assistance from a connected person in favour of the Group upon Completion. As (i) the Guarantees are not secured by any assets of the Group; and (ii) the Guarantees are on normal commercial terms or better, the Guarantees are fully exempt from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements under Rule 14A.90 of the Listing Rules.

*Banking facility granted by China Minsheng Banking Corp., Ltd. ("**China Minsheng Bank**")*

Pursuant to the facility letter dated 20 January 2017, China Minsheng Bank granted a banking facility to Sundart Beijing with an aggregate sum of RMB50 million. Such facility was secured by a guarantee of RMB50 million executed by Jangho Co, which was replaced by the corporate guarantee given by the Company from 8 March 2018.

*Banking facility granted by HSBC Bank (China) Company Limited ("**HSBC Bank**")*

Pursuant to the facility letter dated 19 August 2016, HSBC Bank granted a banking facility to Jangho Co and Sundart Beijing with an aggregate sum of RMB130 million. After 30 June 2017, the banking facility granted by HSBC Bank decreased to RMB80 million. Such facility in respect of Sundart Beijing was secured by (i) pledged bank deposit by Sundart Beijing; and (ii) a guarantee of RMB88 million executed by Jangho Co.

*Banking facility granted by China Guangfa Bank Co., Ltd. ("**China Guangfa Bank**")*

Pursuant to the facility letter dated 26 July 2017, China Guangfa Bank granted a banking facility to Sundart Beijing with an aggregate sum of RMB80 million. Such facility was secured by a guarantee of RMB80 million executed by Jangho Co.

HSBC Bank and China Guangfa Bank have verbally consented to release and replace the Guarantees with the corporate guarantee to be given by the Company. Due to the internal procedures of these two banks, the release and replacement of the Guarantees is expected to be completed by the end of 2018.

Performance bonds issued through Jangho Co

As at 31 December 2017, Sundart Beijing has undertaken four fitting-out projects in the PRC which required the provision of performance bonds to guarantee the performance of Sundart Beijing of its obligations pursuant to the requirements as set out in the relevant contracts of these projects. Jangho Co authorised a bank to issue certain performance bonds to the customers of Sundart Beijing for such purpose accordingly (collectively, the "**Performance Bonds**"). Details of each of the four Performance Bonds are set out below:

Customer	Issued bank	Amount of the Performance Bond *in RMB' million*	Period of the Performance Bond
Customer A	China Construction Bank	15.6	16 January 2017 – 31 March 2019
Customer B	China Construction Bank	6.0	30 March 2017 – 1 March 2018
Customer A	China Construction Bank	5.5	2 May 2017 – 31 March 2019
Customer A	China Construction Bank	14.6	2 May 2017 – 30 June 2019

As Jangho Co is a substantial shareholder of the Company, the provision of the Performance Bonds constituted continuing connected transactions in the form of financial assistance from a connected person in favour of the Group upon Completion. As (i) the Performance Bonds are not secured by any assets of the Group; and (ii) the Performance Bonds are on normal commercial terms or better, the Performance Bonds are fully exempt from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements under Rule 14A.90 of the Listing Rules.

Advance payment bonds issued through Jangho Co

As at 31 December 2017, Sundart Beijing has undertaken three fitting-out projects in the PRC which required the provision of advance payment bonds. Pursuant to the requirements as set out in the relevant contracts of these projects, Jangho Co authorised a bank to issue certain advance payment bonds to the customers of Sundart Beijing for guarantee of Sundart Beijing's repayment of such advanced payment to the customers under the relevant contracts (collectively, the "**Advance Payment Bonds**"). Details of each of the three Advance Payment Bonds are set out below:

Customer	Issued bank	Amount of the Advance Payment Bond *in RMB' million*	Period of the Advance Payment Bond
Customer A	China Construction Bank	28.3	16 January 2017 – 31 March 2018
Customer A	China Construction Bank	10.0	2 May 2017 – 31 March 2018
Customer A	China Construction Bank	24.9	2 May 2017 – 30 June 2018

As Jangho Co. is a substantial shareholder of the Company, the provision of the Advance Payment Bonds constituted continuing connected transactions in the form of financial assistance from a connected person in favour of the Group upon Completion. As (i) the Advance Payment Bonds are not secured by any assets of the Group; and (ii) the Advance Payment Bonds are on normal commercial terms or better, the Advance Payment Bonds are fully exempt from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements under Rule 14A.90 of the Listing Rules.

Agency services agreements with Beijing Gangyuan

Beijing Gangyuan is beneficially owned as to 95% by Jangho Co. As Beijing Gangyuan is an associate of Jangho Co, which is a substantial shareholder of the Company, Beijing Gangyuan is a connected person of the Company within the meaning of the Listing Rules.

Provision of agency services in respect of the fitting-out project for the new international airport in Luanda to Beijing Gangyuan

Since July 2015, Sundart Beijing has been providing agency services to Beijing Gangyuan in procuring suppliers and/or subcontractors for the fitting-out works carried out at the new international airport in Luanda. On 11 May 2017, Sundart Beijing and Beijing Gangyuan entered into an agency services agreement, pursuant to which Sundart Beijing agreed to provide agency services to Beijing Gangyuan at a consideration of USD1.5 million from 15 July 2015 to 15 July 2018. The agency services fee income of USD0.5 million and USD0.2 million has been recognised by Sundart Beijing prior to Completion and upon Completion for the Year, respectively.

Provision of agency services in respect of the fitting-out project for Chongqing Jiangbei International Airport to Beijing Gangyuan

Since August 2015, Sundart Beijing has been providing agency services to Beijing Gangyuan in procuring suppliers and/or subcontractors for the fitting-out works carried out at Chongqing Jiangbei International Airport. On 11 May 2017, Sundart Beijing and Beijing Gangyuan entered into an agency services agreement, pursuant to which Sundart Beijing agreed to provide agency services to Beijing Gangyuan at a consideration of RMB4.5 million from 25 August 2015 to 25 August 2018. The agency services fee income of RMB3.3 million and RMB0.9 million has been recognised by Sundart Beijing prior to Completion and upon Completion for the Year, respectively.

The aforementioned two agency services agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) for the aggregate considerations under the two agency services agreements is more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

Master supply agreement with Sundart Beijing
Prior to Completion, Sundart Beijing was owned as to 75% and 25% by Jangho HK and Jangho Co, respectively. Jangho HK and Jangho Co are substantial shareholders of the Company. Each of Sundart Beijing and its subsidiaries was an associate of Jangho HK and Jangho Co and was therefore a connected person of the Company within the meaning of the Listing Rules before Completion.

On 4 November 2016, Dongguan Sundart entered into a master supply agreement (the "**Master Supply Agreement**") with Sundart Beijing (for itself and on behalf of its subsidiaries), pursuant to which, Dongguan Sundart agreed to supply interior decorative products, including but not limited to fire-rated timber door and wooden furniture, to Sundart Beijing and its subsidiaries for a term commencing from 4 November 2016 and ending on 31 December 2018. Prior to entering into the Master Supply Agreement, Dongguan Sundart has supplied sample products to Sundart Beijing and its subsidiaries since July 2016 on normal commercial terms and in the ordinary and usual course of business of the Group. The maximum annual transaction amounts (including transactions prior to the Master Supply Agreement) for the three years ending 31 December 2018 are RMB30 million, RMB100 million and RMB100 million, respectively.

Upon Completion, each of Sundart Beijing and its subsidiaries ceased to be a connected person of the Company and the transactions under the Master Supply Agreement ceased to be continuing connected transactions of the Company. On 27 September 2017, Dongguan Sundart entered into a termination agreement with Sundart Beijing (for itself and on behalf of its subsidiaries) to terminate the Master Supply Agreement. The aggregate transaction amount was RMB10.1 million before Completion for the Year.

Prior to Completion, the Master Supply Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions is more than 0.1% but less than 5%, the transactions (including transactions prior to the Master Supply Agreement) are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

Business cooperation framework agreement with Jangho Co
Jangho Co is a substantial shareholder of the Company and is therefore a connected person of the Company within the meaning of the Listing Rules.

On 27 October 2017, Sundart Beijing (for itself and on behalf of its subsidiaries) ("**Sundart Beijing Group**") entered into a framework agreement on mutual provision of services (the "**Business Cooperation Framework Agreement**") with Jangho Co (for itself and on behalf of its subsidiaries, but excluding the members of the Group) ("**Jangho Group**"), for a term commencing from 27 October 2017 and ending on 31 December 2019. Under the Business Cooperation Framework Agreement, Jangho Group agreed to subcontract fitting-out works in relation to the projects undertaken by Jangho Group to Sundart Beijing Group. The maximum annual transaction amounts for the three years ending 31 December 2019 are RMB20 million, RMB50 million and RMB50 million, respectively ("**Sundart Beijing Group's Annual Caps**"). During the Year, the aggregate transaction amount under Sundart Beijing Group's Annual Caps was RMB4.5 million.

Meanwhile, Sundart Beijing Group agreed to subcontract specialised works and/or technical advisory services in relation to the projects undertaken by Sundart Beijing Group to Jangho Group under the Business Cooperation Framework Agreement. The maximum annual transaction amounts for the three years ending 31 December 2019 are RMB50 million, RMB80 million and RMB80 million, respectively ("**Jangho Group's Annual Caps**"). During the Year, the aggregate transaction amount under Jangho Group's Annual Caps was RMB14.0 million.

