

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SUNDART HOLDINGS LIMITED

承達集團有限公司

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

(Stock Code: 1568)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

(in million HK dollars, unless otherwise stated)

	2020	2019	Year-on-year (decrease) increase
Revenue	5,929.1	6,096.2	(2.7%)
Gross profit	914.6	849.7	7.6%
Gross profit margin	15.4%	13.9%	1.5%
Profit attributable to owners of the Company	406.5	413.0	(1.6%)
Equity attributable to owners of the Company	2,996.9	2,535.3	18.2%
Basic earnings per share (<i>HK cents</i>)	18.83	19.14	(1.6%)

FINAL DIVIDEND

The Board proposed a final dividend of HK8 cents per Share.

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the comparative figures for the year ended 31 December 2019 (the “**Previous Year**”) as set out below:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3		
Contract revenue from fitting-out works		5,654,082	5,293,637
Contract revenue from alteration and addition and construction works		268,259	790,764
Manufacturing, sourcing and distribution of interior decorative materials		6,736	11,758
		<hr/>	<hr/>
Total revenue		5,929,077	6,096,159
Cost of sales		(5,014,498)	(5,246,481)
		<hr/>	<hr/>
Gross profit		914,579	849,678
Other income, other gains and losses	5	(45,441)	(33,116)
Impairment losses under expected credit loss model, net of reversal		(102,820)	(35,969)
Selling expenses		(9,340)	(9,311)
Administrative expenses		(270,914)	(267,672)
Other expenses		(2,958)	(3,344)
Share of profits of associates		3,387	3,497
Finance costs	6	(7,764)	(14,624)
		<hr/>	<hr/>
Profit before tax		478,729	489,139
Income tax expense	7	(72,271)	(76,165)
		<hr/>	<hr/>
Profit for the year attributable to owners of the Company	8	406,458	412,974
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** *(Continued)*

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties transferred to investment properties		<u>2,217</u>	<u>–</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		50,848	(13,838)
Share of other comprehensive income (expense) of an associate		<u>2,008</u>	<u>(579)</u>
		<u>52,856</u>	<u>(14,417)</u>
Other comprehensive income (expense) for the year		<u>55,073</u>	<u>(14,417)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>461,531</u>	<u>398,557</u>
Earnings per share			
Basic <i>(HK cents)</i>	<i>10</i>	<u>18.83</u>	<u>19.14</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	369,008	188,884
Right-of-use assets		16,780	21,318
Investment properties		56,355	10,001
Goodwill		1,510	1,510
Interests in associates		127,556	132,794
Financial assets at fair value through profit or loss		153,351	216,539
Deferred tax assets		17,823	–
		742,383	571,046
Current assets			
Inventories		37,940	55,212
Trade and other receivables and bills receivable	<i>12</i>	2,138,286	2,168,051
Amount due from a related company	<i>13</i>	1,444	9,027
Contract assets		1,698,182	1,804,833
Tax recoverable		816	–
Pledged bank deposits		90,398	56,902
Bank balances and cash		1,572,111	1,078,103
		5,539,177	5,172,128
Current liabilities			
Trade and other payables	<i>14</i>	2,399,939	2,389,418
Bills payable	<i>14</i>	542,535	275,215
Amount due to a fellow subsidiary		–	153
Tax payable		68,561	68,347
Bank borrowings	<i>15</i>	164,747	373,333
Lease liabilities		10,749	8,329
Contract liabilities		88,931	77,931
		3,275,462	3,192,726
Net current assets		2,263,715	1,979,402
Total assets less current liabilities		3,006,098	2,550,448

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**At 31 December 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital and reserves		
Share capital	1,246,815	1,246,815
Reserves	1,750,036	1,288,505
	<hr/>	<hr/>
Equity attributable to owners of the Company	2,996,851	2,535,320
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liabilities	1,806	987
Lease liabilities	7,441	14,141
	<hr/>	<hr/>
	9,247	15,128
	<hr/>	<hr/>
	3,006,098	2,550,448
	<hr/>	<hr/>

NOTES

1. GENERAL INFORMATION

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

The ultimate holding company of the Company is 江河創建集團股份有限公司 (Jangho Group Co., Ltd.*) (“**Jangho Co**”), a joint stock company incorporated in the People’s Republic of China (the “**PRC**”) and listed on the Shanghai Stock Exchange. The Company’s ultimate controlling party is Mr. Liu Zaiwang (“**Mr. Liu**”), the chairman of Jangho Co.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Company’s subsidiaries are provision of fitting-out works and alteration and addition and construction works and manufacturing, sourcing and distribution of interior decorative materials.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the coronavirus disease 2019 (COVID-19) (“**Covid-19**”) that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated profits at 1 January 2020 and no material impact on the consolidated financial statements in the current year.

