Sundart

ANNUAL REPORT
2019

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

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 registered general building contractor in October 2010 to expand our capability as a registered general building contractor for construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, hotels, factories, and commercial buildings in Hong Kong. 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

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. Liu Zaiwang *(Chairman)*
Mr. Xie Jianyu

COMPANY SECRETARY

Ms. Chui Muk Heung

AUTHORISED REPRESENTATIVES

Mr. Xie Jianyu
Ms. Chui Muk Heung

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS 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

19/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

Email: ir@sundart.com

Definitions

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

"AGM"	the annual general meeting of the Company to be held at 10:00 a.m. on Wednesday, 3 June 2020 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 a deed of non-competition dated 8 December 2015
"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. Fu Jianping (符劍平), 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
"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
"Caiyun International"	Caiyun International Investment Limited (彩雲國際投資有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Yunnan Metropolitan Construction and a substantial shareholder of the Company
"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
"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
"Covid-19"	the coronavirus disease 2019 (COVID-19), a respiratory illness caused by a novel coronavirus
"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"	the environmental, social and governance
"FVTPL"	fair value through profit or loss
"GDP"	gross domestic product
"Group" or "our" or "Sundart" or "us" or "we"	the Company and its subsidiaries
"HK$" or "HKD" 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 Co., Ltd.*), 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), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Jangho Co and a controlling shareholder of the Company
"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
"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 2018
"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
"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
"Year"	the year ended 31 December 2019
"Yunnan Metropolitan Construction"	雲南省城市建設投資集團有限公司 (Yunnan Metropolitan Construction Investment Group Co., Ltd.*), a company established in the PRC with limited liability and a substantial shareholder of the Company
"%"	per cent.

* *for identification purpose only*

Chairman's Statement

Chairman's Statement

Dear Shareholders,

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

Looking back on 2019, global financial markets fluctuated substantially due to various uncertainties including ongoing Sino-US trade dispute, United States interest rate cut and Brexit. As a result, it weakens retail and external merchandise trade in Hong Kong. This coupled with the continued social unrest in Hong Kong increased downside risks to economic and business sentiment. With a complex and constantly changing external environment, the Group strove to turn the current economic crisis into an opportunity by relying on its solid business foundations, branding advantages and core competitiveness in the industry. During the Year, the Group carried out a number of large-scale fitting-out projects, which maintained its solid profit growth and healthy financial position thus reinforcing its leading position in the industry.

During the Year, the Group's revenue was HK$6,096.2 million (Previous Year: HK$5,390.8 million), profit for the year was HK$413.0 million (Previous Year: HK$381.2 million) and basic earnings per share was HK19.14 cents (Previous Year: HK17.66 cents). The Board does not recommend the payment of a final dividend for the Year. The interim dividend of HK2.5 cents per Share, equivalent to approximately 13.1% of the profit available for distribution for the Year.

The Group was successfully awarded dozens of projects and gradually expanded its business, backed by stringent project quality management, long-term and stable cooperative relationships with business partners and a respected reputation in the market. The Group completed 21 fitting-out projects with individual contract sum being not less than HK$50.0 million, and 15 alteration and addition and construction projects during the Year. Most of those projects were large-scale hotel guestrooms, residential properties and commercial buildings.

2019 was the 20th anniversary of Macau's return to the PRC, the PRC's government announced a number of preferential policies to support Macau's development, which is expected to further accelerate the economic and social development of the territory. At the same time, the number of visitors on the Hong Kong-Zhuhai-Macao Bridge has

continued to increase since its opening. Many individual hotels and major tourist attractions are connected with the opening of the Macau Light Rapid Transit Taipa Line, which is expected to be a great boon for tourism as well as the hotel and retail industries in Macau.

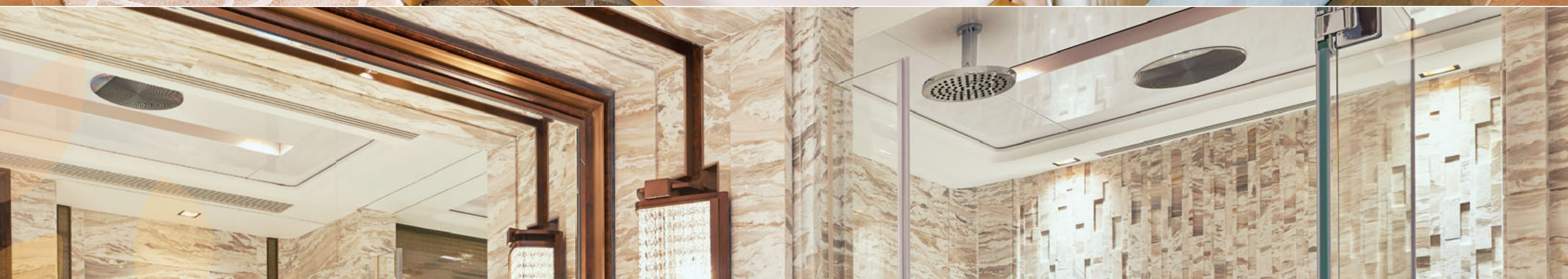
Furthermore, the Hong Kong Government has relaxed the ceiling on mortgage financing schemes for first-home buyers, which will release greater purchasing power. Together with the low interest rate environment in Hong Kong, housing demand will remain stable and support the need for fitting-out services. More importantly, the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" was released at the beginning of the Year to build an international first-class bay area for living, working and travelling. Infrastructure and construction projects have become important economic support mechanisms for development, which facilitate the expansion of a growing number of residential properties, sizeable hotels, shopping malls and commercial buildings. Driven by strong demand, the Group is therefore cautiously optimistic for the future business prospects.

Looking ahead, we will pay close attention to national policies and proactively strive to for more projects. We will also expand our business scope, maintain good relationships with our business partners while providing high-quality services to enhance customer loyalty in order to consolidate and solidify the Group's leading position in the highly competitive fitting-out industry in Hong Kong, Macau and the PRC.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude and thanks to our Shareholders, customers, business partners and other professional parties for their tremendous support, as well as the management of the Group and all the staff for their tireless efforts and contributions to the Group. We will continue to move forward and seize opportunities in today's challenging environment in order to create maximum value for our Shareholders.

Liu Zaiwang
Chairman

Management Discussion and Analysis



Management Discussion and Analysis

MARKET REVIEW

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

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

In Macau, information from Statistics and Census Service of the government of Macau indicated that the Macau's GDP decreased by 4.7% year-on-year in real terms in 2019. Macau's economic contraction was mainly attributable to a decline in exports of services. Meanwhile, the latest statistics from Gaming Inspection and Coordination Bureau of Macau indicated that revenue from the gambling sector decreased by 3.4% year-on-year to MOP292.5 billion in 2019. On the other hand, Macao Government Tourism Office announced that the number of tourists increased by 10.1% year-on-year to 39.4 million in 2019. In addition to the Hong Kong-Zhuhai-Macao Bridge, the new Hengqin Port and the New Guangdong-Macao Channel (Qingmao Checkpoint) is expected to enhance the overall connection convenience within the Guangdong-Hong Kong-Macao Greater Bay Area, which will further increase the number of potential visitors to Macau, in turn supporting the development of Macau's tourism and gambling industries as well as bolster the fitting-out sector in Macau.

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

BUSINESS REVIEW

The Group is one of the leading integrated fitting-out contractors in Hong Kong, Macau and the PRC, specialising in providing professional fitting-out works for residential property and hotel projects. The Group is also engaged in alteration and addition and construction business in Hong Kong and manufacturing, sourcing and distribution of interior decorative materials business internationally. During the Year, a majority of the Group's revenue was derived from its fitting-out works, which contributed over 86.8% of the Group's revenue.

Despite the constantly changing international political situation and global economic slowdown, the Group managed to maintain a satisfactory business performance and a healthy financial position during the Year. Leveraging the Group's professional project management capabilities, positive brand reputation and stable long-term relationships with customers, the Group obtained several sizeable fitting-out projects during the Year. These projects will maintain stable and healthy development of the Group in the coming years.

Fitting-out works

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

During the Year, the Group completed a total of 21 fitting-out projects, including nine and 12 fitting-out projects in Hong Kong and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum of such projects amounted to HK$2,825.6 million, out of which a total revenue of HK$712.3 million was recognised during the Year. As at 31 December 2019, the Group had 65 projects on hand (including contracts in progress and contracts signed but yet to commence), including 29, nine and 27 projects in Hong Kong, Macau and the PRC, respectively, with the individual contract sum being not less than HK$50.0 million. The total contract sum and value of the remaining works for such projects as at 31 December 2019 amounted to HK$11,225.9 million and HK$5,461.2 million, respectively.

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

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

Alteration and addition and construction works

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

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

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

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

Manufacturing, sourcing and distribution of interior decorative materials

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

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

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

Principal risks

As at 31 December 2019, the Group was principally engaged in integrated fitting-out works in Hong Kong, Macau and the PRC, alteration and addition and construction works in Hong Kong and manufacturing, sourcing and distribution of interior decorative materials business globally. In view of the ever-changing business environment, the Group is facing various risks, challenges and uncertainties, including but without limitation to: (i) the Group's contracts are not recurring in nature and its future business depends on its continuing success on project tender; (ii) if the Group cannot effectively adapt to market conditions and customer preferences or fails to provide competitive pricing, its success rate on project tender may be adversely affected; (iii) the Group relies on a few major customers. If the Group fails to retain such major customers, its business, financial condition and results of operations may be materially and adversely affected; (iv) due to the recent outbreak of Covid-19, the projects currently undertaken by the Group may be suspended or delayed and the Group may face legal actions from its customers as result of the interruption of business activities and work arrangement in Hong Kong, Macau and the PRC, and the Group may not be able to recover the costs and/or related expenses paid to its suppliers and/or subcontractors in relation to the projects that was affected by force majeure resulted from Covid-19, hence the Group's business operation and financial performance may be adversely affected; and (v) the Group's business may be affected by the business strategies and performance of its major customers.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

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

Other income, other gains and losses

The Group recorded net other losses of HK$33.1 million for the Year (Previous Year: HK$9.8 million), primarily due to a loss of HK$49.8 million from changes in fair value of financial assets at FVTPL, as the market price of the listed equity securities and unlisted equity fund held by the Group retreated in the Year, which was partially offset by HK$8.9 million of interest received from short term notes and bank deposits. Details of other income, other gains and losses are set out in note 7 to the consolidated financial statements.

Profit for the year

The Group's profit for the year increased by HK$31.8 million or 8.3% year-on-year to HK$413.0 million (Previous Year: HK$381.2 million) as a result of the increase in gross profit as discussed above.

Basic earnings per share

The Company's basic earnings per share for the Year was HK19.14 cents (Previous Year: HK17.66 cents), increased by HK1.48 cents or 8.4% year-on-year, in line with the increase in profit for the year. Details of earnings per share are set out in note 15 to the consolidated financial statements.

Final dividend

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

Material acquisition and disposal

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

Financial assets at FVTPL

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

During the Year, the Group purchased listed equity securities of HK$20.2 million and further injected HK$9.8 million to the unlisted equity fund in fulfilling capital commitment in capacity as a limited partner. Further, the Group recognised a fair value loss of HK$49.8 million in profit or loss, as discussed above, compared to that as at 31 December 2018. Up to 30 March 2020, 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. In terms of future prospects of the Group's financial assets at FVTPL, the performance of the listed equity securities and unlisted equity fund held is subject to the performances of the relevant financial and property markets which may change rapidly and unpredictably. The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments to make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favorable returns to its Shareholders.

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

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

Future plans for material investments or capital assets

As at 30 March 2020, the Group did not have any plan for material investments or capital assets.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

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

As at 31 December 2019, the Group had bank borrowings of HK$373.3 million (31 December 2018: HK$294.5 million), and its repayment schedule is set out in note 31 to the consolidated financial statements. There is no seasonality on the Group's borrowings.

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

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

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

Charge on the Group's assets

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

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 31 December 2019 and 31 December 2018, respectively.

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

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

The Group operates in various regions with different foreign currencies including MOP, Euro, RMB and United States Dollars. All of the Group's bank borrowings were made in HKD at floating rates and, cash and cash equivalents held were mainly in HKD, MOP and RMB. 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 the movement of both exchange rate and interest rate and will consider to hedge against any significant aforesaid exposure when necessary.

Credit risk exposure

During the Year, the Group has adopted prudent credit policies to deal with credit risk exposure. The Group's major customers included reputable property developers, hotel owners and main contractors. Save as disclosed below, the Group was not exposed to any significant credit risk during the Year. The Group's management reviewed the recoverability of trade receivables and closely monitored the financial position of the customers from time to time with a view to keep the credit risk exposure of the Group at a relatively low level.

Reference is made to the disclosure under the section headed "Management Discussion and Analysis" in the 2019 Interim Report of the Company. It was agreed by the parties that the subject main contractor (the "**Main Contractor**") would make payment of the agreed amount (the "**Agreed Amount**") to Sundart Macau in relation to the subject fitting-out projects. However, as the Main Contractor had failed to settle the Agreed Amount after two instalments of payment since August 2018, Sundart Macau resumed the arbitration proceedings in December 2018 (the "**Resumed Arbitration**"). Although the Resumed Arbitration was under progress, the Main Contractor settled four instalments of payment during the Year and it was agreed that the Main Contractor will continue to settle the outstanding payment, subject to any further negotiation. The Directors are of the opinion that the Resumed Arbitration will not materially affect the Group's operating and financial performance.

EVENTS AFTER THE REPORTING PERIOD

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

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

Save as disclosed herein, there are no other significant events subsequent to 31 December 2019 which may materially affect the Group's operating and financial performance as at the date of the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Discretionary bonuses and share options may also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides training programmes for its employees to equip themselves with requisite skills and knowledge.

As at 31 December 2019, the Group employed 1,632 full-time employees (31 December 2018: 1,488). The Group's gross staff costs (including the Directors' emoluments) was HK$440.2 million for the Year (Previous Year: HK$379.0 million). The increase in gross staff costs was mainly attributable to the increase in number of full-time employees and salary increment.

PROSPECTS AND STRATEGIES

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

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

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

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

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

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ng Tak Kwan (吳德坤), aged 65, is the executive Director and chief executive officer of the Company. He is also a director of each subsidiary of the Company, excluded Sundart Beijing, 上海承達創建建設工程有限公司 (formerly known as 上海承達企業發展有限公司), 北京承達置業有限公司, Grow Path International Limited , Peak Gain Development Limited, Glory One Investments Limited, Proper Wealth Group Limited, Dongguan Sundart. 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 is a non-executive director of Rykadan Capital Limited, a company listed on the Stock Exchange (stock code: 2288).

Mr. Leung Kai Ming (梁繼明), aged 66, 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 40, is the executive Director and chief financial officer of the Company. He is also a director of each subsidiary of the Company, excluded Sundart Beijing, 上海承達創建建設工程有限公司 (formerly known as 上海承達企業發展有限公司) and 北京承達置業有限公司. 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. On 21 April 2017, Mr. Xie was appointed as a non-executive director of STEVE LEUNG DESIGN GROUP LIMITED (stock code: 2262), a company listed on the Stock Exchange on 5 July 2018. He resigned from the directorship of the company on 23 January 2019.

Mr. Ng Chi Hang (吳智恒), aged 44, 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, Glory One Investments Limited, Good Encore Limited, Good Encore Development Limited, Honest Park Limited, Proper Wealth Group Limited, In Wave Limited, Sundart Engineering Investments Limited and Acute Key International Limited, Elite Base Engineering Limited, Metro Palace Limited, Sundart Investments Limited, Sundart International Supply Limited and Sundart Living 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.