The Business Cooperation Framework Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) in respect of transactions under the Business Cooperation Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions for the Year have been entered into (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms or better; (iii) on terms that are fair and reasonable according to the relevant agreements governing them and in the interests of the Shareholders as a whole; and (iv) within the caps as disclosed in the relevant announcements. The auditor of the Company was engaged to report on the continuing connected transactions entered into by the Group for the Year in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected transactions

Subcontracting agreement with Jangho Macau

Jangho Macau is owned as to 99% and 1% by Jangho Co and Jangho HK, respectively. As Jangho Macau is an associate of Jangho Co, which is a substantial shareholder of the Company, Jangho Macau is a connected person of the Company within the meaning of the Listing Rules.

On 27 March 2014, Sundart Macau entered into a subcontracting 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 subcontracting agreement was MOP1.7 million during the Year and accumulated to MOP58.2 million.

Such subcontracting agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios (other than the profits ratio) of the total consideration is more than 0.1% but less than 5%; and (ii) the transaction has been conducted on normal commercial terms, the transaction is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

Fitting-out works agreement with Beijing Shunyi Property

Beijing Shunyi Property is owned as to 30% by Jangho Co. As Beijing Shunyi Property is an associate of Jangho Co, which is a substantial shareholder of the Company, Beijing Shunyi Property is a connected person of the Company within the meaning of the Listing Rules.

On 5 September 2017, Sundart Beijing entered into a fitting-out works agreement with Beijing Shunyi Property, pursuant to which, Sundart Beijing agreed to provide interior fitting-out works for Beijing Shunyi Property's office (including reception, meeting room and office) at a consideration of approximately RMB2.0 million, subject to adjustment of variations. During the Year, the revenue from the fitting-out works agreement was RMB2.2 million.

Such fitting-out works agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios (other than the profits ratio) of the total consideration is less than 0.1%; and (ii) the transaction has been conducted on normal commercial terms, the transaction fell within the de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Fitting-out improvement agreement with Zhong Hang You Property

Zhong Hang You Property is owned as to 95% by 江河創新地產股份有限公司 (Jangho Chuangxin Property Limited*). Mr. Liu, who is a substantial shareholder of the Company, together with his associates, are entitled to control the exercise of 100% of the voting power at general meetings of 江河創新地產股份有限公司 (Jangho Chuangxin Property Limited*). Zhong Hang You Property is therefore an associate of Mr. Liu and a connected person of the Company within the meaning of the Listing Rules.

On 31 October 2017, Sundart Beijing entered into a fitting-out improvement agreement (the "**Fitting-Out Improvement Agreement**") with Zhong Hang You Property in relation to 欣港城 located in Shunyi District, Beijing, the PRC ("**Xingang Property**"), pursuant to which Sundart Beijing agreed to provide specified interior fitting-out works including (i) demolition and improvement of public areas (including but not limited to lobby, corridor and anteroom) of certain towers in phase 1 and phase 2 of Xingang Property; and (ii) fitting-out works of rooms for realty management use of certain towers in phase 1 of Xingang Property for a maximum total consideration of RMB40.4 million, subject to adjustment of variations, incentive payments (if any) and claims (if any). During the Year, the revenue from the Fitting-Out Improvement Agreement was RMB39.3 million.

The Fitting-Out Improvement Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) each of the applicable percentage ratios (other than the profits ratio) of the total consideration is more than 0.1% but less than 5%; and (ii) the transaction has been conducted on normal commercial terms, the transaction is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

Equity Transfer Agreement with Jangho HK and Jangho Co

Each of Jangho HK and Jangho Co is a substantial shareholder of the Company and thus a connected person of the Company within the meaning of the Listing Rules.

On 17 May 2017, Sundart Engineering entered into the Equity Transfer Agreement with Jangho HK and Jangho Co, pursuant to which Sundart Engineering has agreed to acquire, and Jangho HK and Jangho Co have agreed to transfer, in aggregate 100% equity interest in Sundart Beijing at a total consideration of HK$520 million. During the Year, Sundart Engineering paid the consideration of HK$390 million and HK$130 million to Jangho HK and Jangho Co, respectively.

The Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition also constituted a major transaction of the Company and is subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Saved as disclosed above, other significant related party transactions entered into by the Group during the Year, which do not constitute connected transactions under the Listing Rules are disclosed in note 42 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the paragraph headed "Connected Transactions" above and in note 42 to the consolidated financial statements, no other transactions, arrangements and contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of 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 of the Company or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the controlling shareholders of the Company or their respective subsidiaries, please see "Connected Transactions" and note 42 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 by the Group or existed during the Year.

COMPETING BUSINESS

During the Year, none of the Directors or the controlling shareholders of the Company 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 the Group and each of the controlling shareholders of the Company, each of the controlling shareholders of the Company as a covenantor (the "**Covenantors**") executed the Deed of Non-Competition in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which, each of the Covenantors undertakes, inter alia, that it/he/she will not, and will use its/his/her best endeavours to procure, its/his/her close associates (other than any member of the Group) not to, whether directly or indirectly, whether for profit or not, participate in or engage in any business which, directly or indirectly, competes or may compete with the Group's business. Upon Completion, the Company, through Sundart Beijing, would enter into the fitting-out market in the PRC and as a result, it would be impractical for the Covenantors to continue to comply with the Deed of Non-Competition. In view of the aforesaid, as a condition of the Acquisition, the Covenantors executed the Amended Deed in favour of the Company (for itself and as trustee for each of its subsidiaries) to amend and restate the Deed of Non-Competition. For details, please refer to the announcement and the circular of the Company dated 17 May 2017 and 30 June 2017, respectively. The Amended Deed became unconditional upon Completion.

The independent non-executive Directors have reviewed on the compliance with the terms of the Deed of Non-Competition and the Amended Deed and considered that the Covenantors have complied with the terms of the Deed of Non-Competition and the Amended Deed and the enforcement of the undertakings contained therein by the parties thereto.

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 its Directors and officers.

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 of which are set out under the paragraph headed "Share Option Scheme" above.

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.

SANCTIONS

During the Year, two meetings of the Internal Control Committee were held on 13 March 2017 and 25 August 2017, respectively, to review, inter alia, the Group's guidelines and procedures with respect to the sanction law matters. The Internal Control Committee was of the view that such guidelines and procedures, which have been complied with, were effective and well-functioned.

As at 31 December 2017, the Group had not used any of the proceeds from the Global Offering, the Placing and Subscription, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, any activities or business in breach of the sanctions enacted, enforced or imposed by the United States government, the European Union and Australian with respect to Russia.

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 a sufficient public float as required under the Listing Rules throughout the Year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$17,000.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the Year, the aggregate amount of revenue attributable to the Group's five largest customers accounted for 44.6% of the Group's total revenue and the revenue from its largest customer was accounted for 11.6% of its total revenue.

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

During the Year, none of 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) had any interest in any of the five largest customers of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

Details of corporate governance report are set out on pages 27 to 36 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events occurred after 31 December 2017.

AUDITOR

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

On behalf of the Board
Ng Tak Kwan
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2018

Independent Auditor's Report

Deloitte. 德勤

To the Shareholders of SUNDART HOLDINGS LIMITED
承達集團有限公司
(incorporated in British Virgin Islands with limited liability)

OPINION

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 65 to 139, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	**How our audit addressed the key audit matter**
Contract revenue from fitting-out works and alteration and addition and construction works, contract costs and the amounts due from and due to customers for contract work	
We identified the contract revenue from fitting-out works and alteration and addition and construction works ("Contract Revenue"), contract costs and the amounts due from and due to customers for contract work as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there are significant judgments exercised by the management of the Group in determining the total outcome of the projects as well as the percentage of completion of construction works and the amount of Contract Revenue recognised. As disclosed in notes 6 and 11 to the consolidated financial statements, the Contract Revenue and the contract costs amounted to HK$4,970,306,000 and HK$4,317,618,000 for the year ended 31 December 2017 respectively. As disclosed in note 25 to the consolidated financial statements, the amounts due from and due to customers for contract work amounted to HK$1,077,085,000 and HK$197,258,000 as at 31 December 2017, respectively. As disclosed in note 5 to the consolidated financial statements, the estimation of budgeted contract costs is based on the management's best estimates and judgments. If the price of contract costs varied significantly in the coming months from the budgets, the contract profit for each of the individual projects would differ significantly from the estimated contract profit.	Our procedures in relation to Contract Revenue, contract costs and amounts due from and due to customers for contract work included: • Discussing with the project managers, quantity surveyors and the management of the Group and checking the supporting documents including contracts and variation orders to evaluate the reasonableness of the management's estimation of the budgeted revenue and budgeted contract costs; • Checking the basis of the budgeted revenue to underlying construction contracts and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments; • Recalculating the percentage of completion based on value of work performed to date over the total contract sum and the value of variation orders; • Agreeing the contract costs, on a sample basis, incurred to date to the subcontractor payment certificates and supplier invoices; and • Assessing the appropriateness of the amounts due from and due to customers for contract work by checking, on a sample basis, to the amount of costs recorded in the subcontractor payment certificates and supplier invoices, and progress billings to the architect's certificates issued by the third party surveyors.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to its significance to the consolidated financial statements as a whole and the judgments associated with the assessment of the recoverability of trade receivables by the management of the Group. As disclosed in note 22 to the consolidated financial statements, the trade receivables amounted to HK$546,644,000, out of which HK$222,235,000 were past due but not impaired as at 31 December 2017. As disclosed in note 5 to the consolidated financial statements, in determining the recoverability of trade receivables, a considerable amount of the management's judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.	Our procedures in relation to the recoverability of trade receivables included: • Agreeing the aged analysis of trade receivables, on a sample basis, to the supporting documents and the credit terms granted; • Discussing with the management on their assessment in relation to the recoverability of trade receivables; and • Evaluating the management's assessment on the recoverability of trade receivables with significant balances past due but not impaired by examining the settlement history and the subsequent settlements of these debtors.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sze On Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
Revenue	6	**4,982,948**	5,114,876
Cost of sales		**(4,323,705)**	(4,351,242)
Gross profit		**659,243**	763,634
Other income, other gains and losses	8	**14,232**	(10,597)
Selling expenses		**(10,091)**	(7,296)
Administrative expenses		**(188,997)**	(152,417)
Other expenses		**(1,308)**	(733)
Share of profits of associates		**14,329**	18,084
Finance costs	9	**(1,864)**	(1,509)
Profit before taxation		**485,544**	609,166
Income tax expense	10	**(64,451)**	(85,999)
Profit for the year attributable to owners of the Company	11	**421,093**	523,167
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on available-for-sale investments		**4,813**	(51,806)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments		**8,676**	23,750
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale investments		**(6,568)**	–
Exchange differences arising on translation of foreign operations		**26,434**	(22,973)
Share of other comprehensive income (expense) of an associate		**2,094**	(1,253)
Release of translation reserve upon deregistration of a subsidiary		**23**	–
Other comprehensive income (expense) for the year		**35,472**	(52,282)
Total comprehensive income for the year attributable to owners of the Company		**456,565**	470,885
Earnings per share			
Basic *(HK cents)*	15	**19.51**	25.30