Non-Executive Director

Mr. Liu Zaiwang (劉載望), aged 48, 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 each of the Nomination Committee and Internal Control Committee. In February 1999, Mr. Liu founded Jangho Co, the controlling shareholder of the Company, 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 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 69, was appointed as an independent non-executive Director. He is also a member of each of the Audit and Remuneration Committees and the chairman of the Audit Committee. Mr. Tam has over 22 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 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 47, 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. From 28 June 2018, Mr. Huang was appointed as the General Manager of Beijing Xicheng Jinrui Investment Fund Management Co., Limited (北京熙誠金睿股權投資基金管理有限公司). Currently, Mr. Huang is also 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 62, 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 29 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. On 25 July 2019 and 19 December 2019 respectively, he has resigned from directorships 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 59, 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 51, 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 24 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 ISO 14001 : 2004 introduction training in the HKQAA.

Mr. Chan Hak Man (陳克民), aged 64, 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 59, 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 33 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 57, 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 57, 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 24 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 51, is the Company Secretary and the chief accountant of the Company. 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 an assistant accounts manager in June 2001 and left in August 2002. Ms. Chui was accredited as an accounting technician in November 1990. She became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in February 2000 and March 2000, respectively.

Mr. To Ka Wah Kevin (杜嘉華), aged 46, 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 63, 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 39 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.

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 to gain and develop a balanced understanding of the views of the Shareholders. The non-executive Director and two independent non-executive Directors were absent from the last annual general meeting of the Company held on 3 June 2019 due to other important business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

THE BOARD

Composition of the Board

As at 31 December 2019, the Board consisted of eight Directors comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board 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

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 24 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					
Directors	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Internal Control Committee meetings	2019 Annual general meeting
Executive Directors						
Mr. Ng Tak Kwan	23/24	N/A	0/1	N/A	N/A	1/1
Mr. Leung Kai Ming	24/24	N/A	N/A	N/A	N/A	1/1
Mr. Xie Jianyu	24/24	N/A	N/A	N/A	2/2	1/1
Mr. Ng Chi Hang	24/24	N/A	N/A	N/A	N/A	1/1
Non-executive Director						
Mr. Liu	5/24	N/A	N/A	1/1	2/2	0/1
Independent non-executive Directors						
Mr. Tam Anthony Chun Hung	5/24	2/2	1/1	N/A	N/A	0/1
Mr. Huang Pu	5/24	2/2	1/1	1/1	N/A	1/1
Mr. Li Zheng	4/24	1/2	N/A	1/1	N/A	0/1

Directors' appointment and re-election

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 and/or his immediate family members' (as defined in the Listing Rule) 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	✔	✔	✔
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, has been amended according to the amendments to the Listing Rules with effect from 26 April 2019 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 2018 and 2019, and the interim results of the Group for the six months ended 30 June 2019;

- to review of the Group's risk management, internal control systems, financial reporting systems, and financial and accounting principles and policies;
- to review of the audit plan for the year ended 31 December 2019;
- to recommend to the Board to re-appoint the external auditor at the 2019 and 2020 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 2020 internal audit plan;
- to review the continuing connected transactions of the Group; and
- to review the compliance with the terms of 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 2019.

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

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13 to the consolidated financial statements, respectively.

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, has been amended according to the amendments to the Listing Rules with effect from 26 April 2019 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 2019 and 2020 annual general meetings.

Nomination policy

The Company has adopted a nomination policy for the Nomination Committee to select and recommend candidates for directorship. Details of the nomination procedures and process and the selection criteria are disclosed below.

Nomination procedures and process

The Nomination Committee will review the structure, size and composition of the Board and make recommendations on any proposed changes of the Board. The Nomination Committee will identify or select suitable candidates by referrals, advertising or recommendations from an independent third agency with due consideration of the selection criteria (as hereinafter mentioned). By conducting evaluation of candidates, including interviews, presentations, background checks and third-party reference checks, the Nomination Committee will determine a candidate suitable for directorship and make recommendations to the Board for appointment. The Nomination Committee will also review the performance of retiring Directors and make recommendation to the Board for the continuance, re-appointment or removal of Directors. The Board will have the final authority on determining the selection of nominees.

Selection criteria

While recommending any potential Board members or re-appointment of existing members to the Board, the Nomination Committee shall consider a number of factors, including but not limited to the following:

- skills, knowledge and experience relevant to the industry and the operations of the Group;
- diversity need in all aspects as set out in the board diversity policy;
- integrity, character, judgment, independence, corporate experience, length of service, potential conflicts of interest and other commitments;
- commitment in respect of sufficient time to effectively discharge fiduciary duties of Directors;
- details of substantial interest in the Group and the relationship with the existing Directors;
- number of listed company directorship for independent non-executive Directors; and
- any other factors as the Nomination Committee may deem fit to consider in the best interests of the Group and the Shareholders.

Amendments to the nomination policy

In case of any amendments or clarifications issued by the relevant authorities, not being consistent with the nomination policy, such amendments or clarifications shall prevail upon the nomination policy and the nomination policy will be amended accordingly. The Nomination Committee has the power to amend the nomination policy from time to time.

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	1,900
Non-audit service fee (included interim financial review, internal control review and tax compliance services)	862
Total	2,762

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 risks 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 annually. 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 19/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong;

2. By fax number 2490 0685; or

3. By email at ir@sundart.com

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 of the Group 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.

DIVIDEND POLICY

The Board adopted a dividend policy in recommending dividends, to allow the Shareholders to participate in the Company's profits and the Company to maintain adequate reserves to meet its future growth.

The Directors intend to declare dividends, if any, in HKD with respect to Shares on a per Share basis and will pay such dividends in HKD. Any final dividend for a financial year will be subject to the Shareholders' approval. The Directors consider that dividends to be declared and paid will depend on a number of factors. The Directors intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders approximately 40% of profits available for distribution for the financial years. Such declarations of dividends, however, will only be recommended by the Directors after taking into account, among other things, the Group's results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on Hong Kong Financial Reporting Standards, the memorandum of association of the Company, the Articles of Association, the BVI Companies Act, applicable laws and regulations and such other factors which the Directors may deem relevant. There is, however, no assurance that dividend of such amount or any amount will be declared or distributed in any financial year.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time. The dividend policy shall in no way constitute a legally binding commitment by the Company in respect of future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

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 is Ms. Chui Muk Heung. Details of the biography of the Company Secretary is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

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

ABOUT ESG REPORT

The Group while focusing on its business development, is also committed to bearing corporate social responsibilities to contribute to society.

This report provides details of the Group's ESG performance during the Year, in compliance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

REPORTING SCOPE

This ESG report covers the material environmental and social issues identified in the materiality assessment for the Group's core businesses during the Year. The businesses covered in the ESG report include the fitting-out works in Hong Kong and Macau, and alteration and addition and construction works in Hong Kong. The management policies, measures, compliance and performance are disclosed in the ESG report.

Compared with the ESG report for the Previous Year, the reporting scope of the ESG report remains unchanged.

REPORTING PRINCIPLES

The reporting methodologies adopted herein strictly comply with the principles of materiality, quantitative, balance and consistency as stated in the ESG Reporting Guide.

Materiality

Materiality assessment is carried out to identify material ESG matters related to the Group's business, and to review both direct and indirect implications to the Group's sustainable development and stakeholders. To address stakeholder concerns, the contents of the ESG report are prioritised based on the materiality of ESG issues.

Quantitative

The Group refers to internationally recognised methodologies for specific calculations. Please refer to the relevant data points and their notes for details. The key data in the ESG report are rounded in line with standard practices (i.e. two decimal places), which may lead to some cases in which the individual numbers do not equal to the totals given and the percentage is not an exact reflection of the values stated.

Balance

The Group discloses both positive and negative issues and performance regarding its business.

Consistency

Data presented in the ESG report was prepared using consistent methodologies over time unless otherwise specified (either in text or in notes). Data for the Previous Year have been enclosed for comparison.

ESG GOVERNANCE

The Group pledges to apply sustainability concepts and key principles of ESG in setting its business strategies and operations.

The Board has established the Group's risk management framework, which determines the risk assessment, evaluation and mitigation procedures that the Group applied to monitor risk exposure. It is also a way to constantly ensure the appropriateness and effectiveness of the internal control measures and risk management plan. The risk management framework incorporates ESG factors such as energy consumption, environmental pollution as well as health and safety into consideration.

Sundart's sustainability management comes under the purview of the Board, formulating the governance strategies and memorandum of ESG for the Group, continuously reviewing the ESG performance and bearing responsibilities for the underlying matters. With the support of our management groups from different backgrounds, the Group can execute strategies tailored for departments, manage daily ESG matters and closely monitor the progress of the ESG goals set to evaluate the effects of measures taken. The Board approves the ESG report after the management review.

The Group has also established relevant dedicated teams, such as the safety management committee consisting of staff with safety management knowledge and professional background, to assist the management in dealing with relevant matters.

During the Year, the objectives and targets for ESG issues had been satisfied. The Group obtained a desirable customer satisfaction level, and successfully conducted waste reduction projects as well as training for enhancing safety awareness.

The Group will continue improving the management system to further enhance its ESG governance in the future by setting extensive targets and objectives in the field of customer satisfaction level, electricity consumption, paper consumption and project accident rate for 2020, which will be reviewed and endorsed during the management meeting.

The Board	• Established the Group's risk management framework • Formulated the governance strategies and memorandum of ESG for the Group • Continuously reviewed the ESG performance • Bore responsibilities for the ESG matters
Management group	• Executed strategies tailored for departments • Managed daily ESG Matters • Closely monitored the targets set • Evaluated the effects of measures taken
Committee	• Assisted the management in dealing with ESG matters

ENGAGEMENT OF STAKEHOLDERS

The Group regularly engages key internal and external stakeholders with diversified ways to ensure effective communications of the progress to address their concerns and expectations, thus strengthen mutual trust between the Group and stakeholders. In particular, the Group involved the stakeholder groups that are directly affected by its operations or potentially influence its business, including staff, customers and owners, shareholders and investors, suppliers and business partners, governments and regulatory authorities, as well as community organisations and others. The table below summarises the communication mechanisms for different stakeholder groups:

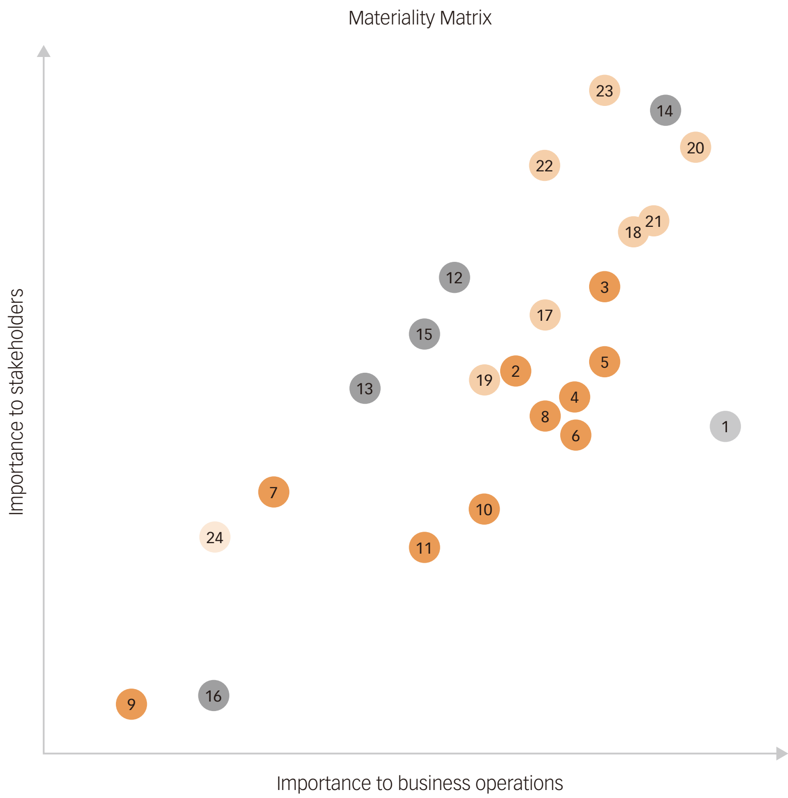
Staff	Customers and owners	Shareholders and investors
Work conferences and counselling Training and staff activities Performance assessment	Customer hotlines and emails Sales services and after-sale return visits Questionnaires	General meetings Annual and interim reports Announcements and communications
Suppliers and business partners	**Governments and regulatory authorities**	**Community organisations and others**
Work conferences Inspections and appraisals Industry meetings	Public forums Government websites Advertising and consulting	Voluntary activities Charitable services Collaboration with social enterprises

MATERIALITY ASSESSMENT ON ESG ISSUES

To prepare the ESG report, we have conducted extensive questionnaire surveys to collect views from various internal and external stakeholder groups. The assessment began with risks identified by our risk management framework and supplemented with focused researches on peer companies, international standards and industry trends to identify topics that could be impactful to our stakeholders.

Questionnaires were distributed to the stakeholder groups. Stakeholders assessed the ESG issues in the perspectives of “importance to stakeholders” and “importance to business operations”. The individual assessment results were summarised and consolidated on a matrix for prioritising the ESG issues.

The ESG report presents 24 matters related to ESG issues and the related materiality matrix during the Year is as follows:



No.	Material ESG Issues
	Compliance
1	Compliance with laws and regulations
	Environmental
2	Emissions of pollutants and greenhouse gas
3	Disposal and management of waste
4	Resource recovery
5	Use of energy
6	Use of water resources
7	Green building
8	Environmental impact from construction
9	Biological diversity
10	Noise pollution
11	Climate Change
	Staff
12	Remuneration and benefits
13	Equal opportunity and anti-discrimination
14	Occupational health and safety
15	Development and training
16	Child or forced labour

No.	Material ESG Issues
	Product
17	Supply chain environmental and social responsibility risk management
18	Selection and monitoring of suppliers and subcontractors
19	Environmentally friendly and safe raw materials
20	Project quality and product safety
21	After-sales services and handling of complaints
22	Protection of customer privacy
23	Prevention of bribery, extortion and money laundering
	Community
24	Community investment

PRODUCT RESPONSIBILITY

Prevention of bribery, fraud and money laundering

We owe our success to be one of the leaders in the industry in upholding the core value of "open-minded, responsible and upright". The Group strictly adheres to the principles of integrity and honest business operation and follows the laws and regulations on preventing bribery, fraud and money laundering, including the Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance in Hong Kong, the Prevention and Suppression of Money Laundering in Macau, and other applicable laws and regulations. The laws and regulations prohibit the dishonest operation or money laundering and forbid our employees to accept or provide any benefit to influence commercial decisions. All employees are required to sign a Code of Conduct on commencement of employment relations with the Group. Details are listed 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 (such as advertising or promotional gift) are such that refusal could be regarded as unsociable or impolite.

2. Under no circumstances should the staff offer bribes or similar advantages to any person or company in order to obtain/retain business, to acquire confidential business information or to obtain approval/certification of work completion of the projects of the Group, or to seek for any other return of personal advantages.

The Group has established whistle-blowing procedures. Both internal parties and business partners can report suspicious cases, including breach of the regulations or ethical misbehaviour, to the independent non-executive Directors by email for follow-up actions. Whistle-blower's identity and reported information are kept stringently confidential. The independent non-executive Directors will then conduct a detailed investigation of the case. If the misbehaviour is authentic, the reported person will be punished, or in severe cases he/she will be brought to relevant law enforcement authorities. Based on the above measures, the Group has not identified any major non-compliance of laws and regulations relating to anti-bribery, fraud and money laundering during the Year.

Project quality and product safety

The Group endeavours to provide our customers with high-quality and professional products and services. The Group abides by the requirements of laws and regulations concerning product quality, including the Buildings Ordinance, the Building (Minor Works) Regulations of Hong Kong and other applicable laws and regulations. The contractors, as required by the relevant law and regulations, shall all ensure that designated building professionals are responsible for carrying out particular tasks, and sound supervision and quality assurance procedures are well established.