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)	1.1.2016 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	33,518	20,628	24,925
Investment properties	17	10,545	7,503	7,997
Goodwill	18	1,510	1,510	1,510
Available-for-sale investments	19	252,229	136,854	132,382
Interests in associates	20	133,216	116,793	103,442
		431,018	283,288	270,256
Current assets				
Inventories	21	69,722	21,972	58,097
Trade and other receivables	22	1,786,060	1,389,529	1,282,792
Bills receivable	22	12,993	2,799	9,686
Amounts due from related companies	23	49,334	1,259	–
Amounts due from fellow subsidiaries	24	915	7,685	11,213
Amount due from ultimate holding company	24	–	212	–
Amounts due from customers for contract work	25	1,077,085	927,453	1,033,300
Retentions receivable	22	710,093	542,319	476,027
Tax recoverable		65	1,085	8,660
Note receivable	26	50,000	–	–
Pledged bank deposits	27	63,273	71,356	52,330
Bank balances and cash	27	627,658	1,689,549	1,138,267
		4,447,198	4,655,218	4,070,372
Current liabilities				
Trade and other payables	28	2,024,842	2,191,601	2,053,301
Bills payable	28	233,753	205,911	195,121
Amounts due to fellow subsidiaries	24	2,613	2,306	9,322
Amount due to an intermediate holding company		–	–	1,794
Amount due to ultimate holding company	24	–	371	15,821
Amounts due to customers for contract work	25	197,258	64,562	96,110
Tax payable		45,274	61,822	59,294
Bank borrowings	29	307,557	–	278,436
Other borrowings	30	34,139	–	–
		2,845,436	2,526,573	2,709,199
Net current assets		1,601,762	2,128,645	1,361,173
Total assets less current liabilities		2,032,780	2,411,933	1,631,429

	NOTES	**31.12.2017 HK$'000**	31.12.2016 HK$'000 (Restated)	1.1.2016 HK$'000 (Restated)
Capital and reserves				
Share capital	*32*	**1,246,815**	1,246,815	669,250
Reserves		**784,956**	1,164,212	961,238
Equity attributable to owners of the Company		**2,031,771**	2,411,027	1,630,488
Non-current liability				
Deferred tax liabilities	*31*	**1,009**	906	941
		2,032,780	2,411,933	1,631,429

The consolidated financial statements on pages 65 to 139 were approved and authorised for issue by the board of directors on 27 March 2018 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 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Legal reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Shareholders' contribution reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note c)	Accumulated profits HK$'000	Total HK$'000
At 1 January 2016 (As previously stated)	669,250	19,700	60	–	28,056	–	6,615	197	29,751	655,891	1,409,520
Merger accounting restatement *(Note 2)*	–	–	–	4,484	–	1,241	–	846	212,843	1,554	220,968
At 1 January 2016 (Restated)	669,250	19,700	60	4,484	28,056	1,241	6,615	1,043	242,594	657,445	1,630,488
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(22,973)	–	–	(22,973)
Share of other comprehensive expense of an associate	–	–	–	–	–	–	–	(1,253)	–	–	(1,253)
Fair value change on available-for-sale investments	–	–	–	–	(51,806)	–	–	–	–	–	(51,806)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments	–	–	–	–	23,750	–	–	–	–	–	23,750
Profit for the year	–	–	–	–	–	–	–	–	–	523,167	523,167
Total comprehensive (expense) income for the year	–	–	–	–	(28,056)	–	–	(24,226)	–	523,167	470,885
Proceeds from placing of existing shares and top-up subscription of new shares *(Note 32)*	601,198	–	–	–	–	–	–	–	–	–	601,198
Transaction costs attributable to placing of existing shares and top-up subscription of new shares	(23,633)	–	–	–	–	–	–	–	–	–	(23,633)
Transfer from accumulated profits to statutory reserve	–	–	–	11,538	–	–	–	–	–	(11,538)	–
Dividends paid *(Note 14)*	–	–	–	–	–	–	–	–	–	(267,911)	(267,911)
At 31 December 2016 (Restated)	1,246,815	19,700	60	16,022	–	1,241	6,615	(23,183)	242,594	901,163	2,411,027
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	26,434	–	–	26,434
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	2,094	–	–	2,094
Release of translation reserve upon deregistration of a subsidiary	–	–	–	–	–	–	–	23	–	–	23
Fair value change on available-for-sale investments	–	–	–	–	4,813	–	–	–	–	–	4,813
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments	–	–	–	–	8,676	–	–	–	–	–	8,676
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale investments	–	–	–	–	(6,568)	–	–	–	–	–	(6,568)
Profit for the year	–	–	–	–	–	–	–	–	–	421,093	421,093
Total comprehensive income for the year	–	–	–	–	6,921	–	–	28,551	–	421,093	456,565
Payment of cash consideration upon combination of entities under common control *(Note 2)*	–	–	–	–	–	–	–	–	(520,000)	–	(520,000)
Transfer from accumulated profits to statutory reserve	–	–	–	11,101	–	–	–	–	–	(11,101)	–
Dividends paid *(Note 14)*	–	–	–	–	–	–	–	–	–	(315,821)	(315,821)
At 31 December 2017	1,246,815	19,700	60	27,123	6,921	1,241	6,615	5,368	(277,406)	995,334	2,031,771

Notes:

(a) In accordance with the provisions of the Macau Commercial Code, the subsidiaries of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "Company") 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 2017 included (i) a credit amount of HK$33,600,000 (31.12.2016: HK$33,600,000) of recognition of other service costs, which represented the difference between the fair value and consideration (represented by the net assets attributable to) of the acquisition of 10.2% equity interests in the Company by a director, and (ii) a debit amount of HK$311,006,000 (31.12.2016: a credit amount of HK$208,994,000), which represented the merger reserve of the acquisition of 100% equity interest in Sundart Engineering & Contracting (Beijing) Limited ("Sundart Beijing") in relation to the application of merger accounting to the acquisition of Sundart Beijing, being a business combination involving entities under common control as described in note 2.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	**485,544**	609,166
Adjustments for:		
Depreciation of property, plant and equipment	**5,869**	5,579
Loss on deregistration of a subsidiary	**23**	–
(Gain) loss on disposal of property, plant and equipment	**(49)**	285
Reversal of allowance for inventories	**(19)**	(332)
Write off of inventories	**–**	2,089
Gain on disposal of available-for-sale investments	**(6,568)**	–
Gain on fair value change of investment property	**(115)**	–
Impairment loss on available-for-sale investments	**8,676**	23,750
Interest income	**(3,754)**	(3,136)
Interest expense	**1,864**	1,509
Share of profits of associates	**(14,329)**	(18,084)
Operating cash flows before movements in working capital	**477,142**	620,826
(Increase) decrease in inventories	**(47,731)**	34,368
Increase in trade and other receivables	**(335,404)**	(160,266)
(Increase) decrease in bills receivable	**(10,194)**	6,744
Increase in amounts due from related companies	**(46,317)**	(1,279)
(Increase) decrease in amounts due from fellow subsidiaries	**(915)**	5,779
Decrease (increase) in amount due from ultimate holding company	**212**	(222)
(Increase) decrease in amounts due from customers for contract work	**(140,347)**	93,192
Increase in retentions receivable	**(152,778)**	(77,504)
(Decrease) increase in trade and other payables	**(245,146)**	199,575
Increase in bills payable	**13,275**	23,909
Increase (decrease) in amounts due to fellow subsidiaries	**307**	(7,016)
(Decrease) increase in amount due to ultimate holding company	**(371)**	371
Increase (decrease) in amounts due to customers for contract work	**130,595**	(28,541)
Cash (used in) from operations	**(357,672)**	709,936
Interest paid	**(1,864)**	(1,509)
Income tax refunded	**4,806**	11,672
Income tax paid	**(84,745)**	(87,073)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(439,475)**	633,026