The Group has established standardised management procedures on fitting-out works, and alteration and addition and construction projects, as well as defined roles and responsibilities of each department and the third parties. The Group has obtained relevant licences and qualifications and engaged building professionals in accordance with the employment requirements such as the nature, scale, and risks of a project. The Group has also adopted a standard of quality inspection aligning with the latest requirement from local regulations and standards. Below summarises the procedures taken during different phases of a project to ensure consistent delivery of qualified project:

Phase 1: Pre-construction

- Prepare a proposal with parties involved in a project
- Check and confirm the construction plan with customers
- Clarify the specific items and delivery date of a project

Phase 2: During the construction

- Implement construction specifications and quality standards
- arrange supervisors to monitor the construction sites
- Check the quality of semi-finished products as and when necessary

Phase 3: Post-construction

- Examine items stated on the work completion and acceptance list
- Revisit the customer satisfactory level on the project

In addition, the Group has established a set of comprehensive management systems, which have been awarded ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System accreditations. Meanwhile, HKQAA performs an annual inspection to ensure that the Group's management system complies with the relevant authentication requirements and standards. This enhances customers' confidence in the services and products of the Group. Based on the above measures, the Group has not identified any material breach of the relevant laws and regulations in relation to product responsibility during the Year.

Protection of customer privacy

The Group gets access to the personal data of customers in its fitting-out works and alteration and addition and construction business. We understand that it is of paramount importance to protect the privacy of customers and operate strictly in accordance with the laws and regulations in relation to the protection of personal data of customers, including the Personal Data (Privacy) Ordinance of Hong Kong, the Personal Data Protection Act of Macau and other applicable laws and regulations.

The laws and regulations require that personal data users must collect and use other persons' personal data in a legal and fair manner, and take practical measures to protect personal data. The Group has established guidelines for restricting the use of personal data and requiring employees to properly manage customers' information in terms of collection, storage and use. Below are some details extracted from the guidelines:

1. The employees of the Group are required to obtain consent from customers before they collect customers' personal data;

2. The use of the data is only applicable to the business related to customers and any modification to or disclosure of customers' data without their approval is strictly forbidden; and

3. All personal data of customers must be properly stored and encrypted. Only authorised business personnel can have access to them.

Based on the above measures, the Group has not identified any material breach of the relevant laws and regulations in relation to customer privacy during the Year.

After-sales services and handling of complaints

The Group attaches great importance to the provision of sales services, and strictly complies with the laws and regulations in relation to sales including the Supply of Services (Implied Terms) Ordinance in Hong Kong, the Customers' Protection of Macao and other applicable laws and regulations. According to the laws and regulations, customers shall reserve rights to acquire the product and service information; while service providers shall provide prudential and technically reasonable services in a reasonable period. The Group promises to offer comprehensive after-sales services to customers for warranty maintenance. Any deceptive or unfaithful promotion or competition is strictly prohibited.

The Group pays high attention to customers' experience by establishing a sincere, proper and truthful business practice, which is vital in retaining customer interests. Our mission is to establish good and long-standing relationships with each customer. We strive to provide the best services by paying attention to customers' true needs. Several communication platforms were established to deepen our understanding of customers' actual needs in real-time.

The Group also seek customers' feedback from after-sales returning visits to improve our products in the future and thus to enhance the competitiveness of the products and services of the Group as a whole. Once receiving a complaint, the Group will immediately mobilise the complaint handling mechanism, pursuant to which the complaints will be mainly handled by staff in the customer service department or be jointly handled by such staff and the relevant business personnel when necessary. Responsible personnel shall strive to offer satisfactory replies to customers and take follow-up measures within a specified period. The Group will then conduct an investigation plan and formulate corrective/preventive measures to enhance product and service quality in the future. Based on the above measures, the Group has not identified any material breach of the relevant laws and regulations in relation to sales services during the Year.

Selection and monitoring of suppliers and subcontractors

The Group has established sound policies and procedures for supplier and subcontractor management. The procurement department and project team are responsible for conducting a comprehensive background check before developing new supplier and subcontractor relations. They shall examine potential suppliers' and subcontractors' product quality, business compliance history, industry reputation, the functional fit of the product, etc. Suppliers or subcontractors who have passed the assessments are placed on the approved list. Unless the customers require the Group to engage suppliers or subcontractors nominated by them, the Group enters into contracts with the approved suppliers or subcontractors to avoid product quality deficiencies and unnecessary risks. The Group assess suppliers and subcontractors annually to understand their business conditions and performance on quality control with an aim to establish long-term cooperation relationship with outstanding suppliers and subcontractors.

Supply chain environmental and social responsibility risk management

Supply chain management has been a key component in the quality control system of the Group. We attach great importance in sustainable supply chain management to manage sustainability-related risks and meet the rising demand for social responsibility from the customer side. The Group purchases materials from the suppliers designated by customers who usually have strict requirements on materials, and a strong sense of environmental and social responsibility. We also notify existing suppliers of the Group's environmental and social standard during the annual assessment, encouraging them to produce materials in a sustainable way.

Environmentally friendly and safe raw materials

The Group has made controls and clear guidance on water, electricity, materials and other resources used in business operation to encourage the effective use of resources, and reduce the amount of solid waste generated during the construction phase of a project. The Group, whenever possible, chooses environmentally friendly and safe materials such as wooden materials certified by the Forest Stewardship Council and low volatile organic compound coatings to minimise the environmental impact and ensure customers' safety.

If necessary, the Group will use renewable and recyclable protective materials, such as eco-friendly plastic and recycled paper. The Group has obtained the ISO 14001 certification. Through systematic checks and site visits, the Group had implemented effective environmental management system in governing the use of office and site resources, such as water, electricity and paper.

CARING FOR EMPLOYEES

Occupational health and safety

The Group has a long-standing commitment to maintaining a healthy and safe working environment for its staff as well as meeting and exceeding the regulatory requirements as prescribed in the Occupational Safety and Health Ordinance of Hong Kong, the Construction Sites (Safety) Regulations of Hong Kong and other applicable laws and regulations. These laws require employers to supervise the safety of construction projects, such as providing clear guidelines and training on construction procedures, manual labour operations, accident prevention and first aid, and work environment hygiene.

The Group has developed and implemented the following internal measures to safeguard the staff's health and safety by project planning, safety management, and training and publicity.

Project planning
The Group has established a sound engineering safety management system to provide clear guidelines for safety requirements of work processes. The project managers are required to introduce safety controls to minimise the potential impacts of the risk events that may induce negative effects on the project flow. Effective time management on construction is also important to avoid potential safety risks for meeting tight deadlines. The Group conducts a risk assessment of the projects to ensure appropriate countermeasures and preventive actions are taken for alleviating the corresponding risks. The Group has provided employees with protective equipment, guidance books and safety training to build employees' occupational safety and health awareness. The Group also regularly arranges personnel to inspect the construction sites and check if they are up to our internal safety standards. Whenever there is any safety issues found, the site manager will be required to provide an immediate remedy with proper record management.

Safety management
The Group has set up a safety management committee to oversee the implementation of the health and safety policies and to update the policies annually in response to industry trends, regulations and standards so as to ensure that the Group maintains a high-level performance on health and safety. The Group has also engaged an accredited independent safety inspector to check the Group's safety performance twice a year and report the results to the Labour Department. By that, the Group can continuously modify and optimise the existing safety management.

Employee training and publicity
The Group has provided tailored training courses for different workers according to the characteristics and difficulties of the projects. Any employee (including administrative staff) who enters the construction site must undergo relevant health and safety trainings provided by the Group to reduce the occurrence of avoidable accidents. The Group also conducts regular fire drills, introductions to the use of fire extinguishers and first-aid trainings to enhance employees' on-the-spot emergency knowledge so that the employees can work in a healthy and safe environment.

Based on the above measures, the Group has not identified any major non-compliance with the relevant laws and regulations and standards in respect of health and safety during the Year.

Remuneration and benefits
The Group is caring for its talents and is committed to providing employees with excellent compensation and benefits. The Group strictly abides by the laws and regulations relating to staff remuneration and benefits, including the Employment Ordinance of Hong Kong, the Labour Relations Law of Macau and other applicable laws and regulations. The laws and regulations ensure employees to receive basic remuneration and benefits, including salaries, holidays, allowances, etc., and to enter into and terminate employment contracts in a fair and equitable manner. The Group also clearly outlines the employment terms as well as employees' rights and benefits in their written employment contracts. The Group's recruitment and termination processes are based on the Employment Ordinance of Hong Kong, the Labour Relations Law of Macau and other applicable laws and regulations; as well as the Company's rules and regulations of human resources.

The Group offers competitive remuneration package to attract best people within the industry in respect of market terms and industry practice such as providing marriage, compassionate, study and examination leaves on top of the entitled annual leaves. In addition, employees work according to the working time stated in the employment contract. They can be compensated by means of alternative leave or overtime allowance for their overtime work due to the prevailing department's workload.

The grant of performance incentives is based on the financial performance of the Group and the performance of each individual employee. The employee benefits of the Group include mandatory and voluntary provident fund schemes and medical insurance. The Group regularly reviews the remuneration structure to ensure that employees receive reasonable employment packages. The Share Option Scheme has been effective from 1 December 2015. The purpose of the scheme is to reward employees for their past contributions, motivate them to optimise their future contributions to the Group, maintain ongoing relationships with them and retain talents with experience and ability. The Group is confident that the operation of the scheme can enhance the loyalty and team cohesion, realise mutual benefits and help the Group achieve long-term success.

Based on the above measures, the Group has not identified any major non-compliance with the laws and regulations relating to remuneration and benefits during the Year.

Development and training

The Group supports individual development of the employees to sustain their long-term growth. The Group helps its employees to realise their value through providing induction trainings, on-the-job trainings and external trainings. The Group has a well-established training system to plan and arrange staff training activities in accordance with the date of enrolment and the scope of his/her work.

Induction training	On-the-job training	External training
• Receive and induction training in the first week upon his/her arrival • Understand structure and missions of the Group, his/her role in achieving the business objectives and success of the Group, human resource policies of the Group, and standard operating procedures	• Formulate annual training goals according to staff needs • Goal to strengthen the staff's professional knowledge • Cooperate with the professional team to hold a series of training activities (e.g. safety supervision, occupational health and safety, first-aid, engineering management, environmental protection, ISO management)	• Provide training subsidies to ensure staff's personal developmental needs are satisfied

Above plans are designed with an aim to improve the staff's knowledge and professionalism. The Group endeavours to provide strong support for the development of both the Group and talents and achieve a win-win situation.

Equal opportunities and anti-discrimination

The Group is proud of being an employer who believes in equal opportunities. "People-oriented" is not only the ultimate human resource management philosophy of the Group, but it is also the cornerstone of the Group's long-term development.

The Group is committed to creating a diversified environment by adopting non-discriminatory hiring and employment practices with the principle that no employees and job applicants should be treated less favourably because of his/her race, colour, religion, sex, sexual orientation, age, etc., in any form of job applications, internal transfers and promotions.

Relevant labour laws and regulations, including the Employment Ordinance of Hong Kong and Labour Relations Law of Macau, also require the employers to build up a workplace with equal opportunities and respect for the staff. Based on the measures above, the Group has not identified any major non-compliance with the laws and regulations relating to equal opportunities and anti-discrimination during the Year.

Forbidding child or forced labour

The Group strictly complies with the relevant requirements stated in Hong Kong and Macau labour laws.

All job applicants must conform to the age requirement specified by local laws. The Group absolutely forbids the recruitment of child labour and thus formulates a comprehensive procedure of talent selection and recruitment. The Group conducts open recruitment for hiring employees based on the job requirements of different positions to select best-fit candidates. The Group employs staff based on fair, open and voluntary principles, which means labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. The Group avoids collaboration with suppliers who have a known history of employing child or forced labour in their operations. The Group has not identified any major non-compliance with the relevant laws and regulations in respect of labour standards during the Year.

SAFEGUARDING THE ENVIRONMENT

The Group is deeply aware that protecting the environment relies on every employee's effort and co-operations from the frontline staff to the management to mitigate the negative impact on the environment. Therefore, the Group has formulated various policies to properly manage the emissions of waste, noise, exhaust gas, dust, sewage and greenhouse gas in full compliance with the relevant environmental laws and regulations. Based on the following measures, the Group has not identified any major non-compliance with the laws and regulations relating to the environment during the Year.

Disposal and management of waste

The fitting-out and construction business of the Group generate various kinds of wastes. The Group deals with the wastes strictly according to the Waste Disposal Ordinance in Hong Kong, Environmental Law in Macau and other applicable laws and regulations. The Group's primary wastes are protective materials for fitting-out works, as well as paper and toner cartridges used in offices. The amounts of non-hazardous wastes for two consecutive years were as follows:

Type of non-hazardous wastes *(note 1, 2 and 3)*	**Unit**	**2019**	2018
Protective materials for fitting-out works *(note 4)*	Ton	**335.89**	259.30
Paper *(note 5)*	Ton	**17.42**	16.29
Toner cartridges *(note 5)*	Ton	**0.29**	0.15

Notes:

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

2. The Group did not generate any hazardous wastes for the fitting-out works for both years.

3. Disclosure for the data of packaging materials was not applicable, as the Group did not consume packaging materials during fitting-out works.

4. The protective material consumption for fitting-out works and its waste production amount vary with the nature of the projects in place and client requirements. The increment during the Year was because the Group has been requested to surround the lobbies with thick protective plywood in the delivery stage.

5. The consumption amount of paper and toner cartridges increased during the Year was primary due to the increase in number of fitting-out projects and the increase in usage of paper and toner cartridges for related documentation works.

As stated in Group's Waste Management Guideline, it requires employees to manage and dispose of wastes in strict compliance with the requirements therein. For non-hazardous wastes, they should be sorted and stacked at assigned areas for further treatment. Chemicals on the construction site should be stored in sealed containers, placed in the designated locations, and be disposed of in a legal manner by third parties instead of direct disposal in sewers. These measures are to ensure no significant impacts resulted from our business operations.

Use of energy

The Group's business mainly uses electricity as the source of energy. The electricity consumptions of projects and offices for two consecutive years were as follow:

Year	Unit	Projects *(note 1)*		Offices *(note 2)*	
		Amount	Intensity *(note 3)*	Amount	Intensity *(note 3)*
2019 *(note 4)*	**kWh**	**522,973**	**13.34**	**258,174**	**69.81** *(note 5)*
2018 *(note 6)*	kWh	381,706	10.10	254,233	81.94

Notes:

1. Projects included the sites and site offices consumption of alteration and addition and construction works in Hong Kong, and site office consumption of fitting out projects in Hong Kong. Relevant sites' electricity usage of the fitting-out projects in Hong Kong and Macau was not included in the statistics as the electricity was supplied directly by the main contractors/landlords and the relevant usage was not provided to the Group.
2. Offices included Hong Kong head offices and Macau regional offices.
3. The intensity figures were reported in kWh per square meter of gross floor area.
4. As the Group managed various projects during the Year, and the time span of projects differed from one another, the electricity consumption of projects varied considerably with the Previous Year.
5. A decrease in intensity was due to an increase in gross floor area of offices.
6. The figures were restated for consistent comparison purpose.

The Group believes that it is fundamental to be environmentally responsible during the project execution as well as in the general operation. Therefore, the Group has set Guidelines for Resource Management to minimise its environmental impacts caused by electricity consumption; for example, requiring employees to follow the initiatives on resource savings and using certified energy-efficient appliances and equipment to manage the potential risks bought by climate change. Employees should change the settings for a power-save mode or set the air-conditioned room temperature between 20°C and 25.5°C.

Employees should turn off unnecessary indoor lights beyond normal office hours. They should also set the machines to power off after being idle for a certain period. Energy-efficient exterior lighting shall be used at construction sites. The Group prioritises energy-efficient lighting equipment, machines and fixtures in procuring new machinery. The responsible personnel also performs regular inspection and preventive maintenance on machinery and equipment to reduce the fatigue and distraction risk in the operations, and to maximise energy efficiency as well.

Emissions of pollutants

The Group scrupulously abides by the air quality laws and regulations, including the requirements of the Air Pollution Control Ordinance in Hong Kong, the Air Pollution Control (Construction Dust) Regulation and other applicable laws and regulations. The Group has no significant direct exhaust emissions *(note)* in its operation and takes the following measures to ensure that the Group's operations comply with relevant environmental requirements.

In the process of fitting-out works, volatile organic compounds, chemicals that readily evaporate into the air and emitted from paints; and other finishes would stink and affect the indoor air quality. To reduce the level of concentration of the volatile organic compounds at the fitting-out sites, the Group strives to recommend the customers to choose low volatile organic compound coatings during the planning phase, thereby reducing potential hazards or risks to both human health and the environment. In addition, unused volatile finishes are required to store in tightly sealed containers.

Note: Disclosure of direct exhaust emissions data was not applicable as significant gas emissions were not directly generated in the Group's operating activities.

During construction works, the Group regularly measures the concentration of air pollutants to monitor compliance. Adequate ventilation should be maintained to prevent odours accumulation in the air, and special collections of construction residue should be planned at construction sites as well. The Group does not own large-size transport vehicles but requires its material suppliers to use ultra-low sulphur diesel to reduce sulphur dioxide generated from shipment. The Group also uses the power supply from the power companies wherever possible to reduce the direct burning of diesel at construction sites, eliminating the possibility of generating unwanted pollutants during incomplete combustion.

In addition, the Group adopts a series of dust control measures to reduce the impact on the surrounding environment, including:

1. Spray water continuously during excavation, drilling, cutting, polishing, crushing etc.;

2. Provide cleaning equipment at the exit of the transport vehicles, including high-pressure water guns to wash the body and wheels of the transport vehicle before leaving the construction sites;

3. Cover the stockpile of dusty materials with impermeable coating or store them in sheltered areas;

4. Set hoardings of not less than 2.4 metres high from ground level along the boundary of the construction sites adjoining to the street or public area;

5. Collect pulverized fuel ash concrete or any other dusty materials collected by filtering devices in enclosed containers; and

6. Conduct regular inspection on the dust concentration level at the construction sites to evaluate the effectiveness of dust control measures.

Emissions of greenhouse gas

The Group regularly monitors and reviews greenhouse gas emissions in order to manage our impacts on climate change effectively. The Group's greenhouse gas sources are mainly from electricity consumption. The greenhouse gas emitted by the Group *(note 1)* for two consecutive years was set out as below:

Year	Unit	Carbon dioxide equivalent			
		Scope 2 *(note 2)*	Scope 3 *(note 3)*	Total	Intensity *(note 4)*
2019 *(note 5)*	**Ton**	**451.29**	**4.46**	**455.75**	**0.01**
2018 *(note 6)*	Ton	–	–	371.32	0.01

Notes:

1. The data did not include the energy consumption that the Group could not directly manage and control. The carbon dioxide emission was calculated with reference to the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute, and the Reporting Guidance on Environmental KPIs of the Stock Exchange. The Group did not consume resources that contribute to Scope 1 greenhouse gas emissions.

2. The first year for the Group to separately disclosed Scope 2 greenhouse gas emission data, which was resulted from purchased electricity in projects and offices.

3. The first year for the Group to separately disclosed Scope 3 greenhouse gas emission data, which was resulted from electricity used for processing fresh water.

4. The intensity figures were reported in tons of carbon dioxide equivalent per square meter of gross floor area.

5. As the Group managed various projects during the Year, and the time span of projects differed from one another, the electricity consumption of projects varied considerably with the Previous Year and so did the carbon dioxide emission.

6. The figures were restated for consistent comparison purpose.

For measures on reducing greenhouse gas emissions, please refer to the section headed "Environmentally friendly and safe raw materials".

Resource recovery

Construction wastes should be classified carefully to sort out all recyclable wastes, which could be treated by recycling agents for upcycling whenever possible. The Group has the responsibility to contact with qualified transportation companies to transfer other non-recyclable construction wastes to a designated landfill in accordance with local laws.

The Group also encourages office staff to reduce wastes, including:

1. Reuse old copies by copying or printing on the blank side of the used paper;

2. Adopt appropriate fonts or downsizing models to reduce the number of copies;

3. Make use of electronic media for internal and external communication;

4. Not to print the cover page of the document if unnecessary;

5. Reuse stationery, plastic binding ring, envelopes and other materials whenever possible until they are completely consumed;

6. Encourage the use of rechargeable batteries;

7. Recycle packaging boxes and fillings; and

8. Install air-conditioners and refrigerators with environmentally friendly refrigerants.

Use of water resources

The Group is aware of the reduction of water resource availability due to climate change. We must give priority to water resources management before it critically affects our business operations in the future such as taking precautionary measures internally and externally. The Group is committed to cultivating the employees' awareness of water usage in accordance with the principle of "use only when necessary". The Group sourced water from the municipal supply and had no issue in sourcing water fit for purpose.

The wastewater at the construction sites is reused in cleaning and dust suppression after passing through sewage treatment facilities when feasible to reduce overall drinkable water consumption. Employees should shut down the futile watering sprinklers to reduce water consumption and check regularly to prevent excessive water usage.

The Group's water consumptions of alteration and addition and construction works *(note 1)* for two consecutive years were as follow:

Year	Unit	Volumes	Intensity *(note 2)*
2019 *(note 3)*	**m^3**	**7,176**	**0.19**
2018	m^3	11,480	0.39

Notes:

1. The water consumption in fitting-out works was not included in the statistics since the water was in general supplied directly by the main contractors/landlords and the relevant usage was not provided to the Group.

2. The intensity figures were reported in m^3 per square meter of gross floor area.

3. As the Group managed various construction works during the Year, and the time span of construction projects differed from one another, the water consumption of construction projects varied considerably with the Previous Year.

The Group strictly complies with sewage disposal laws and regulations, including the Water Pollution Control Ordinance in Hong Kong and other laws and regulations, to prohibit the direct discharge of sewage and pollutants to open water. The Group has no significant direct effluent discharges in its operation.

The Group has also established a Sewage Management Guideline to regulate the procedures on its sewage treatment. The Group installs sewage purification system at the construction sites and stipulates that untreated sewage (such as mud sewage) shall not be discharged directly into the stormwater drains. It must be filtered and processed in the sedimentation tanks before being discharged into sewers. Regular cleaning and maintenance program is implemented for drainage systems and U-channels to ensure proper functionality.

Noise pollution

During construction and fitting-out works, machinery operations and some of the construction processes create disturbing or unwanted sound, which may create physical and psychological health harm to people nearby. Accordingly, the Group firmly adheres to the Noise Control Ordinance in Hong Kong, the Macau Law on Prevention and Control of Environmental Noise and other applicable laws and regulations. The Group has established Noise Management Guidelines to reduce the noise generated from machinery or electrical appliances and reduce its impacts to the neighbourhood. Below are some measures taken to reduce noise pollutions incurred:

1. Maximise the use of quiet mechanical tools whenever possible, such as “Quality Powered Mechanical Equipment” approved by the Environmental Protection Department;

2. Place tools producing higher noise levels, such as pumps, further away from the noise-sensitive areas such as homes, schools and hospitals;

3. Improve construction processes to reduce unnecessary knocking and cutting works;

4. Prohibit construction activities with high noise intensity during early morning and night hours;

5. Install noise barriers near noisy mechanical equipment;

6. Shut down machinery and equipment not in use from time to time and conduct regular maintenance and repair for equipment; and

7. Monitor noise intensity regularly and apply for a valid Construction Noise Permit for construction works to ensure compliance with the Noise Control Ordinance.

Case Study: Proposed Garden Houses Development at Area 1A/B, Discovery Bay, Lantau Island, New Territories

Noise monitoring was carried out throughout the whole construction phases. This measure is to determine if the noise level exceeds the tolerable limit that may affect the neighborhood or even employee’s hearing. At least one set of measurement was executed for each location once a week between 07:00 to 19:00. Each set of measurements at least included 6 consecutive 5-minutes results (i.e. a minimum of 30 minutes).

Green building

The Group continues to incorporate the green features into the designs and product development to guarantee its overall efficiency while at the same time minimising the impacts to the environment. We are dedicated to adopting best practices in constructing buildings, also committed to helping the project owner achieve the highest possible ratings under Hong Kong Building Environment Assessment Method Plus certification for new building projects.

The Group aims at striking an effective balance between land usages and outdoor environment and putting environmental conservation concepts such as energy and water-saving as well as waste reduction into real practices.

Case Study: Proposed Composite Development at No. 48 Caine Road, Mid-level, Hong Kong

During the Year, the 48 Caine Road project was rated as Provisional Platinum after completing the BEAM Plus assessment conducted by the Hong Kong Green Building Council Limited. Below are some examples of green measures taken:

- Treated sewage with silt removal and pH adjustment (keep silt pH level 6-10) prior to discharged into foul sewer;
- Prevented pollution from wastewater overflow by using water recycling system installed with standby pumps and alternating devices;
- Collected and tested water sampling on a monthly basis to ensure the pH level, suspended solids concentration and chemical oxygen demand in an acceptable range;
- Provided comfortable levels of room acoustics and background noise by having appropriate architectural design;
- Used timbers from sustainable sources and reused recycled timbers from other sites of temporary work; and
- Sourced 20% of building materials manufactured within 800 km from site to reduce the project's carbon footprint.

In the future, the Group will also continue to expand its team and be committed to attracting more talents with qualifications of green building, energy and environmental design, such as LEED Pro, BEAM Pro and BEAM Plus, in order to make a concerted effort to incorporate the sustainable development and latest green technology into our customers' projects.

Biological diversity

The Group is highly concerned about its business impact on the environment and natural resources. We are committed to environmental protection and biodiversity conservation. In addition to compliance with the relevant regulations and universally accepted standards of international conduct urging the need for taking appropriate actions in environmental protection, the Group has also assimilated the biological conversation concepts 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 onto the environment. Following the "4R" principles, namely reducing, reusing, recycling and replacing, we are committed to identifying ways to increase resource use efficiency. The Group has also engaged the HKQAA to conduct regular authentication on its qualification of ISO 14001 regarding the environmental management systems.

COMMUNITY INVESTMENT

The Group seeks to make a continuous contribution and create positive impacts on society as it notes that a considerable proportion of customers give weight to corporate ethics and its contribution to society.

Apart from commercial activities, "Sundart Cheers", a committee founded by the Group with core concepts of "bringing communities together", is in charge of arranging charitable fundraising events, purchasing charitable gifts from social enterprises and other community services. These activities not only enhance the mutual trust and connection among the staff, but also boost their morale.

"Sundart Cheers" has been adopting a proactive approach to initiate collaboration with the Methodist Centre to provide elderly outreaching services since 2011 with the aims at improving the quality of life of the elderly and bringing warmth to them. We encourage our management and staff to have a continued practice in civic participation, helping minority group in society to overcome their disadvantages.

During the Year, "Sundart Cheers" also organises staff activities on a monthly basis, including workshops, bowling competitions, squid fishing activities, rock climbing games and movie entertainment programs to put the staff together and help nurture a sense of belongings.

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 45 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 72.

An interim dividend of HK2.5 cents per Share amounting to approximately HK$54.0 million was paid to the then Shareholders during the Year. The Directors do not recommend the payment of a final dividend for the Year.

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 39 to the consolidated financial statements. 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 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 154.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association amounted to HK$1,305.4 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 75 and note 34 to the consolidated financial statements, respectively.

DIRECTORS

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

Executive Directors

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

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. Liu, Mr. Ng Tak Kwan and Mr. Tam Anthony Chun Hung shall retire at the AGM and, being eligible, will 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 and/or his immediate family members' 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

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 2019, 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 position in the Shares and underlying Shares

Name of Director	Nature of interests/capacity	Number of Shares held	Approximate percentage of interests in the Company
Mr. Liu *(note)*	Interest in controlled corporation	1,140,242,000	52.83%

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 2019, 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, 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:

Interests in the Shares and underlying Shares

Name of substantial shareholder	Nature of interests/capacity	Number of Shares held *(Note 1)*	Approximate percentage of interests in the Company *(Note 2)*
Reach Glory	Beneficial owner	1,140,242,000 (L)	52.83% (L)
Jangho HK *(note 3)*	Interest in controlled corporation	1,140,242,000 (L)	52.83% (L)
Jangho Co *(note 4)*	Interest in controlled corporation	1,140,242,000 (L)	52.83% (L)
Beijing Jiangheyuan *(note 5)*	Interest in controlled corporation	1,140,242,000 (L)	52.83% (L)
Ms. Fu *(note 6)*	Interest of spouse	1,140,242,000 (L)	52.83% (L)
Caiyun International *(note 7)*	Beneficial owner	392,000,000 (L) 392,000,000 (S)	18.16% (L) 18.16% (S)
Yunnan Metropolitan Construction *(note 8)*	Interest in controlled corporation	392,000,000 (L) 392,000,000 (S)	18.16% (L) 18.16% (S)

Notes:

1. The letters "L" and "S" denote long position and short position, respectively, in the Shares.
2. On the basis of 2,158,210,000 Shares in issue as at 31 December 2019.
3. 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.
4. Jangho HK was beneficially wholly-owned by Jangho Co and therefore Jangho Co was deemed to be interested in the Shares indirectly held by Jangho HK through Reach Glory under the SFO.
5. 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 indirectly held by Jangho Co through Jangho HK and Reach Glory under the SFO.
6. Ms. Fu is the spouse of Mr. Liu and was therefore deemed to be interested in the Shares indirectly held by Mr. Liu under the SFO.
7. Pursuant to a sale and purchase agreement dated 28 December 2018, Reach Glory agreed to sell, and Caiyun International agreed to purchase, an aggregate of 392,000,000 Shares, and Reach Glory irrevocably and unconditionally granted to Caiyun International an option to sell to Reach Glory and to require Reach Glory to repurchase such Shares pursuant to the repurchase undertaking contained therein. For details, please refer to the announcement of the Company dated 28 December 2018.
8. Caiyun International was beneficially wholly-owned by Yunnan Metropolitan Construction and therefore Yunnan Metropolitan Construction was deemed to be interested in the Shares held by Caiyun International 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 2019, 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, representing approximately 9.27% of the total number of issued Shares as at the date of this report). The Company may seek approval of its Shareholders in general meeting for refreshing such 10% limit. As at the date of this 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, exercised, cancelled or lapsed during the Year. No share options were outstanding at the beginning and the end of 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 conducted the following transactions, which constituted continuing connected transactions under Chapter 14A of the Listing Rules, with the connected persons of the Company during the Year.

Continuing connected transactions

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 10 August 2017 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, none of the parties has proposed to terminate or modify the Entrustment Agreement, and the entrustment fee income from Jangho Co and Jangho Chuangzhan were RMB0.1 million and RMB0.2 million, 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 entrustment fee for each financial year during the Entrustment Period is less than HK$3,000,000; and (iii) the transaction under the Entrustment Agreement has 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.

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 1 February 2019, 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 1 February 2019 and ending on 31 December 2021. The maximum transaction amounts for the three years ending 31 December 2021 were HK$4.5 million per annum. During the Year, the aggregate transaction amount was HK$1.1 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 0.1%; and (ii) 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)(a) 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.

Guarantees from Jangho Co in respect of the banking facilities

During the Year, Sundart Beijing has maintained two 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. 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 Hua Xia Bank Co., Limited ("Hua Xia Bank")

Pursuant to the facility letter dated 19 December 2018, Hua Xia Bank granted a banking facility to Sundart Beijing with an aggregate sum of RMB100 million. Such facility was secured by a guarantee of RMB100 million executed by Jangho Co. Although the above guarantee was valid for 19 December 2019, Hua Xia Bank considered it still valid until renewal.