	2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(17,138)**	(3,172)
Purchase of investment property	**(2,410)**	–
Purchase of available-for-sale investments	**(238,277)**	(56,278)
Additions to note receivable	**(50,000)**	–
Proceeds from disposal of property, plant and equipment	**139**	277
Proceeds from disposal of available-for-sale investments	**127,715**	–
Interest received	**3,754**	3,136
Dividend received from an associate	**–**	3,480
Repayment from (advance to) a fellow subsidiary	**7,685**	(2,751)
Advance to ultimate holding company	**–**	(96,018)
Repayment from ultimate holding company	**–**	96,018
Placement of pledged bank deposits	**(107,774)**	(122,371)
Release of pledged bank deposits	**120,732**	100,108
Release of fixed deposits with original maturity date more than three months	**–**	39,961
NET CASH USED IN INVESTING ACTIVITIES	**(155,574)**	(37,610)
FINANCING ACTIVITIES		
New bank borrowings raised	**427,400**	73,430
New other borrowings raised	**34,139**	–
Repayments of bank borrowings	**(119,843)**	(351,866)
Proceeds from placing of existing shares and top-up subscription of new shares	**–**	601,198
Transaction costs attributable to placing of existing shares and top-up subscription of new shares	**–**	(23,633)
Payment for the combination of entities under common control	**(520,000)**	–
Dividends paid	**(315,821)**	(267,911)
Repayment to an intermediate holding company	**–**	(1,765)
Repayment to ultimate holding company	**–**	(15,564)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(494,125)**	13,889
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,089,174)**	609,305
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,689,549**	1,098,306
Effect of foreign exchange rate changes	**27,283**	(18,062)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**627,658**	1,689,549

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

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

The ultimate holding company of the Company is Jangho Group Co., Ltd. ("Jangho Co"), a joint stock company incorporated in the PRC and listed on the Shanghai Stock Exchange. The Company's ultimate controlling party is Mr. Liu Zaiwang, the chairman of Jangho Co.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Company's subsidiaries are set out in note 44.

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

2. BASIS OF PREPARATION

Merger accounting for business combination involving entities under common control

Sundart Beijing had been a wholly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "Group") since its establishment until 26 November 2012 when Sundart Beijing increased its registered capital by HK$26,700,000, representing approximately 25% of its enlarged registered capital after such capital increased. Such increased capital was subscribed and fully contributed by Jangho Co. Since then Sundart Beijing was beneficially owned as to 75% and 25% by the Group and Jangho Co, respectively. On 24 April 2015, the Group disposed of 50% equity interest it held in Sundart Beijing to Jangho Hong Kong Holdings Limited (formerly known as Jangho Curtain Wall Hongkong Limited) ("Jangho HK"), an intermediate holding company of the Company. Further, the Group disposed of the remaining 25% equity interest it held in Sundart Beijing to Jangho HK on 25 June 2015. Upon the change of the shareholding which was effective on 25 June 2015, the Group ceased to have any interest in Sundart Beijing.

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

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

The Group's accounting policy for merger accounting is described in note 4.

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

2. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

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

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

2. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

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

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

2. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

	1 January 2016 *HK$'000* (Audited and originally stated)	**Business combination of entities under common control** *HK$'000*	**1 January 2016** *HK$'000* (Restated)
Capital and reserves			
Share capital	669,250	–	669,250
Reserves	740,270	220,968	961,238
Equity attributable to owners of the Company	1,409,520	220,968	1,630,488
Non-current liability			
Deferred tax liabilities	–	941	941
	1,409,520	221,909	1,631,429

2. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

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

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

2. BASIS OF PREPARATION *(Continued)*

Merger accounting for business combination involving entities under common control *(Continued)*

	31 December 2016 *HK$'000* (Audited and originally stated)	Business combination of entities under common control *HK$'000*	31 December 2016 *HK$'000* (Restated)
Capital and reserves			
Share capital	1,246,815	–	1,246,815
Reserves	849,136	315,076	1,164,212
Equity attributable to owners of the Company	2,095,951	315,076	2,411,027
Non-current liability			
Deferred tax liabilities	–	906	906
	2,095,951	315,982	2,411,933

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

Impact on basic earnings per share

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Amendments to HKAS 7 Disclosure Initiative

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

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 41. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 41, the application of these amendments has had no impact on the Group's consolidated financial statements.

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 and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

3. 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

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

- all recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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.

- 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 *Financial Instruments: Recognition and Measurement*. 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed equity securities and unlisted equity fund classified as available-for-sale investments carried at fair values as disclosed in note 19: these investments qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these investments to be measured at FVTOCI and will measure these investments at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9 fair value gains of HK$6,921,000 related to these investments, representing the differences between cost and fair value would be adjusted from investment revaluation reserve to accumulated profits as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

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

HKFRS 9 Financial Instruments *(Continued)*

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon applications of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables and retentions receivable. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits at 1 January 2018.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively, by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group had non-cancellable operating lease commitments of HK$51,511,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$5,506,000 and refundable rental deposits received of HK$96,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for the new and revised HKFRSs mentioned above, the directors of the Company anticipate that the application of all other new and revised HKFRSs will have no material impact on the consolidated financial statements when they become effective.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 consolidated financial statements have been prepared on the historical cost basis except for investment properties and available-for-sale investments, which are measured at fair value at the end of each reporting period, 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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income and total comprehensive income of subsidiaries are attributed to the owners of the Company.

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.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. 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 units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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 is accrued on a time apportionment 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 lease is described in the accounting policy for leasing below.

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. 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 deposits received. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other defined contribution retirement benefit schemes are recognised 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.

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 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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 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.

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 arising on the settlement of monetary items and on the retranslation of 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.

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.

4. 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 properties are 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 values of investment properties are included in profit or loss for the period in which they arise.

Impairment on tangible 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 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 relevant 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 asset individually, 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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 classified into following specified categories: available-for-sale ("AFS") investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 trade and other receivables, bills receivable, amounts due from related companies/fellow subsidiaries/ultimate holding company, retentions receivable, note receivable, pledged bank deposits, 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 of interest would be immaterial.

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 AFS 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.

For all other financial assets, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 AFS 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.

For financial assets measured at amortised cost, 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 of the investment 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 AFS 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 Company 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 at amortised cost

Financial liabilities (including trade and other payables, bills payable, amounts due to fellow subsidiaries/ultimate holding company, bank borrowings and other 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial guarantee contracts (Continued)

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not 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 over the guarantee period.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 budgeted contract costs is based on the 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 the management's judgment. A considerable amount of judgment 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 abilities to make payments, additional allowances may be required.

As at 31 December 2017, the carrying amounts of trade receivables and retentions receivables were HK$546,644,000 and HK$710,093,000, respectively (31.12.2016: HK$500,906,000 and HK$542,319,000, respectively).

Estimated impairment and 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 2017, the carrying amount of inventories was HK$69,722,000 (2016: HK$21,972,000), whereas the reversal of allowance for inventories amounting to HK$19,000 (2016: HK$332,000) and written off of inventories amounting to nil (2016: HK$2,089,000) was recognised during the year.

6. REVENUE

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

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

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

7. 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:

(a) Fitting-out works in Hong Kong;

(b) Fitting-out works in Macau;

(c) Fitting-out works in the PRC;

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

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

Information regarding the above segments was reported below:

Segment revenue and results

2017

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

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

2016 (Restated)

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

Inter-segment revenue was charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.

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

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	31.12.2017 **HK$'000**	31.12.2016 HK$'000 (Restated)
Segment assets		
Fitting-out works in Hong Kong	**1,042,582**	843,342
Fitting-out works in Macau	**747,074**	511,615
Fitting-out works in the PRC	**1,404,382**	1,260,089
Alteration and addition and construction works in Hong Kong	**350,070**	229,745
Manufacturing, sourcing and distribution of interior decorative materials	**148,379**	62,640
Total segment assets	**3,692,487**	2,907,431
Unallocated corporate assets		
Property, plant and equipment	**461**	458
Investment properties	**10,545**	7,503
Available-for-sale investments	**252,229**	136,854
Interests in associates	**133,216**	116,793
Other receivables, prepayments and deposits	**48,282**	7,477
Tax recoverable	**65**	1,085
Note receivable	**50,000**	–
Pledged bank deposits	**63,273**	71,356
Bank balances and cash	**627,658**	1,689,549
Total consolidated assets of the Group	**4,878,216**	4,938,506

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
Segment liabilities		
Fitting-out works in Hong Kong	400,226	323,864
Fitting-out works in Macau	337,513	393,567
Fitting-out works in the PRC	1,391,177	1,508,437
Alteration and addition and construction works in Hong Kong	260,011	196,752
Manufacturing, sourcing and distribution of interior decorative materials	64,596	37,915
Total segment liabilities	2,453,523	2,460,535
Unallocated corporate liabilities		
Other payables	4,943	4,216
Tax payable	45,274	61,822
Bank borrowings	307,557	–
Other borrowings	34,139	–
Deferred tax liabilities	1,009	906
Total consolidated liabilities of the Group	2,846,445	2,527,479

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

- all assets are allocated to operating segments other than certain property, plant and equipment, investment properties, available-for-sale investments, interests in associates, certain other receivables, prepayments and deposits, tax recoverable, note receivable, pledged bank deposits and bank balances and cash.