Banking facility granted by Shanghai Pudong Development Bank Co., Ltd. ("Shanghai Pudong Bank")

Pursuant to the facility letter dated 8 November 2019, Shanghai Pudong Bank granted a banking facility to Sundart Beijing with an aggregate sum of RMB20 million. Such facility was secured by a guarantee of RMB20 million executed by Jangho Co.

Performance bonds issued through Jangho Co

As at 31 December 2019, Sundart Beijing has undertaken 29 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 29 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	13.0	3 September 2018–20 February 2020
Customer B	China Construction Bank	3.9	19 September 2018–5 January 2020
Customer C	China Construction Bank	0.5	23 November 2018–1 June 2020
Customer D	China Construction Bank	2.6	14 December 2018–28 June 2020
Customer D	China Construction Bank	3.3	14 December 2018–28 June 2020
Customer E	China Construction Bank	5.2	30 January 2019–20 February 2020
Customer F	China Construction Bank	3.3	22 February 2019–28 January 2020
Customer G	China Construction Bank	4.9	22 February 2019–28 September 2020
Customer F	China Construction Bank	3.8	3 June 2019–28 January 2020
Customer H	China Construction Bank	8.1	3 June 2019–20 April 2020
Customer I	China Construction Bank	9.1	3 June 2019–20 April 2020
Customer B	China Construction Bank	1.8	26 June 2019–20 December 2020
Customer J	China Construction Bank	4.9	12 September 2019–1 March 2021
Customer K	China Construction Bank	3.9	16 September 2019–28 September 2020
Customer L	China Construction Bank	5.7	16 September 2019–28 September 2020
Customer M	China Construction Bank	1.8	16 September 2019–9 October 2020
Customer N	China Construction Bank	9.3	17 September 2019–9 October 2020
Customer O	China Construction Bank	6.5	29 September 2019–18 July 2020
Customer P	China Construction Bank	7.5	22 October 2019–2 June 2020
Customer Q	China Construction Bank	22.8	23 October 2019–30 November 2020
Customer R	China Construction Bank	4.0	27 November 2019–26 February 2021
Customer S	China Construction Bank	2.5	28 November 2019–30 September 2020
Customer C	China Construction Bank	11.6	29 November 2019–30 November 2021
Customer T	China Construction Bank	5.7	5 December 2019–10 February 2021
Customer U	China Construction Bank	3.0	12 December 2019–30 November 2020
Customer V	China Construction Bank	2.9	16 December 2019–9 February 2021
Customer O	China Construction Bank	4.6	23 December 2019–30 October 2021
Customer W	China Construction Bank	8.0	23 December 2019–1 November 2020
Customer T	China Construction Bank	5.0	25 December 2019–5 December 2020

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. 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 2019, Sundart Beijing has undertaken 10 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 10 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 E	China Construction Bank	21.0	1 November 2019–31 March 2020
Customer R	China Construction Bank	8.0	27 November 2019–28 June 2020
Customer X	China Construction Bank	2.8	29 November 2019–10 August 2020
Customer C	China Construction Bank	20.7	29 November 2019–30 November 2020
Customer U	China Construction Bank	3.0	12 December 2019–30 November 2020
Customer V	China Construction Bank	2.9	16 December 2019–28 August 2020
Customer Y	China Construction Bank	20.0	16 December 2019–9 December 2020
Customer E	China Construction Bank	10.9	18 December 2019–30 April 2020
Customer W	China Construction Bank	8.0	23 December 2019–1 July 2020
Customer X	China Construction Bank	2.5	25 December 2019–5 June 2020

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. 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.

Tender bond issued through Jangho Co

As at 31 December 2019, Sundart Beijing has tendered one fitting-out project in the PRC which required the provision of a tender bond (the "**Tender Bond**"). Pursuant to the requirements as set out in the relevant tender, Jangho Co authorised a bank to issue the Tender Bond for guarantee of Sundart Beijing's obligations under the relevant tender. Details of the Tender Bond are set out below:

Customer	Issued bank	Amount of the Tender Bond *in RMB' million*	Period of the Tender Bond
Customer Z	China Construction Bank	3.1	14 November 2019–10 June 2020

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

New 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. Mr. Liu is the legal representative, director and chairman of Jangho Co which 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 as at 31 December 2019.

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 "**Old 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 ended on 31 December 2019. On 29 May 2019 (the "**Termination Date**"), Sundart Beijing Group and Jangho Group entered into a termination agreement to terminate the Old Business Cooperation Framework Agreement. Up to the Termination Date for the Year, there was no transaction incurred in relation to the Old Business Cooperation Framework Agreement.

On 29 May 2019, the Company (for itself and on behalf of its subsidiaries) entered into a new framework agreement on mutual provision of services (the "**New Business Cooperation Framework Agreement**") with Jangho Co (for itself and on behalf of its subsidiaries), for a term commencing from 29 May 2019 and ending on 31 December 2021. Under the New Business Cooperation Framework Agreement, Jangho Group agreed to subcontract fitting-out works in relation to the projects undertaken by Jangho Group to the Group. The maximum annual transaction amounts for the three years ending 31 December 2021 are HK$30 million, HK$40 million and HK$40 million, respectively ("**The Group's Annual Caps**"). During the Year, the aggregate transaction amount under The Group's Annual Caps was HK$2.7 million.

Meanwhile, the Group agreed to subcontract specialised works and/or technical advisory services in relation to the projects undertaken by the Group to Jangho Group under the New Business Cooperation Framework Agreement. The maximum annual transaction amounts for the three years ending 31 December 2021 are HK$70 million, HK$100 million and HK$100 million, respectively ("**Jangho Group's Annual Caps**"). During the Year, the aggregate transaction amount under Jangho Group's Annual Caps was HK$8.0 million.

The New 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 New 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.

The Board confirmed that the Company has complied with the requirements of the Listing Rules in relation to the disclosure of the aforesaid continuing connected transactions.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the paragraph headed "Connected Transactions" above and in note 44 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 the paragraph headed "Connected Transactions" above and note 44 to the consolidated financial statements, respectively.

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 "**Covenantor**") executed the Amended Deed 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. For details, please refer to the announcements of the Company dated 17 May 2017 and 25 July 2017 and the circular of the Company dated 30 June 2017, respectively.

The independent non-executive Directors have reviewed on the compliance with the terms of the Amended Deed and considered that the Covenantors have complied with the terms of 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 41 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 11 March 2019 and 19 August 2019, 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 2019, the Group has not used any 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 government 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$7,000.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the Year, the aggregate amount of revenue attributable to the Group's five largest customers accounted for 57.7% of the Group's total revenue and the revenue from its largest customer accounted for 25.7% 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% of the total number of issued Shares) had any interests in any of the Group's five largest customers.

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 25 to 36 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 46 to the consolidated financial statements, there were no other significant events occurred after 31 December 2019.

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, 30 March 2020

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 72 to 153, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 and contract costs

We identified the contract revenue from fitting-out works and alteration and addition and construction works and contract costs 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 stage of completion of construction works and the amount of contract revenue recognised.

The Group recognises contract revenue by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. 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. Accordingly, revenue recognition on contract revenue involves a significant degree of management estimates and judgment, with estimates being made to assess the total contract costs and stage of completion of the contract. The details of the accounting policies and estimation uncertainty in relation to revenue recognition on fitting-out works and alteration and addition and construction works are set out in notes 3 and 4, respectively, to the consolidated financial statements.

As disclosed in notes 5 and 11 to the consolidated financial statements, the contract revenue and the contract costs amounted to HK$6,084,401,000 and HK$5,240,817,000 for the year ended 31 December 2019, respectively.

Our procedures in relation to contract revenue and contract costs included:

- Understanding the Group's internal controls over the recognition of contract revenue;
- 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 accumulated actual cost incurred to date over the total budget cost; and
- Agreeing the contract costs, on a sample basis, incurred to date to the subcontractor payment certificates and supplier invoices.

KEY AUDIT MATTERS *(Continued)*

Key audit matter | **How our audit addressed the key audit matter**

Estimated provision of expected credit losses ("ECL") for trade receivables (included unbilled receivable) and contract assets

We identified the estimated provision of ECL for trade receivables and contract assets as a key audit matter due to the significance to the consolidated financial position as a whole and the use of judgement and estimates by the management of the Group in determining the allowance for credit losses.

As shown in notes 23 and 25 to the consolidated financial statements, as at 31 December 2019, the carrying amounts of trade receivables and contract assets are HK$1,585,753,000 (net of allowance for credit losses of HK$33,516,000) and HK$1,804,833,000 (net of allowance for credit losses of HK$29,612,000), respectively.

As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually for debtors with significant balances and/or collectively based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

As disclosed in note 39 to the consolidated financial statements, the impairment losses of HK$17,034,000 and HK$18,935,000 in respect of the trade receivables and contract assets were recognised in profit or loss by the Group for the year ended 31 December 2019, respectively.

Our procedures in relation to the estimated provision of ECL for trade receivables and contract assets included:

- Obtaining an understanding of key controls on how the management estimates the ECL of trade receivables and contract assets including the individual assessment on significant balances and the credit-impaired trade receivables and contract assets and the use of provision matrix for collective assessment;

- Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis and contract assets as at 31 December 2019, on a sample basis, by comparing individual items in the analysis with the relevant invoices/progress certificates and other supporting documents; and

- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 December 2019, including their identification of credit-impaired trade receivables and contract assets, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

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.

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

- 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.

- 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 Man Ka Lai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	5		
Contract revenue from fitting-out works		**5,293,637**	4,204,593
Contract revenue from alteration and addition and construction works		**790,764**	1,128,832
Manufacturing, sourcing and distribution of interior decorative materials		**11,758**	57,329
Total revenue		**6,096,159**	5,390,754
Cost of sales		**(5,246,481)**	(4,639,191)
Gross profit		**849,678**	751,563
Other income, other gains and losses	7	**(33,116)**	(9,770)
Impairment losses under expected credit loss model	9	**(35,969)**	(27,769)
Selling expenses		**(9,311)**	(14,879)
Administrative expenses		**(267,672)**	(261,724)
Other expenses		**(3,344)**	(773)
Share of profits of associates		**3,497**	17,732
Finance costs	8	**(14,624)**	(9,166)
Profit before tax		**489,139**	445,214
Income tax expense	10	**(76,165)**	(64,012)
Profit for the year attributable to owners of the Company	11	**412,974**	381,202
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(13,838)**	(26,144)
Share of other comprehensive expense of an associate		**(579)**	(1,872)
Other comprehensive expense for the year		**(14,417)**	(28,016)
Total comprehensive income for the year attributable to owners of the Company		**398,557**	353,186
Earnings per share			
Basic *(HK cents)*	15	**19.14**	17.66

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	188,884	137,522
Right-of-use assets	17	21,318	–
Investment properties	18	10,001	10,171
Goodwill	19	1,510	1,510
Financial assets at fair value through profit or loss	20	216,539	236,329
Interests in associates	21	132,794	129,876
		571,046	515,408
Current assets			
Inventories	22	55,212	43,345
Trade and other receivables and bills receivable	23	2,168,051	1,668,088
Amount due from a related company	24	9,027	6,921
Contract assets	25	1,804,833	1,775,883
Tax recoverable		–	82
Pledged bank deposits	26	56,902	48,633
Bank balances and cash	26	1,078,103	887,829
		5,172,128	4,430,781
Current liabilities			
Trade and other payables	27	2,389,418	1,985,224
Bills payable	27	275,215	214,880
Amount due to a fellow subsidiary	28	153	–
Lease liabilities	29	8,329	–
Contract liabilities	30	77,931	110,001
Tax payable		68,347	41,953
Bank borrowings	31	373,333	294,539
		3,192,726	2,646,597
Net current assets		1,979,402	1,784,184
Total assets less current liabilities		2,550,448	2,299,592

Consolidated Statement of Financial Position
At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	*33*	**1,246,815**	1,246,815
Reserves		**1,288,505**	1,051,814
Equity attributable to owners of the Company		**2,535,320**	2,298,629
Non-current liabilities			
Deferred tax liabilities	*32*	**987**	963
Lease liabilities	*29*	**14,141**	–
		15,128	963
		2,550,448	2,299,592

The consolidated financial statements on pages 72 to 153 were approved and authorised for issue by the board of directors on 30 March 2020 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 2019

	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)*	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 2018	1,246,815	19,700	60	27,123	1,241	6,615	5,368	(277,406)	1,002,255	2,031,771
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(26,144)	–	–	(26,144)
Share of other comprehensive expense of an associate	–	–	–	–	–	–	(1,872)	–	–	(1,872)
Profit for the year	–	–	–	–	–	–	–	–	381,202	381,202
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(28,016)	–	381,202	353,186
Transfer from accumulated profits to statutory reserve	–	–	–	13,243	–	–	–	–	(13,243)	–
Dividends paid *(note 14)*	–	–	–	–	–	–	–	–	(86,328)	(86,328)
At 31 December 2018	1,246,815	19,700	60	40,366	1,241	6,615	(22,648)	(277,406)	1,283,886	2,298,629
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(13,838)	–	–	(13,838)
Share of other comprehensive expense of an associate	–	–	–	–	–	–	(579)	–	–	(579)
Profit for the year	–	–	–	–	–	–	–	–	412,974	412,974
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(14,417)	–	412,974	398,557
Transfer from accumulated profits to statutory reserve	–	–	–	9,900	–	–	–	–	(9,900)	–
Dividends paid *(note 14)*	–	–	–	–	–	–	–	–	(161,866)	(161,866)
At 31 December 2019	1,246,815	19,700	60	50,266	1,241	6,615	(37,065)	(277,406)	1,525,094	2,535,320

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") and its subsidiaries (collectively referred to as the "Group") in Macau are required to transfer a minimum of 25% of their profit for the year to the 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 included (i) a credit amount of HK$33,600,000 of recognition of other service costs, which represented the difference between the fair value and consideration (represented by the net assets attributable to) of the acquisition of 10.2% equity interests in the Company by a director, and (ii) a debit amount of HK$311,006,000, which represented the merger reserve of the acquisition of 100% equity interests 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, in prior years.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**489,139**	445,214
Adjustments for:			
Finance costs		**14,624**	9,166
Interest income		**(8,871)**	(5,380)
Dividends from financial assets at fair value through profit or loss		**(1,188)**	(578)
Share of profits of associates		**(3,497)**	(17,732)
Depreciation of property, plant and equipment		**11,633**	8,558
Depreciation of right-of-use assets		**7,039**	–
Impairment losses under expected credit loss model		**35,969**	27,769
Allowance for inventories		**229**	–
Loss on disposal of property, plant and equipment, net		**215**	3,466
Loss from changes in fair value of financial assets at fair value through profit or loss		**49,833**	36,481
Operating cash flows before movements in working capital		**595,125**	506,964
(Increase) decrease in inventories		**(12,096)**	26,377
(Increase) decrease in trade and other receivables and bills receivable		**(491,413)**	66,517
(Increase) decrease in amount due from a related company		**(2,300)**	39,114
Decrease in amount due from a fellow subsidiary		**–**	610
Increase in contract assets		**(55,148)**	(11,811)
Increase in trade and other payables		**431,037**	63,242
Increase (decrease) in bills payable		**66,272**	(8,424)
Increase (decrease) in amount due to a fellow subsidiary		**153**	(2,613)
Decrease in contract liabilities		**(31,118)**	(135,382)
Cash from operations		**500,512**	544,594
Income tax paid		**(49,655)**	(67,853)
Income tax refunded		**12**	284
Interest paid		**(14,624)**	(9,166)
NET CASH FROM OPERATING ACTIVITIES		**436,245**	467,859

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Interest received		**8,871**	5,380
Dividends from financial assets at fair value through profit or loss		**1,188**	578
Repayment from an associate		**–**	19,200
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	9,782
Proceeds from disposal of property, plant and equipment		**68**	59
Purchase of financial assets at fair value through profit or loss		**(30,043)**	(30,363)
Purchase of property, plant and equipment		**(10,571)**	(11,491)
Acquisition of assets through acquisition of a subsidiary	*35*	**(53,254)**	(106,005)
Placement of a deposit at a broker		**(50,000)**	–
Redemption of note receivable		**180,000**	80,000
Additions to note receivable		**(180,000)**	(30,000)
Withdrawal of pledged bank deposits		**109,615**	75,359
Placement of pledged bank deposits		**(118,948)**	(63,629)
NET CASH USED IN INVESTING ACTIVITIES		**(143,074)**	(51,130)
FINANCING ACTIVITIES			
Dividends paid		**(161,866)**	(86,328)
Repayments of bank borrowings		**(728,797)**	(410,397)
Repayments of other borrowings		**–**	(64,677)
Repayments of lease liabilities		**(6,291)**	–
New bank borrowings raised		**807,591**	397,379
New other borrowings raised		**–**	30,538
NET CASH USED IN FINANCING ACTIVITIES		**(89,363)**	(133,485)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**203,808**	283,244
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**887,829**	627,658
Effect of foreign exchange rate changes		**(13,534)**	(23,073)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,078,103**	887,829

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

The Company is a public limited company incorporated in the British Virgin Islands (the "BVI") on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291) and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act, and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG1110 and 19/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong, respectively.

The ultimate holding company of the Company is 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 45.

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

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

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

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

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

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

* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

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

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

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

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

New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

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

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 at initial recognition 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.

3. 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 beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating 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 or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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 these 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that 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.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. Trading income from manufacturing, sourcing and distribution of interior decorative materials is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risk and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 tax 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.

3. 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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 date 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 (that is 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.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. 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 so as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Impairment on property, plant and equipment, right-of-use assets and contract costs other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that these 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).

The recoverable amount of property, plant and equipment, right-of-use assets and contract costs are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and contract costs other than goodwill *(Continued)*

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contract with customers which are initially measured in a accordance with HKFRS15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade and other receivables and bills receivable, amount due from a related company, pledged bank deposits and bank balances, and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings based on its historical default rates which are adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and/or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bills payable, amount due to a fellow subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

As detailed in notes 3 and 5, the Group recognises contract revenue by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. 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. Accordingly, revenue recognition on contract revenue involves a significant degree of management estimates and judgement, with estimates being made to assess the total contract costs and stage of completion of the contract.

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

Provision of ECL for trade receivables (included unbilled receivables) and contract assets

The Group has considered all the possible default events over the expected life of the trade receivables and contract assets individually for debtors with significant balances and/or collectively based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 23, 25 and 39, respectively.

Fair value measurement of financial instruments

The Group's unlisted equity fund amounting to HK$123,602,000 as at 31 December 2019 (2018: HK$128,760,000) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair values of these instruments. Further disclosures are set out in note 39.

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 2019, the carrying amount of inventories was HK$55,212,000 (2018: HK$43,345,000) and the allowance for inventories amounting to HK$229,000 (2018: nil) was recognised during the year.

5. REVENUE

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

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

5. REVENUE *(Continued)*

For the year ended 31 December 2019

	Fitting-out works *HK$'000*	Alteration and addition and construction works *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*
Geographical markets			
Hong Kong	**1,522,584**	**790,764**	**2,264**
Macau	**2,065,350**	**–**	**5,022**
The PRC	**1,705,703**	**–**	**926**
Others	**–**	**–**	**3,546**
Total	**5,293,637**	**790,764**	**11,758**
Timing of revenue recognition			
A point in time	**–**	**–**	**11,758**
Over time	**5,293,637**	**790,764**	**–**
Total	**5,293,637**	**790,764**	**11,758**

For the year ended 31 December 2018

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

5. REVENUE *(Continued)*

Notes:

(a) The Group provides fitting-out works and alteration and addition and construction works to its customers. Under the terms of contracts, the Group's performance creates and enhances the properties which the customers control during the course of work by the Group. Revenue from provision of contracting services is therefore recognised based on the stage of completion of contract over time using input method. The Group normally receives progress payment from customers on a monthly basis with reference to the value of works done. The Group requires certain customers to provide upfront deposits range from 5% to 30% of total contract sum, when the Group receives a deposit before the project commences, this will give rise to contract liabilities at the start of a contract, until the full amount of deposit is deducted proportionately from monthly progress payment.

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

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

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

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

	Construction contracts	
	2019	2018
	HK$'000	*HK$'000*
Within one year	**4,139,939**	3,505,166
More than one year but not more than two years	**701,561**	313,471
	4,841,500	3,818,637

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

6. OPERATING SEGMENTS

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

For the year ended 31 December 2019

	Fitting-out works in Hong Kong *HK$'000*	Fitting-out works in Macau *HK$'000*	Fitting-out works in the PRC *HK$'000*	Alteration and addition and construction works in Hong Kong *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue								
External revenue	1,522,584	2,065,350	1,705,703	790,764	11,758	6,096,159	–	6,096,159
Inter-segment revenue	–	–	–	(450)	260,620	260,170	(260,170)	–
Segment revenue	1,522,584	2,065,350	1,705,703	790,314	272,378	6,356,329	(260,170)	6,096,159
Segment profit (loss)	117,916	362,206	81,637	(3,793)	31,326	589,292	–	589,292
Corporate expenses								(99,658)
Corporate income								10,632
Share of profits of associates								3,497
Finance costs								(14,624)
Profit before tax								489,139

6. OPERATING SEGMENTS *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2018

	Fitting-out works in Hong Kong HK$'000	Fitting-out works in Macau HK$'000	Fitting-out works in the PRC HK$'000	Alteration and addition and construction works in Hong Kong HK$'000	Manufacturing, sourcing and distribution of interior decorative materials HK$'000	Segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue								
External revenue	1,679,418	1,127,173	1,398,002	1,128,832	57,329	5,390,754	–	5,390,754
Inter-segment revenue	–	–	–	88	317,624	317,712	(317,712)	–
Segment revenue	1,679,418	1,127,173	1,398,002	1,128,920	374,953	5,708,466	(317,712)	5,390,754
Segment profit	138,875	172,620	102,070	22,286	83,053	518,904	–	518,904
Corporate expenses								(89,341)
Corporate income								7,085
Share of profits of associates								17,732
Finance costs								(9,166)
Profit before tax								445,214

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 3.

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

6. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

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

	2019 **HK$'000**	2018 HK$'000
Segment assets		
Fitting-out works in Hong Kong	**1,224,221**	1,172,886
Fitting-out works in Macau	**966,380**	603,897
Fitting-out works in the PRC	**1,475,367**	1,319,515
Alteration and addition and construction works in Hong Kong	**352,606**	440,888
Manufacturing, sourcing and distribution of interior decorative materials	**124,448**	93,535
Total segment assets	**4,143,022**	3,630,721
Unallocated corporate assets		
Property, plant and equipment	**54,644**	444
Investment properties	**10,001**	10,171
Financial assets at FVTPL	**216,539**	236,329
Interests in associates	**132,794**	129,876
Other receivables, prepayments and deposits	**51,169**	2,104
Tax recoverable	**–**	82
Pledged bank deposits	**56,902**	48,633
Bank balances and cash	**1,078,103**	887,829
Total consolidated assets of the Group	**5,743,174**	4,946,189

	2019 **HK$'000**	2018 HK$'000
Segment liabilities		
Fitting-out works in Hong Kong	**453,483**	445,513
Fitting-out works in Macau	**437,370**	144,915
Fitting-out works in the PRC	**1,564,884**	1,360,024
Alteration and addition and construction works in Hong Kong	**243,226**	324,998
Manufacturing, sourcing and distribution of interior decorative materials	**51,848**	29,443
Total segment liabilities	**2,750,811**	2,304,893
Unallocated corporate liabilities		
Other payables	**14,376**	5,212
Tax payable	**68,347**	41,953
Bank borrowings	**373,333**	294,539
Deferred tax liabilities	**987**	963
Total consolidated liabilities of the Group	**3,207,854**	2,647,560

6. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

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, financial assets at FVTPL, interests in associates, certain other receivables, prepayments and deposits, tax recoverable, pledged bank deposits and bank balances and cash.

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

Other segment information

For the year ended 31 December 2019

	Fitting-out works in Hong Kong HK$'000	Fitting-out works in Macau HK$'000	Fitting-out works in the PRC HK$'000	Alteration and addition and construction works in Hong Kong HK$'000	Manufacturing, sourcing and distribution of interior decorative materials HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results or segment assets:								
Additions of property, plant and equipment	3,126	–	1,249	–	4,220	8,595	55,361	63,956
Additions of right-of-use assets	–	–	–	3,598	–	3,598	–	3,598
Depreciation of property, plant and equipment	4,275	3	1,425	290	4,568	10,561	1,072	11,633
Depreciation of right-of-use assets	464	–	–	194	6,381	7,039	–	7,039
Impairment loss on trade and unbilled receivables recognised in profit or loss	403	322	15,448	861	–	17,034	–	17,034
Impairment loss on contract assets recognised in profit or loss	5,346	2,241	9,287	2,061	–	18,935	–	18,935
Allowance for inventories	–	–	–	–	229	229	–	229
Loss (gain) on disposal of property, plant and equipment, net	19	–	176	–	69	264	(49)	215

6. OPERATING SEGMENTS *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2018

	Fitting-out works in Hong Kong *HK$'000*	Fitting-out works in Macau *HK$'000*	Fitting-out works in the PRC *HK$'000*	Alteration and addition and construction works in Hong Kong *HK$'000*	Manufacturing, sourcing and distribution of interior decorative materials *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment results or segment assets:								
Additions of property, plant and equipment	106,133	–	7,292	8	3,901	117,334	257	117,591
Depreciation of property, plant and equipment	1,545	34	1,736	289	4,680	8,284	274	8,558
Impairment loss on trade receivables recognised in profit or loss	266	12,852	2,604	1,250	–	16,972	–	16,972
Impairment loss on contract assets recognised in profit or loss	350	10,407	–	40	–	10,797	–	10,797
Loss on disposal of property, plant and equipment, net	–	–	1,920	–	1,546	3,466	–	3,466

6. OPERATING SEGMENTS *(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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,315,612**	2,820,611	**298,858**	239,045
Macau	**2,070,372**	1,147,244	**2**	5
The PRC	**1,706,629**	1,401,543	**55,647**	40,029
Others	**3,546**	21,356	**–**	–
	6,096,159	5,390,754	**354,507**	279,079

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A *(note a)*	**1,564,395**	N/A*(Note c)*
Customer B *(note b)*	**876,894**	N/A*(Note c)*
Customer C *(note a)*	**N/A***(Note c)*	706,544

Notes:

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

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

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

7. OTHER INCOME, OTHER GAINS AND LOSSES

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

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

8. FINANCE COSTS

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

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2019 **HK$'000**	2018 HK$'000
Impairment losses recognised on:		
– trade and unbilled receivables	**17,034**	16,972
– contract assets	**18,935**	10,797
	35,969	27,769

Details of impairment assessment were set out in note 39.

10. INCOME TAX EXPENSE

	2019 **HK$'000**	2018 HK$'000
Current tax		
Hong Kong Profits Tax	**14,396**	22,652
Macau Complementary Tax	**46,557**	25,606
PRC Enterprise Income Tax	**13,004**	16,561
	73,957	64,819
Under (over) provision in prior years		
Hong Kong Profits Tax	**(104)**	(1,388)
Macau Complementary Tax	**918**	(133)
PRC Enterprise Income Tax	**1,348**	714
	2,162	(807)
Deferred tax		
Current year *(note 32)*	**46**	–
	76,165	64,012

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

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

10. INCOME TAX EXPENSE *(Continued)*

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

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

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**489,139**	445,214
Tax at the weighted average tax rate *(note a)*	**70,629**	76,306
Tax effect of expenses not deductible for tax purpose	**16,947**	13,240
Tax effect of income not taxable for tax purpose	**(1,115)**	(1,814)
Tax effect of share of profits of associates	**(577)**	(2,926)
Under (over) provision in prior years	**2,162**	(807)
Tax effect of tax losses not recognised	**5,429**	2,712
Utilisation of tax losses previously not recognised	**(169)**	–
Income tax on concession rate	**(12,995)**	(13,976)
Additional tax allowance for research and development expenses *(note b)*	**(6,890)**	(7,502)
Others	**2,744**	(1,221)
Income tax expense for the year	**76,165**	64,012

Notes:

(a) The weighted average applicable tax rate for different jurisdictions for the year ended 31 December 2019 is 14.4% (2018: 17.1%). 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 tax arising in these jurisdictions and the applicable statutory tax rates.

(b) A further tax deduction of 75% on the qualifying expenses for research and development activities were granted to two PRC subsidiaries.

11. PROFIT FOR THE YEAR

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

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, was as follows:

	2019				
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	–	2,400	9,000	9	11,409
Mr. Leung Kai Ming	–	2,395	5,000	–	7,395
Mr. Xie Jianyu	–	1,679	1,500	18	3,197
Mr. Ng Chi Hang	–	1,471	1,500	18	2,989
Non-executive director:					
Mr. Liu Zaiwang	600	–	–	–	600
Independent non-executive directors:					
Mr. Tam Anthony Chun Hung	360	–	–	–	360
Mr. Huang Pu	360	–	–	–	360
Mr. Li Zheng	360	–	–	–	360
	1,680	7,945	17,000	45	26,670

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

	2018				
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	–	2,190	7,803	18	10,011
Mr. Leung Kai Ming	–	2,185	5,000	13	7,198
Mr. Xie Jianyu	–	1,568	800	18	2,386
Mr. Ng Chi Hang	–	1,371	1,000	18	2,389
Mr. Pong Kam Keung *(note)*	–	1,203	500	13	1,716
Non-executive director:					
Mr. Liu Zaiwang	600	–	–	–	600
Independent non-executive directors:					
Mr. Tam Anthony Chun Hung	290	–	–	–	290
Mr. Huang Pu	290	–	–	–	290
Mr. Li Zheng	290	–	–	–	290
	1,470	8,517	15,103	80	25,170

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 Group has been providing accommodation, which is leased from third party, to an executive director for use by his and his family members at no charge. The estimated money value of the benefit in kind is approximately HK$270,000 (2018: HK$258,000).

The discretionary incentive payments were discretionary and were determined with reference to the performance of individuals 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 (2018: four directors), details of whose emoluments were disclosed in note 12 above. Details of the remuneration for the year of the remaining one (2018: one) highest paid employee who was neither a director nor chief executive of the Company was as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**1,632**	1,585
Discretionary incentive payments	**600**	1,500
Contributions to retirement benefit scheme	**18**	18
	2,250	3,103

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:

	2019	2018
HK$2,000,001 to HK$2,500,000	**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

	2019 HK$'000	2018 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend for the year ended 31 December 2018: HK5 cents (2017: HK2 cents) per share	**107,911**	43,164
Interim dividend for the year ended 31 December 2019: HK2.5 cents (2018: HK2 cents) per share	**53,955**	43,164
	161,866	86,328

Subsequent to the end of the reporting period, the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: final dividend in respect of the year ended 31 December 2018 of HK5 cents per share, in an aggregate amount of HK$107,911,000).