- all liabilities are allocated to operating segments other than certain other payables, tax payable, bank borrowings, other borrowings and deferred tax liabilities.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

2017

	Fitting-out works in Hong Kong *HK$'000*	Fitting-out works in Macau *HK$'000*	Fitting-out works in the PRC *HK$'000*	Alteration and addition and construction works in Hong Kong *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment results or segment assets:								
Additions of property, plant and equipment	–	2	939	85	15,796	16,822	316	17,138
Depreciation of property, plant and equipment	14	48	2,089	277	3,128	5,556	313	5,869
Reversal of allowance for inventories	–	–	–	–	(19)	(19)	–	(19)
Loss (gain) on disposal of property, plant and equipment	–	–	1	–	(50)	(49)	–	(49)

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

2016 (Restated)

	Fitting-out works in Hong Kong *HK$'000*	Fitting-out works in Macau *HK$'000*	Fitting-out works in the PRC *HK$'000*	Alteration and addition and construction works in Hong Kong *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment results or segment assets:								
Additions of property, plant and equipment	–	3	340	1,011	1,634	2,988	184	3,172
Depreciation of property, plant and equipment	14	49	2,304	186	2,546	5,099	480	5,579
Write off of inventories	–	–	–	–	2,089	2,089	–	2,089
Reversal of allowance for inventories	–	–	–	–	(332)	(332)	–	(332)
Loss on disposal of property, plant and equipment	–	–	87	–	188	275	10	285

7. 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 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	
	2017 **HK$'000**	2016 HK$'000 (Restated)	**31.12.2017** **HK$'000**	31.12.2016 HK$'000 (Restated)
Hong Kong	**2,282,780**	1,413,746	**138,295**	118,882
Macau	**1,187,385**	1,848,446	**39**	84
The PRC	**1,507,384**	1,820,255	**40,455**	27,468
Others	**5,399**	32,429	**–**	–
	4,982,948	5,114,876	**178,789**	146,434

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 are as follows:

	2017 **HK$'000**	2016 HK$'000 (Restated)
Customer A *(Note a)*	**576,283**	628,893
Customer B *(Note b)*	**534,419**	N/A*(Note c)*
Customer C *(Note b)*	**N/A*(Note c)***	546,729

Notes:

(a) The revenue was from fitting-out works in Hong Kong, Macau and the PRC.

(b) The revenue was from fitting-out works in Macau.

(c) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant years.

8. OTHER INCOME, OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

The amounts represented interest on bank borrowings and other borrowings.

10. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000 (Restated)
Current tax		
Hong Kong Profits Tax	**18,565**	11,264
Macau Complementary Tax	**27,052**	43,443
PRC Enterprise Income Tax	**21,666**	26,209
	67,283	80,916
(Over) under provision in prior years		
Hong Kong Profits Tax	**(359)**	(319)
Macau Complementary Tax	**(1,044)**	(91)
PRC Enterprise Income Tax	**(1,469)**	5,469
	(2,872)	5,059
Deferred tax		
Current year *(Note 31)*	**40**	24
	64,451	85,999

10. INCOME TAX EXPENSE *(Continued)*

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% for both years. A PRC subsidiary obtained approval from the relevant tax bureau and is qualified as High and New Technology Enterprise which is entitled to a tax reduction from 25% to 15% since 2014.

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:

	2017 **HK$'000**	2016 HK$'000 (Restated)
Profit before taxation	**485,544**	609,166
Tax at the weighted average tax rate *(Note a)*	**82,238**	98,411
Tax effect of expenses not deductible for tax purpose	**4,126**	5,431
Tax effect of income not taxable for tax purpose	**(373)**	(181)
Tax effect of share of profits of associates	**(2,364)**	(2,984)
(Over) under provision in prior years	**(2,872)**	5,059
Tax effect of tax losses not recognised	**2,361**	–
Utilisation of tax losses previously not recognised	**–**	(4,079)
Income tax on concession rate	**(14,006)**	(13,787)
Additional tax allowance for research and development expenses *(Note b)*	**(3,415)**	(4,369)
Others	**(1,244)**	2,498
Income tax expense for the year	**64,451**	85,999

Notes:

(a) The weighted average applicable tax rate for different jurisdictions for the year ended 31 December 2017 is 16.9% (2016: 16.2%). 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.

(b) A further tax deduction of 50% on the qualifying expenses for research and development activities were granted to a PRC subsidiary.

11. PROFIT FOR THE YEAR

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

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2017				
Name of directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary incentive payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Mr. Ng Tak Kwan	–	2,040	7,051	18	9,109
Mr. Leung Kai Ming	–	2,019	4,000	18	6,037
Mr. Xie Jianyu	–	1,471	500	18	1,989
Mr. Ng Chi Hang	–	1,285	800	18	2,103
Mr. Pong Kam Keung *(Note)*	–	1,704	660	18	2,382
Non-executive director:					
Mr. Liu Zaiwang	600	–	–	–	600
Independent non-executive directors:					
Mr. Tam Anthony Chun Hung	240	–	–	–	240
Mr. Huang Pu	240	–	–	–	240
Mr. Li Zheng	240	–	–	–	240
	1,320	8,519	13,011	90	22,940

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	2016				
Name of directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary incentive payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Mr. Ng Tak Kwan	–	2,040	4,910	18	6,968
Mr. Leung Kai Ming	–	2,024	3,000	18	5,042
Mr. Xie Jianyu	–	1,381	1,000	18	2,399
Mr. Ng Chi Hang	–	1,324	2,910	18	4,252
Mr. Pong Kam Keung *(Note)*	–	1,676	291	18	1,985
Non-executive director:					
Mr. Liu Zaiwang	600	–	–	–	600
Independent non-executive directors:					
Mr. Tam Anthony Chun Hung	240	–	–	–	240
Mr. Huang Pu	240	–	–	–	240
Mr. Li Zheng	240	–	–	–	240
	1,320	8,445	12,111	90	21,966

Note: Resigned on 1 February 2018

The executive directors' emoluments shown above were 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 for his services as a director of the Company and the independent non-executive directors' emoluments shown above were for the services as directors of the Company.

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

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

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2016: three directors), details of whose emoluments were disclosed in note 12 above. Details of the remuneration for the year of the remaining one (2016: two) highest paid employees who were neither a director nor chief executive of the Company were as follows:

	2017 ***HK$'000***	2016 *HK$'000* (Restated)
Salaries and other benefits	**2,541**	5,960
Contributions to retirement benefit scheme	**18**	36
	2,559	5,996

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

	2017	2016 (Restated)
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	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.

14. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend for the year ended 31 December 2016: HK3 cents (2015: HK8 cents) per share	**64,746**	160,000
Interim dividend for the year ended 31 December 2017: HK7 cents (2016: HK5 cents) per share	**151,075**	107,911
	215,821	267,911
Dividend declared by Sundart Beijing *(Note)*	**100,000**	–
	315,821	267,911

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK2 cents (2016: HK3 cents) per share, amounting to HK$43,164,000 (2016: HK$64,746,000) in aggregate, was proposed by the directors of the Company and is subject to the approval of the shareholders at the forthcoming annual general meeting.

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

15. EARNINGS PER SHARE

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

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2016 (Restated)	23,483	24,305	14,849	3,168	65,805
Exchange adjustments	(1,393)	(1,210)	(568)	(82)	(3,253)
Additions	663	775	1,198	536	3,172
Disposals	(119)	(345)	(646)	(500)	(1,610)
At 31 December 2016 (Restated)	22,634	23,525	14,833	3,122	64,114
Exchange adjustments	1,868	1,381	609	90	3,948
Additions	11,263	3,378	786	1,711	17,138
Disposals	–	(150)	(227)	(991)	(1,368)
At 31 December 2017	35,765	28,134	16,001	3,932	83,832
DEPRECIATION					
At 1 January 2016 (Restated)	12,274	15,536	10,772	2,298	40,880
Exchange adjustments	(819)	(664)	(402)	(40)	(1,925)
Provided for the year	2,854	630	1,714	381	5,579
Eliminated on disposals	(119)	(169)	(518)	(242)	(1,048)
At 31 December 2016 (Restated)	14,190	15,333	11,566	2,397	43,486
Exchange adjustments	1,013	717	472	35	2,237
Provided for the year	3,275	561	1,642	391	5,869
Eliminated on disposals	–	(119)	(222)	(937)	(1,278)
At 31 December 2017	18,478	16,492	13,458	1,886	50,314
CARRYING VALUES					
At 31 December 2017	17,287	11,642	2,543	2,046	33,518
At 31 December 2016 (Restated)	8,444	8,192	3,267	725	20,628

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%–50% or over the remaining term of lease, if shorter
Motor vehicles	18%–$33^1/_3$%

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2016 (Restated)	7,997
Exchange adjustments	(494)
At 31 December 2016 (Restated)	7,503
Addition	2,410
Exchange adjustments	517
Unrealised gain on fair value recognised in profit or loss	115
At 31 December 2017	10,545

As at 31 December 2017 and 2016, the Group's property interest located in the PRC is a commercial property held under operating leases to earn rental income, which is measured using the fair value model and is classified and accounted for as investment property. A gain on fair value change of HK$115,000 (2016: nil) is recognised for the year ended 31 December 2017.

During the year, the Group had acquired a piece or parcel of ground situated in Hong Kong at a consideration in cash of HK$2,410,000 which is held for capital appreciation.

The fair values of the Group's investment properties as at 31 December 2017 and 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group.

The valuations have been arrived at using direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions or, where appropriate, by capitalising the market rentals of all lettable units of the properties by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categories (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment property in Hong Kong with carrying amount of HK$2,410,000 (31.12.2016: nil)	Level 3	Direct comparison method The key input is		

17. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(1) Unit sale rate	Unit sale rate, taking into account the size, location, and character, between the comparable and the property, ranging from HK$328 to HK$459 per square feet on gross floor area basis for the property.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Investment property in the PRC with carrying amount of HK$8,135,000 (31.12.2016: HK$7,503,000)	Level 3	Direct comparison method The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the size, location, and character, between the comparable and the property, ranging from Renminbi ("RMB") 41,000 to RMB47,000 (31.12.2016: RMB44,000 to RMB50,000) per square meter on gross floor area basis for the property.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The fair values of all investment properties as at 31 December 2017 and 2016 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year.

18. GOODWILL

	HK$'000
Carrying amount as at 1 January 2016, 31 December 2016 and 2017	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 Products Company Limited ("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, amounting 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.

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprised:

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000* (Restated)
Listed equity securities	**126,429**	136,854
Unlisted equity investment	**125,800**	–
	252,229	136,854

As at 31 December 2017, listed equity securities classified as available-for-sale investments held by the Group amounting to HK$126,429,000 (31.12.2016: HK$136,854,000) were carried at fair value at the end of the reporting period. Due to the prolonged decline in the market price of the investment below cost, an impairment loss of HK$8,676,000 (2016: HK$23,750,000) was recognised in the profit or loss during the year. During the year, the Group disposed of certain listed equity securities and a gain of HK$6,568,000 (2016: nil) was reclassified from investment revaluation reserve to profit or loss upon disposal.

During the year, the Group subscribed 18.71% interest in the equity fund at a consideration of HK$125,800,000 in capacity as a limited partnership. The general partner of the equity fund is a subsidiary of a related company listed in Hong Kong. The unlisted equity fund was in relation to commercial buildings development in Hong Kong. It was measured at fair value at the end of the reporting period. The equity fund with more than 12 months operation period from the end of reporting period was classified as non-current assets in the consolidated statement of financial position. The Group has committed to contribute a pre-determined capital amount in the equity fund and the realised gain or loss of the fund was recognised in the profit or loss. The equity fund may call upon further capital contribution if required up to the pre-determined capital amount. There was no capital returned to the Group from the equity fund during the year ended 31 December 2017.

The listed equity securities of HK$126,429,000 (31.12.2016: nil) were pledged to secure other borrowings as set out in note 30 as at 31 December 2017.

20. INTERESTS IN ASSOCIATES

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000* (Restated)
Unlisted shares, at cost	**–**	–
Deemed contribution to an associate	**100,000**	100,000
Share of post-acquisition profit and other comprehensive income, net of dividends received	**33,216**	16,793
	133,216	116,793

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

20. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2017 and 2016, 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
					31.12.2017 %	31.12.2016 (Restated) %	
EAGLE VISION DEVELOPMENT LIMITED ("Eagle Vision")	Incorporated	BVI	Hong Kong	Ordinary	28.57	28.57	Investment holding
FORTUNE MARVEL LIMITED ("FML")	Incorporated	BVI	Hong Kong	Ordinary	30	30	Investment holding

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

	31.12.2017			31.12.2016		
	Eagle Vision HK$'000	FML HK$'000	Total HK$'000	Eagle Vision HK$'000 (Restated)	FML HK$'000 (Restated)	Total HK$'000 (Restated)
Current assets	375,677	–	375,677	298,491	–	298,491
Non-current assets	392,399	–	392,399	404,791	–	404,791
Current liabilities	(483,875)	(24)	(483,899)	(484,307)	(12)	(484,319)
Non-current liabilities	(16,418)	–	(16,418)	(17,117)	–	(17,117)
Net assets (liabilities) attributable to:						
Shareholders	116,288	(24)	116,264	58,789	(12)	58,777
Non-controlling interests	151,495	–	151,495	143,069	–	143,069
	267,783	(24)	267,759	201,858	(12)	201,846
Revenue	450,209	–	450,209	323,896	–	323,896
Profit (loss) for the year	72,817	(12)	72,805	82,641	(12)	82,629
Attributable to:						
Shareholders	50,003	(12)	49,991	66,855	(12)	66,843
Non-controlling interests	22,814	–	22,814	15,786	–	15,786
	72,817	(12)	72,805	82,641	(12)	82,629
Other comprehensive income (expense) for the year	10,596	–	10,596	(6,393)	–	(6,393)
Attributable to:						
Shareholders	7,334	–	7,334	(4,385)	–	(4,385)
Non-controlling interests	3,262	–	3,262	(2,008)	–	(2,008)
	10,596	–	10,596	(6,393)	–	(6,393)

20. INTERESTS IN ASSOCIATES *(Continued)*

	2017			2016		
	Eagle Vision HK$'000	**FML HK$'000**	**Total HK$'000**	Eagle Vision HK$'000 (Restated)	FML HK$'000 (Restated)	Total HK$'000 (Restated)
Total comprehensive income (expense) for the year	**83,413**	**(12)**	**83,401**	76,248	(12)	76,236
Attributable to:						
Shareholders	**57,337**	**(12)**	**57,325**	62,470	(12)	62,458
Non-controlling interests	**26,076**	**–**	**26,076**	13,778	–	13,778
	83,413	**(12)**	**83,401**	76,248	(12)	76,236
Dividend received from the associate during the year	**–**	**–**	**–**	3,480	–	3,480

Reconciliation of the above summarised consolidated financial information of Eagle Vision and FML to the carrying amounts of the interests in the associates recognised in the consolidated financial statements:

	31.12.2017			31.12.2016		
	Eagle Vision HK$'000	**FML HK$'000**	**Total HK$'000**	Eagle Vision HK$'000 (Restated)	FML HK$'000 (Restated)	Total HK$'000 (Restated)
Net assets (liabilities) attributable to shareholders	**116,288**	**(24)**	**116,264**	58,789	(12)	58,777
Proportion of the Group's ownership interests	**28.57%**	**30%**	**N/A**	28.57%	30%	N/A
	33,223	**(7)**	**33,216**	16,796	(3)	16,793
Deemed investments	**100,000**	**–**	**100,000**	100,000	–	100,000
Carrying amount of the Group's interests	**133,223**	**(7)**	**133,216**	116,796	(3)	116,793

21. INVENTORIES

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
At net realisable value:		
Raw materials	**23,756**	16,282
Work-in-progress	**45,748**	5,563
Finished goods	**218**	127
	69,722	21,972

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

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

Trade and other receivables

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

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

Trade receivables

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

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

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

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

As at 31 December 2017, included in the Group's trade receivable balances were receivables with an aggregate carrying amount of HK$222,235,000 (31.12.2016: HK$181,595,000), which were past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable. Accordingly, the directors of the Company believed that no impairment was required. The Group did not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES, BILLS RECEIVABLE AND RETENTIONS RECEIVABLE *(Continued)*

Trade and other receivables *(Continued)*

Trade receivables *(Continued)*

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

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

Bills receivable

The bills receivable was aged within 60 days (31.12.2016: 90 days).

Retentions receivable

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

As at 31 December 2016, trade receivables and retentions receivable amounting to HK$56,122,000 and HK$11,139,000, respectively were pledged to a bank to secure the issuance of certain performance bonds as set out in note 38 and were released during the year ended 31 December 2017.

23. AMOUNTS DUE FROM RELATED COMPANIES

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

Notes:

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

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

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

(d) The amount due from a subsidiary of Rykadan Capital Limited, of which the Chief Executive is the substantial shareholder.

Trade receivables from related companies

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

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

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

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

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

23. AMOUNTS DUE FROM RELATED COMPANIES *(Continued)*

Retentions receivable from related companies

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

Other receivables from a related company

Other receivables from a related company as at 31 December 2017 and 2016 represented deposits paid to the related company.

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

Amounts due from fellow subsidiaries

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

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

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

As at 31 December 2016, the other receivables were unsecured, interest free and repayable on demand.

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

(Continued)

Amount due from ultimate holding company

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000* (Restated)
Trade receivables	–	182
Retentions receivables	–	30
	–	212

The Group allows a credit period of 30 days to its trade receivables due from ultimate holding company. As at 31 December 2016, the trade receivables due from ultimate holding company were aged over 90 days based on invoice date and past due over 90 days at 31 December 2016 for which the Group has not provided for impairment loss as these balances were subsequently settled. The Group did not hold any collateral over these balances.

As at 31 December 2016, the retentions receivables due from ultimate holding company will be recovered within twelve months.

Amounts due to fellow subsidiaries

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

Retentions payable to fellow subsidiaries

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

24. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/ULTIMATE HOLDING COMPANY *(Continued)*

Amount due to ultimate holding company

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000* (Restated)
Trade payables	**–**	371

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

The trade payables due to the fellow subsidiaries and ultimate holding company were aged within 30 days based on invoice date.

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

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000* (Restated)
Contracts in progress at the end of each reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**14,929,415**	12,234,113
Less: Progress billings	**(14,049,588)**	(11,371,222)
	879,827	862,891
Analysed for reporting purposes as:		
Amounts due from contract customers	**1,077,085**	927,453
Amounts due to contract customers	**(197,258)**	(64,562)
	879,827	862,891

25. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK *(Continued)*

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

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000* (Restated)
Retentions receivable for contract work		
External customers (included in retentions receivable and amounts due from related companies, fellow subsidiaries and ultimate holding company)	**709,298**	539,195
Advances received for contract work		
External customers (included in trade and other payables and amounts due to fellow subsidiaries)	**46,685**	419,035

26. NOTE RECEIVABLE

During the year, the Group subscribed for a short term note (the "Note") from an independent third party matured on 18 September 2018 with a fixed interest rate of 3.00% per annum at a consideration of HK$50,000,000. As at 31 December 2017, the Note is measured at amortised cost using the effective interest method, less any impairment and guaranteed by a director who is the sole shareholder of the issuer.

27. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits carried interest at market rates which ranged from 0.30% to 0.39% (31.12.2016: 0.15% to 3.05%) per annum.