15. EARNINGS PER SHARE

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

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

	Number of shares	
	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,158,210**	2,158,210

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

16. PROPERTY, PLANT AND EQUIPMENT

	Owned properties *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 January 2018	–	35,765	28,134	16,001	3,932	83,832
Exchange adjustments	–	(1,613)	(955)	(394)	(67)	(3,029)
Additions	–	9,065	1,372	1,054	–	11,491
Acquired on acquisition of a subsidiary *(note 35)*	106,100	–	–	–	–	106,100
Disposals	–	(8,067)	(4,301)	(2,625)	(342)	(15,335)
At 31 December 2018	106,100	35,150	24,250	14,036	3,523	183,059
Exchange adjustments	–	(796)	(430)	(159)	(31)	(1,416)
Additions	–	4,893	920	3,530	1,228	10,571
Acquired on acquisition of a subsidiary *(note 35)*	53,385	–	–	–	–	53,385
Disposals	–	(612)	(329)	(3,772)	(501)	(5,214)
At 31 December 2019	159,485	38,635	24,411	13,635	4,219	240,385
DEPRECIATION						
At 1 January 2018	–	18,478	16,492	13,458	1,886	50,314
Exchange adjustments	–	(685)	(489)	(326)	(25)	(1,525)
Provided for the year	1,529	3,302	2,069	1,254	404	8,558
Eliminated on disposals	–	(6,215)	(3,081)	(2,172)	(342)	(11,810)
At 31 December 2018	1,529	14,880	14,991	12,214	1,923	45,537
Exchange adjustments	–	(351)	(247)	(122)	(18)	(738)
Provided for the year	4,150	3,486	1,952	1,255	790	11,633
Eliminated on disposals	–	(612)	(268)	(3,550)	(501)	(4,931)
At 31 December 2019	5,679	17,403	16,428	9,797	2,194	51,501
CARRYING VALUES						
At 31 December 2019	153,806	21,232	7,983	3,838	2,025	188,884
At 31 December 2018	104,571	20,270	9,259	1,822	1,600	137,522

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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:

Owned properties	The remaining term of lease
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. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
As at 1 January 2019			
Carrying amount	23,831	1,332	25,163
As at 31 December 2019			
Carrying amount	20,450	868	21,318
Exchange adjustments	(404)	–	(404)
For the year ended 31 December 2019			
Depreciation charge	6,575	464	7,039
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			27,889
Total cash outflow for leases			35,315
Additions to right-of-use assets			3,598

For both years, the Group leases factory, office premises and office equipment for its operations. Lease contracts are entered into for fixed term of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2018	10,545
Exchange adjustments	(374)
At 31 December 2018	10,171
Exchange adjustments	(170)
At 31 December 2019	10,001

As at 31 December 2019 and 31 December 2018, the Group's property interests (i) located in the PRC which is a commercial property held under operating leases to earn rental income; and (ii) situated in Hong Kong which is a piece or parcel of ground held for capital appreciation. They are measured using the fair value model and are classified and accounted for as investment properties. There is no fair value change recognised for the year ended 31 December 2019 and 31 December 2018.

The fair values of the Group's investment properties as at 31 December 2019 and 31 December 2018 have 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.

18. INVESTMENT PROPERTIES *(Continued)*

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 (2018: HK$2,410,000)	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 HK$225 to HK$650 (2018: HK$344 to HK$550) 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$7,591,000 (2018: HK$7,761,000)	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 RMB40,000 to RMB53,000 (2018: RMB41,000 to RMB46,000) 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 2019 and 31 December 2018 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.

19. GOODWILL

	HK$'000
Carrying amount as at 1 January 2018, 31 December 2018 and 31 December 2019	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, and 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. No impairment is recognised.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed equity securities	**92,937**	107,569
Unlisted equity fund	**123,602**	128,760
	216,539	236,329

During the current year, loss from changes in fair value of financial assets at FVTPL of HK$34,833,000 (2018: HK$36,481,000) was recognised in profit or loss from listed equity securities.

During the current year, the Group further injected HK$9,842,000 (2018: HK$2,960,000) to the unlisted equity fund in fulfilling capital commitment in capacity as a limited partner. As at 31 December 2019, the Group's interest in the unlisted equity fund remained at 18.71% (2018: 18.71%). The general partner of the unlisted 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 unlisted 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 predetermined capital amount in the unlisted equity fund and loss from changes in fair value of the fund of HK$15,000,000 (2018: nil) was recognised in profit or loss during the year. The unlisted 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 unlisted equity fund during the year ended 31 December 2019 and 31 December 2018.

As at 31 December 2018, the listed equity securities of HK$107,569,000 were pledged to secure other borrowings which has been repaid during the year ended 31 December 2018.

21. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted shares, at cost	–	–
Deemed contribution to an associate	80,800	80,800
Share of post-acquisition profits and other comprehensive income, net of dividends received	51,994	49,076
	132,794	129,876

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. During the year ended 31 December 2018, the loan advanced to an associate of HK$19,200,000 was repaid.

As at 31 December 2019 and 31 December 2018, 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 2019 %	2018 %	Principal activities
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

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2019			2018		
	Eagle Vision ***HK$'000***	**FML** ***HK$'000***	**Total** ***HK$'000***	Eagle Vision *HK$'000*	FML *HK$'000*	Total *HK$'000*
Current assets	**561,965**	**–**	**561,965**	573,741	–	573,741
Non-current assets	**446,573**	**–**	**446,573**	394,205	–	394,205
Current liabilities	**(425,288)**	**(63)**	**(425,351)**	(421,013)	(45)	(421,058)
Non-current liabilities	**(54,286)**	**–**	**(54,286)**	(15,427)	–	(15,427)
Net assets (liabilities) attributable to:						
Shareholders	**182,056**	**(63)**	**181,993**	171,823	(45)	171,778
Non-controlling interests	**346,908**	**–**	**346,908**	359,683	–	359,683
	528,964	**(63)**	**528,901**	531,506	(45)	531,461
Revenue	**500,718**	**–**	**500,718**	503,957	–	503,957
Profit (loss) for the year	**26,356**	**(18)**	**26,338**	42,876	(20)	42,856
Attributable to:						
Shareholders	**11,631**	**(18)**	**11,613**	26,026	(20)	26,006
Non-controlling interests	**14,725**	**–**	**14,725**	16,850	–	16,850
	26,356	**(18)**	**26,338**	42,876	(20)	42,856
Other comprehensive expense for the year	**(3,337)**	**–**	**(3,337)**	(11,904)	–	(11,904)
Attributable to:						
Shareholders	**(2,026)**	**–**	**(2,026)**	(6,552)	–	(6,552)
Non-controlling interests	**(1,311)**	**–**	**(1,311)**	(5,352)	–	(5,352)
	(3,337)	**–**	**(3,337)**	(11,904)	–	(11,904)

21. INTERESTS IN ASSOCIATES *(Continued)*

	2019			2018		
	Eagle Vision	**FML**	**Total**	Eagle Vision	FML	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total comprehensive income (expense) for the year	**23,019**	**(18)**	**23,001**	30,972	(20)	30,952
Attributable to:						
Shareholders	**9,605**	**(18)**	**9,587**	19,474	(20)	19,454
Non-controlling interests	**13,414**	**–**	**13,414**	11,498	–	11,498
	23,019	**(18)**	**23,001**	30,972	(20)	30,952

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:

	2019			2018		
	Eagle Vision	**FML**	**Total**	Eagle Vision	FML	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Net assets (liabilities) attributable to shareholders	**182,056**	**(63)**	**181,993**	171,823	(45)	171,778
Proportion of the Group's ownership interests	**28.57%**	**30%**	**N/A**	28.57%	30%	N/A
	52,013	**(19)**	**51,994**	49,089	(13)	49,076
Deemed investments	**80,800**	**–**	**80,800**	80,800	–	80,800
Carrying amount of the Group's interests	**132,813**	**(19)**	**132,794**	129,889	(13)	129,876

22. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
At net realisable value:		
Raw materials	**23,831**	16,797
Work-in-progress	**30,753**	26,451
Finished goods	**628**	97
	55,212	43,345

23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

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

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

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

Trade receivables

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

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

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

23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Trade receivables *(Continued)*

As at 31 December 2019, included in the Group's trade receivable balances were customers with an aggregate carrying amount of HK$167,984,000 (2018: HK$148,746,000) which were past due as at the reporting date. Out of the past due balances, HK$93,253,000 (2018: HK$121,286,000) has been past due more than 90 days and was not considered as in default. The Group rebutted the presumption of default under expected credit losses model for trade receivables over 90 days past due based on no significant change in credit quality after understood these customers' background as well as the good payment records of and continuous business relationship with those customers. Further, such long outstanding balances were primarily due to overdue payment was a common practice in construction industry and prolonged internal procedures of the relevant customers. These customers were assessed individually and/or collectively using a provision matrix with appropriate groupings for the credit risk based on their historical default rate, probability of default and exposure of default and were adjusted for forward-looking information that was available without undue cost or effort. Other than bills received, the Group did not hold any collateral over these balances.

Prepayments and deposits

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

Bills receivable

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

Ageing of bills receivable was as follows:

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

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

Details of impairment assessment of trade and other receivables and bills receivable were set out in note 39.

24. AMOUNT DUE FROM A RELATED COMPANY

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

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

Details of impairment assessment of amount due from a related company were set out in note 39.

25. CONTRACT ASSETS

	2019 **HK$'000**	2018 HK$'000
Contract assets (gross carrying amount)		
– fitting-out works	**1,612,038**	1,478,890
– alteration and addition and construction works	**221,856**	307,285
– manufacturing, sourcing and distribution of interior decorative materials	**551**	505
	1,834,445	1,786,680
Less: Allowance for credit losses	**(29,612)**	(10,797)
Shown under current assets	**1,804,833**	1,775,883

As at 1 January 2018, contract assets amounted to HK$1,790,045,000.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when progress certificate/invoice is issued. As at 31 December 2019, contract assets included retentions receivable of HK$844,293,000 from external customers (2018: HK$692,019,000 which comprised of HK$689,400,000, HK$2,444,000 and HK$175,000 from external customers, related companies and a fellow subsidiary, respectively). The Group generally provides their customers with one to two years maintenance period from the date of the practical completion of the project. Upon the expiration of maintenance period, the customers will provide a maintenance certificate and pay the retentions within the term specified in the contract. The details of the typical payment terms which impact on the amount of contract assets recognised are set out in note 5.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. Impairment loss of HK$18,935,000 (2018: HK$10,797,000) was recognised during the year. Details of impairment assessment were set out in note 39.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits carried interest at market rates of 0.30% (2018: ranged from 0.30% to 0.35%) per annum.

As at 31 December 2019, the bank balances included a sum of HK$16,590,000 (2018: HK$16,393,000) deposits carried fixed interest rate at 1.20% (2018: 2.05%) per annum. The remaining balances carried interest at market rates which ranged from 0.001% to 1% (2018: 0.001% to 1%) per annum as at 31 December 2019.

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

Details of impairment assessment of pledged bank deposits and bank balances were set out in note 39.

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Trade and other payables

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

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

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

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

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

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE *(Continued)*

Bills payable

As at 31 December 2019 and 31 December 2018, certain bills payable were secured by pledged bank deposits as set out in note 26 and were repayable as follows:

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

28. AMOUNT DUE TO A FELLOW SUBSIDIARY

The fellow subsidiary allows a credit period of 30 days to the Group.

As at 31 December 2019, the balance represented retentions payable which was expected to be paid within one year.

29. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**8,329**
Within a period of more than one year but not more than two years	**8,118**
Within a period of more than two years but not more than five years	**6,023**
	22,470
Less: Amount due for settlement with 12 months shown under current liabilities	**(8,329)**
Amount due for settlement after 12 months shown under non-current liabilities	**14,141**

30. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Fitting-out works	**76,769**	101,599
Alteration and addition and construction works	**49**	7,788
Manufacturing, sourcing and distribution of interior decorative materials	**1,113**	614
Shown under current liabilities	**77,931**	110,001

As at 1 January 2018, contract liabilities amounted to HK$248,059,000.

30. CONTRACT LIABILITIES *(Continued)*

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Construction contracts	
	2019 **HK$'000**	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**99,413**	231,953

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group requires certain customers to provide upfront deposits ranged from 5% to 30% of total contract sum, when the Group receives a deposit before the project commences, this will give rise to contract liabilities at the start of a contract, until the full amount of deposit is deducted proportionately from monthly progress payment.

31. BANK BORROWINGS

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

Notes:

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

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

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

32. DEFERRED TAXATION

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

	HK$'000
At 1 January 2018	1,009
Exchange adjustments	(46)
At 31 December 2018	963
Exchange adjustments	(22)
Charge to profit or loss *(note 10)*	46
At 31 December 2019	987

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 foreseeable future.

At the end of the reporting period, the Group's unused estimated tax losses of HK$52,724,000 (2018: HK$27,311,000), out of which HK$1,589,000 from the acquisition of a subsidiary during the year, 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$8,986,000, HK$7,619,000 and HK$14,120,000 (2018: HK$9,187,000, HK$7,789,000 and nil) that will expire in 2022, 2023 and 2024, respectively. The remaining losses of HK$21,999,000 (2018: HK$10,335,000) may be carried forward indefinitely.

33. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *HK$'000*
Issued and fully paid ordinary shares with no par value		
At 1 January 2018, 31 December 2018 and 31 December 2019	2,158,210	1,246,815

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	1,469,684	1,468,385
Property, plant and equipment	1,740	444
Right-of-use assets	7,514	–
	1,478,938	1,468,829
Current assets		
Other receivables, prepayments and deposits	1,114	2,101
Tax recoverable	–	75
Bank balances and cash	9,479	7,962
	10,593	10,138
Current liabilities		
Other payables	14,243	5,132
Lease liabilities	2,575	–
Tax payable	117	–
Bank borrowings	162,000	170,000
	178,935	175,132
Net current liabilities	(168,342)	(164,994)
Total assets less current liabilities	1,310,596	1,303,835
Capital and reserves		
Share capital	1,246,815	1,246,815
Reserves	58,581	57,020
	1,305,396	1,303,835
Non-current liability		
Lease liabilities	5,200	–
	1,310,596	1,303,835

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movements in the Company's reserves

	Share premium *HK$'000*	Other reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 January 2018	19,700	33,600	5,106	58,406
Profit for the year	–	–	84,942	84,942
Dividends paid	–	–	(86,328)	(86,328)
At 31 December 2018	19,700	33,600	3,720	57,020
Profit for the year	–	–	163,427	163,427
Dividends paid	–	–	(161,866)	(161,866)
At 31 December 2019	19,700	33,600	5,281	58,581

35. ACQUISITIONS OF ASSETS THROUGH ACQUISITIONS OF SUBSIDIARIES

(a) On 27 September 2019, the Group entered into a share purchase agreement with an independent third party, pursuant to which the Group purchased 100% equity interest in Metro Palace Limited at a consideration of HK$53,254,000. The Group acquired a commercial property through acquisition of Metro Palace Limited. The transaction was completed on 31 October 2019.

Assets acquired and liabilities recognised at the date of acquisition were as follow:

	HK$'000
Property, plant and equipment *(note 16)*	53,385
Other receivables	351
Other payables	(482)
Net assets acquired	53,254

Cash outflow on acquisition of Metro Palace Limited

	HK$'000
Cash consideration paid	53,254

35. ACQUISITIONS OF ASSETS THROUGH ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(b) On 10 August 2018, the Group entered into a share purchase agreement with an independent third party, pursuant to which the Group purchased 100% equity interest in In Wave Limited at a consideration of HK$106,006,000. The Group acquired a commercial property through acquisition of In Wave Limited. The transaction was completed on 31 August 2018.

Assets acquired and liabilities recognised at the date of acquisition were as follow:

	HK$'000
Property, plant and equipment *(note 16)*	106,100
Other receivables	124
Bank balance	1
Tax payable	(219)
Net assets acquired	106,006

Net cash outflow on acquisition of In Wave Limited

	HK$'000
Cash consideration paid	106,006
Less: Bank balance acquired	(1)
	106,005

No material acquisition related costs were incurred in the acquisitions of Metro Palace Limited and In Wave Limited.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

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:

	2018 *HK$'000*
Within one year	17,633
In the second to fifth year inclusive	21,598
	39,231

The Group as lessor

Property rental income earned during the year ended 31 December 2019 was HK$520,000 (2018: HK$541,000). The investment property with a carrying amount of HK$7,591,000 (2018: HK$7,761,000) as at 31 December 2019 was held for rental purposes. The property held has been leased to a tenant for three years. The lease was cancellable and the tenant was required to give a one-month notice for the termination of the agreement.

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

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**137**	142

37. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Property, plant and equipment	**1,703**	1,038
– Contribution to the capital of equity fund	**9,398**	19,240

38. 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 disclosed in note 31, net of cash and cash equivalents and pledged bank deposits and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated profits.

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

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**2,911,218**	2,326,769
Financial assets at FVTPL	**216,539**	236,329
	3,127,757	2,563,098
Financial liabilities		
Amortised cost	**2,939,352**	2,425,814

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's financial instruments include financial assets at FVTPL, trade and other receivables and bills receivable, amount due from a related company, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amount due to a fellow subsidiary, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, fair value interest rate 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 of the Group 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 monetary assets and liabilities that are denominated in currencies other than functional currency of its respective group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$ against Macau Pataca ("MOP")	**38,481**	87,071	**54,000**	31,902
United States dollars ("USD") against HK$	**16,906**	17,299	**720**	677
USD against MOP	**887**	90	**492**	79
RMB against MOP and HK$	**8,645**	315	**275**	2,107
HK$ against RMB	**12**	12	**–**	–
Euro against MOP and HK$	**1,185**	6,817	**255**	527
British Pound Sterling against HK$	**20**	–	**–**	–
Intra-group balances				
HK$ against RMB	**57,674**	37,900	**12,681**	28,985

39. 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 RMB against MOP and HK$, Euro against MOP and HK$, 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 RMB against MOP and HK$, Euro against MOP and HK$, or HK$ against RMB. For a 5% weakening of RMB against MOP and HK$, Euro against MOP and HK$, or 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	
	2019	2018
	HK$'000	*HK$'000*
RMB against MOP and HK$	**364**	(79)
Euro against MOP and HK$	**41**	263
HK$ against RMB	**1,913**	379

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.

(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 of certain bank deposits (see note 26 for details) and lease liabilities (see note 29 for details). The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(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 26 for details of the pledged bank deposits and bank balances and note 31 for details of bank borrowings). The Group currently does not have an interest rate hedging policy. However, the management of the Group 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 2019 would increase/decrease by HK$985,000 (2018: HK$823,000). 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 2019 would decrease/increase by HK$1,559,000 (2018: HK$1,233,000).

(iv) Equity price risk

The Group's equity price risk mainly concentrated on financial assets at FVTPL. 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% higher/lower, the profit for the year ended 31 December 2019 would increase/decrease by HK$64,962,000 (2018: HK$70,899,000) as a result of the changes in fair value of financial assets at FVTPL.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. 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. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables and bills receivable

The management of the Group regularly reviews and assesses the credit quality of the counterparties. The Group uses 12m ECL to assess the loss allowance of other receivables and bills receivable since these receivables are not past due and there has not been a significant increase in credit risk since initial recognition. In this regard, the directors of the Company consider that the Group's credit risk is not significant.

Pledged bank deposits and bank balances

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				2019	2018
				HK$'000	*HK$'000*
Amount due from a related company	*24*	Low risk	12m ECL (not credit-impaired)	**9,027**	6,921
Pledged bank deposits	*26*	Low risk	12m ECL (not credit-impaired)	**56,902**	48,633
Bank balances	*26*	Low risk	12m ECL (not credit-impaired)	**1,077,792**	887,419
Bills receivable	*23*	Low risk	12m ECL (not credit-impaired)	**9,946**	44,639
Other receivables (including certain deposits paid)	*23*	Low risk	12m ECL (not credit-impaired)	**171,486**	66,776
Trade receivables	*23*	*(Note)*	Lifetime ECL (not credit-impaired)	**1,533,580**	1,230,779
		Loss	Lifetime ECL (credit-impaired)	**85,689**	58,070
				1,619,269	1,288,849
Contract assets	*25*	*(Note)*	Lifetime ECL (not credit-impaired)	**1,766,108**	1,741,431
		Loss	Lifetime ECL (credit-impaired)	**68,337**	45,249
				1,834,445	1,786,680

Note:

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables and contract assets with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Trade receivables and contract assets which are credit-impaired with gross carrying amounts of HK$85,689,000 and HK$68,337,000, respectively (2018: HK$58,070,000 and HK$45,249,000, respectively) as at 31 December 2019 were assessed individually.

Gross carrying amount

Internal credit rating	2019			2018		
	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	0.10%	954,850	1,209,439	0.01%	1,027,210	1,680,106
Watch list	2.30%	578,730	556,669	0.42%	203,569	61,325
		1,533,580	1,766,108		1,230,779	1,741,431

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

During the year ended 31 December 2019, the Group provided impairment allowance for trade receivables and contract assets of HK$14,963,000 and HK$12,319,000, respectively (2018: HK$1,398,000 and nil, respectively) based on the provision matrix. Impairment allowance of HK$2,071,000 and HK$6,616,000 (2018: HK$15,574,000 and HK$10,797,000) were made on trade receivables and contract assets with credit-impaired debtors, respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018	–	–	–
– impairment losses recognised	1,398	15,574	16,972
– exchange adjustments	(94)	–	(94)
At 31 December 2018	1,304	15,574	16,878
– impairment losses recognised	14,963	2,071	17,034
– exchange adjustments	(267)	(129)	(396)
At 31 December 2019	16,000	17,516	33,516

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivable is over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following tables show reconciliation of loss allowances that has been recognised for contract assets.

	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
At 1 January 2018	–	–	–
– impairment losses recognised	–	10,797	10,797
At 31 December 2018	–	10,797	10,797
– impairment losses recognised	12,319	6,616	18,935
– exchange adjustments	(85)	(35)	(120)
At 31 December 2019	12,234	17,378	29,612

Changes in the loss allowance for trade receivables and contract assets are mainly due to certain debtors with gross carrying amounts and contract assets of HK$85,689,000 and HK$68,337,000, respectively (2018: HK$58,070,000 and HK$45,249,000, respectively) defaulted the payment during the year and determined as credit-impaired at average loss rate of 20.44% and 25.43%, respectively (2018: 26.82% and 23.86%, respectively).

On 17 August 2017, Sundart Engineering Services (Macau) Limited ("Sundart Macau"), an indirectly wholly-owned subsidiary of the Company, served two notices of arbitration to a main contractor of two fitting-out projects undertaken by the Group for a hotel in Macau, seeking outstanding payments. It was agreed by the parties that the main contractor would make payment of the agreed amount (the "Agreed Amount") to Sundart Macau in relation to the subject fitting-out projects. However, as the main contractor had failed to settle the Agreed Amount after two instalments of payment since August 2018, Sundart Macau resumed the arbitration proceedings in December 2018 (the "Resumed Arbitration"). Although the Resumed Arbitration was under progress, the main contractor settled four instalments of payment during the year and it was agreed that the main contractor will continue to settle the outstanding payment, subject to any further negotiation. The directors of the Company are of the opinion that the Resumed Arbitration will not materially affect the Group's operating and financial performance. No further impairment loss was made.

Additionally, there were long outstanding balances of trade receivables and contract assets in relation to certain fitting-out projects undertaken by the Group in the PRC. Such long outstanding balances were mainly attributable to the low amount of settlements during the year. The management of the Group had been negotiating with such customers for the settlements, therefore no further impairment loss was made.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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.

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	Between 4 to 6 months	Between 7 to 12 months	Between 1 to 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019							
Non-derivative financial liabilities							
Trade and other payables	**N/A**	**2,008,974**	**54,001**	**35,569**	**192,107**	**2,290,651**	**2,290,651**
Bills payable	**N/A**	**206,205**	**65,377**	**3,633**	**–**	**275,215**	**275,215**
Amount due to a fellow subsidiary	**N/A**	**76**	**–**	**77**	**–**	**153**	**153**
Lease liabilities	**5.39**	**2,686**	**2,121**	**4,243**	**14,449**	**23,499**	**22,470**
Bank borrowings	**N/A**	**373,333**	**–**	**–**	**–**	**373,333**	**373,333**
		2,591,274	**121,499**	**43,522**	**206,556**	**2,962,851**	**2,961,822**
2018							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,694,151	42,370	34,540	145,334	1,916,395	1,916,395
Bills payable	N/A	100,790	106,910	7,180	–	214,880	214,880
Bank borrowings	N/A	294,539	–	–	–	294,539	294,539
		2,089,480	149,280	41,720	145,334	2,425,814	2,425,814

39. 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 2019, the aggregate undiscounted principal amounts of the bank borrowings amounted to HK$373,333,000 (2018: HK$294,539,000). 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 2019 will be fully repaid by May 2025 (2018: August 2021) in accordance with the scheduled repayment dates set out in the banking facility letter, details of which are set out in the table below:

	Maturity analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments						
	Weighted average interest rate %	Less than 1 year HK$'000	Between 1–2 years HK$'000	Between 3–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
At 31 December 2019	**4.16**	**217,656**	**77,747**	**91,108**	**3,900**	**390,411**	**373,333**
At 31 December 2018	3.96	205,461	82,250	15,223	–	302,934	294,539

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

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

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 valuation. The management of the Group 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.

	2019 ***HK$'000***	2018 *HK$'000*	Fair value hierarchy
Financial assets at FVTPL			
Listed equity securities	**92,937**	107,569	Level 1
Unlisted equity fund	**123,602**	128,760	Level 3
Total	**216,539**	236,329	

39. 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

	Unlisted equity fund *HK$'000*
At 1 January 2018	125,800
Addition	2,960
At 31 December 2018	128,760
Addition	9,842
Loss from changes in fair value recognised in profit or loss	(15,000)
At 31 December 2019	123,602

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.

Except as detailed in above, 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.

40. PERFORMANCE BONDS, ADVANCE PAYMENT BONDS AND TENDER BONDS

As at 31 December 2019, the Group has issued performance bonds, advance payment bonds and tender bonds in respect of certain supply and installation contracts through the banks amounting to HK$626,390,000 (2018: HK$628,562,000).

As at 31 December 2019 and 31 December 2018, certain performance bonds, advance payment bonds and tender bonds were secured by certain pledged bank deposits as set out in note 26.

41. 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:

	2019 ***HK$'000***	2018 *HK$'000*
Contributions paid and payable	**16,015**	15,537
Less: Capitalised to contract costs	**(7,731)**	(6,593)
	8,284	8,944

42. 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, exercised, cancelled, lapsed, forfeited or expired during the year.

43. 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.

	Lease liabilities *HK$'000*	**Bank borrowings** *HK$'000*	**Dividend payable** *HK$'000*	**Total** *HK$'000*
At 1 January 2018	–	341,696	–	341,696
Interest expenses	–	9,166	–	9,166
Financing cash flows	–	(47,157)	(86,328)	(133,485)
Interest paid	–	(9,166)	–	(9,166)
Dividends recognised as distribution	–	–	86,328	86,328
At 31 December 2018	–	294,539	–	294,539
Adjustment upon application of HKFRS 16	25,163	–	–	25,163
At 1 January 2019 (restated)	25,163	294,539	–	319,702
Lease modified	3,598	–	–	3,598
Interest expenses	1,135	13,489	–	14,624
Financing cash flows	(6,291)	78,794	(161,866)	(89,363)
Interest paid	(1,135)	(13,489)	–	(14,624)
Dividends recognised as distribution	–	–	161,866	161,866
At 31 December 2019	22,470	373,333	–	395,803

44. RELATED PARTY TRANSACTIONS

Apart from amount due from a related company, retentions receivable from related companies and a fellow subsidiary (included in contract assets) and amount due to a fellow subsidiary as set out in notes 24, 25 and 28, respectively, the Group has following transactions with its related parties:

Relationships	Nature of transactions	**2019** **HK$'000**	2018 *HK$'000*
Ultimate holding company	Entrustment fee income	**89**	93
Fellow subsidiaries	Specialised works subcontracting costs	**3,065**	38
	Technical advisory services fee expenses	**4,909**	5,870
	Entrustment fee income	**233**	242
	Revenue from fitting-out works	**2,690**	4,340
A subsidiary of a related company *(note)*	Materials purchased	**–**	3,040

Note: The related company refers to Rykadan Capital Limited, of which the Chief Executive is the substantial shareholder.

In addition,

(a) as at 31 December 2019, the ultimate holding company had outstanding performance bonds, advance payment bonds and a tender bond amounting to HK$303,768,000 (2018: HK$107,683,000) issued in favour of customers of Sundart Beijing through a bank.

(b) as at 31 December 2019, two (2018: one) of Sundart Beijing's banking facilities were guaranteed by the ultimate holding company. 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:

	2019 **HK$'000**	2018 *HK$'000*
Salaries and short-term benefits	**43,484**	41,915
Post-employment benefits	**391**	455
	43,875	42,370

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

Save as compensation of key management personnel, the above related party transactions for the year ended 31 December 2019 constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing connected transactions" in the Directors' Report.

45. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital/ quota capital	Equity interests attributable to the Group		Principal activities
			2019	2018	
Direct subsidiaries:					
Sundart Investments Limited	Hong Kong	HK$1,000	**100%**	100%	Investment holding
HONEST PARK LIMITED	BVI/Hong Kong	USD1	**100%**	100%	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 Macau	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%**	100%	Investment holding
Sundart Beijing *(note a)*	The PRC	HK$182,270,000	**100%**	100%	Fitting-out works
上海承達創建建設工程有限公司 *(note b)*	The PRC	RMB50,000,000	**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
Dongguan Sundart Home Furnishing Co., Ltd. *(note c)*	The PRC	HK$86,570,000	**100%**	100%	Manufacturing and distribution of interior decorative materials

45. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital/ quota capital	Equity interests attributable to the Group		Principal activities
			2019	2018	
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%	100%	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%	Leasing of property
In Wave Limited	Hong Kong	HK$1	100%	100%	Inactive
ACUTE KEY INTERNATIONAL LIMITED	BVI/Hong Kong	USD1	100%	–	Investment holding
Metro Palace Limited	Hong Kong	HK$3	100%	–	Leasing of property

Notes:

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

(b) This company was formerly named as 上海承達企業發展有限公司. 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.

46. EVENTS AFTER THE REPORTING PERIOD

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

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

Five-Year Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
RESULTS					
Revenue	**6,096,159**	5,390,754	4,982,948	5,114,876	5,560,071
Profit before tax	**489,139**	445,214	485,544	609,166	487,057
Income tax expense	**(76,165)**	(64,012)	(64,451)	(85,999)	(66,381)
Profit for the year attributable to owners of the Company	**412,974**	381,202	421,093	523,167	420,676
Earnings per share					
Basic *(HK cents)*	**19.14**	17.66	19.51	25.30	27.97

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**5,743,174**	4,946,189	4,878,216	4,938,506	4,340,628
Total liabilities	**(3,207,854)**	(2,647,560)	(2,846,445)	(2,527,479)	(2,710,140)
Equity attributable to owners of the Company	**2,535,320**	2,298,629	2,031,771	2,411,027	1,630,488

In the current year, the Group has applied HKFRS 16 (see note 2 to the consolidated financial statements for the summary of the corresponding financial impact). Accordingly, certain comparative information for the years ended 31 December 2015, 2016, 2017 and 2018 may not be comparable to the year ended 31 December 2019 as such comparative information was prepared under HKAS 17. Accounting policies resulting from application of HKFRS 16 are disclosed in the significant accounting policies of note 3 to the consolidated financial statements.