As at 31 December 2016, the bank balances included a sum of HK$240,365,000 deposits carried fixed interest rate ranged from 1.10% to 1.65% per annum. The remaining balances carried interest at market rates which ranged from 0.001% to 0.35% (31.12.2016: 0.001% to 0.35%) per annum as at 31 December 2017.

Pledged bank deposits represented deposits pledged to secure bills payable, certain performance bonds and certain advance payment bonds and were therefore classified as current assets.

As at 31 December 2017, the Group's pledged bank deposits amounting to HK$63,273,000 (31.12.2016: HK$71,356,000) and bank balances amounting to HK$334,443,000 (31.12.2016: HK$511,921,000), respectively, were denominated in RMB which was not freely convertible into other currencies.

28. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Trade and other payables

Trade and other payables at the end of the reporting period comprised amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 14 to 90 days.

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

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

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

As at 31 December 2017, the Group's retentions payable of HK$111,401,000 (31.12.2016: HK$99,521,000) was expected to be paid after one year.

Bills payable

As at 31 December 2017 and 2016, bills payable were secured by pledged bank deposits as set out in note 27 and were repayable as follows:

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

29. BANK BORROWINGS

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

Notes:

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

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

30. OTHER BORROWINGS

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

As at 31 December 2017, the Group had fixed rate other borrowings which bore interest at 8.00% per annum and secured by certain available-for-sale investments as set out in note 19.

31. DEFERRED TAXATION

The following were the major deferred tax liabilities recognised and movements thereon during the years:

	HK$'000
At 1 January 2016 (Restated)	941
Exchange adjustments	(59)
Charged to profit or loss *(Note 10)*	24
At 31 December 2016 (Restated)	906
Exchange adjustments	63
Charged to profit or loss *(Note 10)*	40
At 31 December 2017	1,009

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

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the forseeable future.

At the end of the reporting period, the Group's unused estimated tax losses of HK$18,523,000 (31.12.2016: HK$8,993,000) were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses were HK$9,283,000 (31.12.2016: nil) that will expire in 2022. The remaining losses of HK$9,240,000 (31.12.2016: HK$8,993,000) may be carried forward indefinitely.

32. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Issued and fully paid ordinary shares with no par value		
At 1 January 2016	2,000,000,000	669,250
Placing of existing shares and top-up subscription of new shares *(Note)*	158,210,000	577,565
At 31 December 2016 and 2017	2,158,210,000	1,246,815

Note: Pursuant to the placing and subscription agreement dated 20 July 2016, an aggregate number of 158,210,000 existing shares of the Company were placed by REACH GLORY INTERNATIONAL LIMITED ("Reach Glory"), the immediate holding company of the Company, at HK$3.80 per share. After completion of the placing, 158,210,000 shares of the Company were subscribed by Reach Glory on 28 July 2016 at HK$3.80 per share. The proceeds of HK$601,198,000 from the subscription, net of transaction costs amounting to HK$23,633,000, were credited to the Company's share capital.

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
Non-current assets		
Investments in subsidiaries	1,454,327	1,066,682
Property, plant and equipment	462	458
	1,454,789	1,067,140
Current assets		
Other receivables, prepayments and deposits	2,184	2,476
Tax recoverable	65	–
Bank balances and cash	3,109	243,944
	5,358	246,420
Current liabilities		
Other payables	4,926	4,215
Tax payable	–	320
Amount due to a subsidiary	–	1,928
Bank borrowings	150,000	–
	154,926	6,463
Net current (liabilities) assets	(149,568)	239,957
Total assets less current liabilities	1,305,221	1,307,097
Capital and reserves		
Share capital	1,246,815	1,246,815
Reserves	58,406	60,282
	1,305,221	1,307,097

Movements in the Company's reserves

	Share premium HK$'000	Other reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2016	19,700	33,600	2,194	55,494
Profit for the year	–	–	272,699	272,699
Dividends paid	–	–	(267,911)	(267,911)
At 31 December 2016	19,700	33,600	6,982	60,282
Profit for the year	–	–	213,945	213,945
Dividends paid	–	–	(215,821)	(215,821)
At 31 December 2017	19,700	33,600	5,106	58,406

34. 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 for factory, warehouses, office premises and staff quarters which fall due as follows:

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
Within one year	17,543	13,301
In the second to fifth year inclusive	33,968	11,533
	51,511	24,834

Leases for rented premises are negotiated for a period of 1 to 8 years with fixed rental.

The Group as lessor

Property rental income earned during the year ended 31 December 2017 was HK$861,000 (2016: HK$731,000). The investment property with a carrying amount of HK$8,135,000 (31.12.2016: HK$7,503,000) as at 31 December 2017 was held for rental purposes. The property held has been leased to a tenant for three years (31.12.2016: two years). The lease was cancellable and the tenant was required to give a one-month notice (31.12.2016: two-month notice) for the termination of the agreement.

At the end of the reporting period, the Group as lessor had contracted with tenants for the following future minimum lease payments:

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
Within one year	138	202

35. CAPITAL COMMITMENTS

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Property, plant and equipment	2,108	1,477
– Contribution to the capital of equity fund	22,200	–

36. 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 years.

The capital structure of the Group consists of net debt, which includes bank borrowings and other borrowings disclosed in notes 29 and 30, respectively, 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.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000* (Restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,929,545**	3,471,577
Available-for-sale investments	**252,229**	136,854
	3,181,774	3,608,431
Financial liabilities		
Amortised cost	**2,538,673**	1,966,737

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, trade and other receivables, bills receivable, amounts due from related companies/fellow subsidiaries/ultimate holding company, retentions receivable, note receivable, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amounts due to fellow subsidiaries/ultimate holding company, bank borrowings and other 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.

Market risk

(i) *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 Group 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	
	31.12.2017 **_HK$'000_**	31.12.2016 *HK$'000* (Restated)	**31.12.2017** **_HK$'000_**	31.12.2016 *HK$'000* (Restated)
HK$ against Macau Pataca ("MOP")	**292,632**	455,121	**17,598**	31,741
United States dollars ("USD") against HK$	**65,304**	27,999	**392**	1,586
USD against MOP	**5,426**	5,829	**2,130**	–
Australian dollars ("AUD") against HK$	**5,152**	–	**–**	–
RMB against MOP and HK$	**550**	368	**2,158**	2,122
HK$ against RMB	**146**	426	**–**	–
Euro against MOP and HK$	**102**	198	**28,720**	–
British Pound Sterling ("GBP") against HK$	**3**	89	**–**	–
Intra-group balances				
MOP and HK$ against RMB	**36,054**	56,503	**21,652**	20,396

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) *Currency risk (Continued)*

Sensitivity analysis

As HK$ is pegged to USD and the exchange rate of HK$/MOP and USD/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP, USD/HK$ and USD/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 HK$/MOP, USD/HK$ and USD/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in AUD against HK$, RMB against MOP and HK$, Euro against MOP and HK$, GBP against HK$ 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 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 AUD against HK$, RMB against MOP and HK$, Euro against MOP and HK$, GBP against HK$ or MOP and HK$ against RMB. For a 5% weakening of AUD against HK$, RMB against MOP and HK$, Euro against MOP and HK$, GBP against HK$ 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	
	2017 **HK$'000**	2016 HK$'000 (Restated)
AUD against HK$	**215**	–
RMB against MOP and HK$	**(72)**	(78)
Euro against MOP and HK$	**(1,259)**	8
GBP against HK$	**–**	4
MOP and HK$ against RMB	**546**	1,370

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.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's fair value interest rate risk relates to fixed-rate other borrowings (see note 30 for details of other borrowings). The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(iii) *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's cash flow interest rate risk relates primarily to variable-rate pledged bank deposits, bank balances and bank borrowings (see note 27 for details of the pledged bank deposits and bank balances and note 29 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 2017 would increase/decrease by HK$612,000 (2016: HK$1,401,000). 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 2017 would decrease/increase by HK$1,437,000 (2016: nil).

(iv) *Equity price risk*

The Group's equity price risk mainly concentrated on available-for-sale investments. In addition, the Group has appointed a special team to monitor the equity 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 reporting date.

If the prices of the equity shares and fund had been 30% (2016: 30%) higher/lower:

- the investments revaluation reserve and profit for the year ended 31 December 2017 would increase/decrease by HK$27,039,000 (2016: increase/decrease by HK$27,984,000), respectively, as a result of the changes in fair value of available-for-sale investments which have been impaired; and

- investments revaluation reserve would increase/decrease by HK$48,630,000 (2016: increase/decrease by HK$13,072,000), respectively, for the Group as a result of the changes in fair value of other available-for-sale investments.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2017, 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 receivable 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 Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail 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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table included both interest and principal cash flows. To the extent that interest flows were floating rate, the undiscounted amount was 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
31.12.2017							
Non-derivative financial liabilities							
Trade and other payables	**N/A**	**1,777,889**	**32,139**	**39,182**	**111,401**	**1,960,611**	**1,960,611**
Bills payable	**N/A**	**153,619**	**80,134**	**–**	**–**	**233,753**	**233,753**
Amounts due to fellow subsidiaries	**N/A**	**–**	**1,756**	**–**	**857**	**2,613**	**2,613**
Bank borrowings	**N/A**	**307,557**	**–**	**–**	**–**	**307,557**	**307,557**
Other borrowings	**8.00**	**683**	**34,531**	**–**	**–**	**35,214**	**34,139**
		2,239,748	**148,560**	**39,182**	**112,258**	**2,539,748**	**2,538,673**
31.12.2016 (Restated)							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,600,842	18,967	38,848	99,521	1,758,178	1,758,178
Bills payable	N/A	113,075	92,836	–	–	205,911	205,911
Amounts due to fellow subsidiaries	N/A	919	–	1,358	–	2,277	2,277
Amount due to ultimate holding company	N/A	371	–	–	–	371	371
		1,715,207	111,803	40,206	99,521	1,966,737	1,966,737

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank borrowings with a repayment on demand clause were included in the "Less than 4 months or on demand" time band in the above maturity analysis. As at 31 December 2017, the aggregate undiscounted principal amounts of the bank borrowings amounted to HK$307,557,000 while no such borrowings for the year ended 31 December 2016. Taking into account the Group's financial position, the director of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such outstanding bank borrowings as at 31 December 2017 will be fully repaid by November 2020 in accordance with the scheduled repayment dates set out in the banking facility letter, details of which are set out in the table below:

	Weighted average interest rate	Maturity analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments					Carrying amount
		Less than 1 year	Between 1–2 years	Between 3–5 years	Over 5 years	Total undiscounted cash outflows	
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017	2.61	191,711	62,564	60,853	–	315,128	307,557

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

Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent qualified professional valuer to perform the valuations. The management works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The respective management team reports the findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets.

	31.12.2017			31.12.2016
	Level 1	Level 3	Total	Level 1
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Available-for-sale financial assets				
Listed equity securities	126,429	–	126,429	136,854
Unlisted equity investment	–	125,800	125,800	–
Total	126,429	125,800	252,229	136,854

37. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

There were no transfers between Levels 1, 2 and 3 during the year.

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchanges.

The fair value of unlisted equity fund is determined with reference to market values of underlying asset, which mainly comprise investment property located in Hong Kong held by the investee fund and take into account the discount for lack of marketability. The valuation of the property was principally arrived at using the comparison method, in which property is valued on the assumption that the property can be sold with the benefit of vacant possession. Comparison based on prices realised on actual sales of comparable properties is made for similar properties in the similar location. The significant unobservable inputs include the discount for lack of marketability for the underlying asset. An increase in the rate to discounting for lack of marketability used in the valuation would result in a decrease in the fair value measurement of the unlisted equity fund and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale investments *HK$'000*
At 1 January 2016 and 31 December 2016 (Restated)	–
Purchases	125,800
At 31 December 2017	125,800

No fair value change was recognised in other comprehensive income during the year.

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.

38. PERFORMANCE BONDS AND ADVANCE PAYMENT BONDS

As at 31 December 2017, the Group has issued performance bonds and advance payment bonds in respect of certain supply and installation contracts and a supply contract through the banks amounting to HK$876,201,000 (31.12.2016: HK$1,054,070,000).

As at 31 December 2017 and 2016, certain performance bonds and certain advance payment bonds were secured by certain trade receivables, certain retentions receivable and certain pledged bank deposits as set out in notes 22 and 27, respectively.

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.

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

	2017 ***HK$'000***	2016 *HK$'000* (Restated)
Contributions paid and payable	**13,695**	11,328
Less: Capitalised to contract costs	**(6,223)**	(4,983)
	7,472	6,345

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 of Hong Kong Limited'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.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *HK$'000*	Dividend payable *HK$'000*	Total *HK$'000*
At 1 January 2017 (Restated)	–	–	–
Financing cash flows	341,696	(315,821)	25,875
Dividends recognised as distribution	–	315,821	315,821
At 31 December 2017	341,696	–	341,696

42. RELATED PARTY TRANSACTIONS

Apart from amounts due from related companies and amounts due from/to group companies as set out in notes 23 and 24, respectively, the Group had entered into the following significant transactions with its related companies and group companies:

Relationship	Transaction	2017 HK$'000	2016 HK$'000 (Restated)
An intermediate holding company	Acquisition of 75% equity interest in Sundart Beijing	**390,000**	–
Ultimate holding company	Acquisition of 25% equity interest in Sundart Beijing	**130,000**	–
	Entrustment fee income	**42**	–
	Interest income	**–**	585
	Consultancy fee expenses	**–**	371
	Revenue from fitting-out works	**–**	204
Fellow subsidiaries	Specialised works subcontracting costs	**17,616**	11,353
	Technical advisory services fee expenses	**2,215**	–
	Agency services and entrustment fee income	**10,224**	–
	Revenue from fitting-out works	**5,299**	–
An associate of ultimate holding company	Revenue from fitting-out works	**2,494**	–
Subsidiaries of an associate	Design and consultancy fee income	**219**	–
	Revenue from fitting-out works	**164**	160
Related companies	Revenue from fitting-out works	**45,270** *(Note a)*	6,948 *(Note b)*
A subsidiary of a related company *(Note c)*	Revenue from fitting-out works	**–**	1,314

Notes:

(a) This related company in which Mr. Liu Zaiwang and his spouse have 95% beneficial interest.

(b) This related company in which Mr. Liu Zaiwang and his spouse have 100% beneficial interest.

(c) The related company refers to Rykadan Capital Limited, of which the Chief Executive is the substantial shareholder.

42. RELATED PARTY TRANSACTIONS *(Continued)*

In addition,

(a) as at 31 December 2017, the ultimate holding company had outstanding performance bonds and advance payment bonds amounting to HK$125,491,000 (31.12.2016: HK$40,991,000) issued in favour of customers of Sundart Beijing through a bank.

(b) as at 31 December 2017 and 2016, Sundart Beijing's banking facilities were guaranteed by Jangho Co, one of which was subsequently released and replaced by the corporate guarantee provided by the Company. The remaining two guarantees will be released and replaced by the corporate guarantees provided by the Company by the end of 2018. Sundart Beijing did not pay any charges for the guarantee granted.

Compensation of key management personnel

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

	2017 ***HK$'000***	2016 *HK$'000* (Restated)
Salaries and short-term benefits	**36,468**	41,510
Post-employment benefits	**396**	402
	36,864	41,912

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

43. 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$14,317,000 (2016: HK$207,128,000) for the year ended 31 December 2017 and bears a 50% share of the administrative expenses of the joint operation.

44. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2017 and 2016 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
			31.12. 2017	31.12. 2016 (Restated)	
Direct subsidiaries:					
Sundart Investments Limited	Hong Kong	HK$1,000	**100%**	100%	Investment holding
HONEST PARK LIMITED	BVI/Hong Kong	USD1	**100%**	N/A	Investment holding
Sundart Products Limited	BVI/Hong Kong	USD1	**100%**	100%	Investment holding and leasing of intellectual properties
GLORYEILD ENTERPRISES LIMITED	BVI/Hong Kong	USD1	**100%**	100%	Investment holding
GROW PATH INTERNATIONAL LIMITED	BVI/Hong Kong	USD1	**100%**	100%	Investment holding
Indirect subsidiaries:					
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
Sundart Engineering Investments Limited	Hong Kong	HK$1	**100%**	N/A	Investment holding
Sundart Beijing *(Note a)*	The PRC	HK$182,270,000	**100%**	100%	Fitting-out works
上海承達企業發展有限公司 *(Note b)*	The PRC	RMB10,000,000	**100%**	100%	Fitting-out works
GLORY SPRING INVESTMENTS LIMITED	BVI/Hong Kong	USD1	**100%**	100%	Investment holding
Kin Shing (Leung's) General Contractors Limited	Hong Kong	HK$17,800,000	**100%**	100%	Construction and civil engineering works
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

44. 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
			31.12. 2017	31.12. 2016 (Restated)	
Dongguan Sundart Home Furnishing Co., Ltd. *(Note c)*	The PRC	HK$86,570,000	**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
EASY GLORY HOLDINGS LIMITED	BVI/Hong Kong	USD1	**100%**	100%	Investment holding
PROPER WEALTH GROUP LIMITED	BVI/Hong Kong	USD1	**100%**	N/A	Investment holding
PEAK GAIN DEVELOPMENT LIMITED	BVI/Hong Kong	USD1	**100%**	100%	Investment holding
GLORY ONE INVESTMENTS LIMITED	Hong Kong	HK$1	**100%**	100%	Investment holding
GOOD ENCORE LIMITED	BVI/Hong Kong	USD1	**100%**	100%	Investment holding
Good Encore Development Limited	Hong Kong	HK$100	**100%**	100%	Inactive
Grace United Development Limited	Hong Kong	HK$1	**–**	100%	Inactive and deregistered on 24 February 2017
Sundart Engineering (Far East) Limited	Hong Kong	HK$1	**–**	100%	Inactive and deregistered on 3 March 2017
大連承達創建裝飾工程有限公司 *(Note b)*	The PRC	RMB1,000,000	**–**	100%	Inactive and deregistered on 17 October 2017

Notes:

(a) This is a sino-foreign joint venture established in the PRC.

(b) This is a wholly domestic owned enterprise established in the PRC.

(c) This is a wholly foreign-owned enterprise in the PRC.

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

Five-Year Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Revenue	**4,982,948**	5,114,876	5,560,071	3,449,036	2,486,598
Profit before taxation	**485,544**	609,166	487,057	203,078	154,078
Income tax expense	**(64,451)**	(85,999)	(66,381)	(31,713)	(28,881)
Profit for the year attributable to owners of the Company	**421,093**	523,167	420,676	171,365	125,197
Earnings per share					
Basic *(HK cents)*	**19.51**	25.30	27.97	11.42	8.35

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**4,878,216**	4,938,506	4,340,628	2,613,283	1,903,724
Total liabilities	**(2,846,445)**	(2,527,479)	(2,710,140)	(1,755,896)	(1,231,436)
Equity attributable to owners of the Company	**2,031,771**	2,411,027	1,630,488	857,387	672,288