3. REVENUE

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

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Contract revenue from fitting-out works (<i>note a</i>)	5,654,082	5,293,637
Contract revenue from alteration and addition and construction works (<i>note a</i>)	268,259	790,764
Manufacturing, sourcing and distribution of interior decorative materials (<i>note b</i>)	6,736	11,758
	<u>5,929,077</u>	<u>6,096,159</u>

For the year ended 31 December 2020

	Fitting-out works <i>HK\$'000</i>	Alteration and addition and construction works <i>HK\$'000</i>	Manufacturing, sourcing and distribution of interior decorative materials <i>HK\$'000</i>
Geographical markets			
Hong Kong	1,747,964	268,259	–
Macau	1,814,625	–	3,672
The PRC	2,091,493	–	2,717
Others	–	–	347
Total	<u>5,654,082</u>	<u>268,259</u>	<u>6,736</u>
Timing of revenue recognition			
A point in time	–	–	6,736
Over time	<u>5,654,082</u>	<u>268,259</u>	<u>–</u>
Total	<u>5,654,082</u>	<u>268,259</u>	<u>6,736</u>

For the year ended 31 December 2019

	Fitting-out works <i>HK\$'000</i>	Alteration and addition and construction works <i>HK\$'000</i>	Manufacturing, sourcing and distribution of interior decorative materials <i>HK\$'000</i>
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	<u>5,293,637</u>	<u>790,764</u>	<u>11,758</u>
Timing of revenue recognition			
A point in time	–	–	11,758
Over time	<u>5,293,637</u>	<u>790,764</u>	<u>–</u>
Total	<u>5,293,637</u>	<u>790,764</u>	<u>11,758</u>

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 2020 and the expected timing of recognising revenue are as follows:

	Construction contracts	
	2020	2019
	HK\$'000	HK\$'000
Within one year	2,970,392	4,139,939
More than one year but not more than two years	239,821	701,561
	<u>3,210,213</u>	<u>4,841,500</u>

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

4. OPERATING SEGMENTS

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

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

- (a) Fitting-out works in Hong Kong;
- (b) Fitting-out works in Macau;
- (c) Fitting-out works in the PRC;
- (d) Alteration and addition and construction works in Hong Kong; and
- (e) Manufacturing, sourcing and distribution of interior decorative materials.

Information regarding the above segments was reported below:

Segment revenue and results For the year ended 31 December 2020

	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	1,747,964	1,814,625	2,091,493	268,259	6,736	5,929,077	-	5,929,077
Inter-segment revenue	9,315	-	-	-	301,678	310,993	(310,993)	-
Segment revenue	<u>1,757,279</u>	<u>1,814,625</u>	<u>2,091,493</u>	<u>268,259</u>	<u>308,414</u>	<u>6,240,070</u>	<u>(310,993)</u>	<u>5,929,077</u>
Segment profit (loss)	<u>151,990</u>	<u>267,467</u>	<u>127,047</u>	<u>(11,943)</u>	<u>52,340</u>	<u>586,901</u>	<u>-</u>	<u>586,901</u>
Share of profits of associates								3,387
Unallocated other income								8,559
Unallocated corporate expenses								(112,354)
Unallocated finance costs								(7,764)
Profit before tax								<u>478,729</u>

For the year ended 31 December 2019

	Fitting-out works in Hong Kong <i>HK\$'000</i>	Fitting-out works in Macau <i>HK\$'000</i>	Fitting-out works in the PRC <i>HK\$'000</i>	Alteration and addition and construction works in Hong Kong <i>HK\$'000</i>	Manufacturing, sourcing and distribution of interior decorative materials <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>1,522,584</u>	<u>2,065,350</u>	<u>1,705,703</u>	<u>790,314</u>	<u>272,378</u>	<u>6,356,329</u>	<u>(260,170)</u>	<u>6,096,159</u>
Segment profit (loss)	<u>117,916</u>	<u>362,206</u>	<u>81,637</u>	<u>(3,793)</u>	<u>31,326</u>	<u>589,292</u>	<u>-</u>	<u>589,292</u>
Share of profits of associates								3,497
Unallocated other income								10,632
Unallocated corporate expenses								(99,658)
Unallocated finance costs								(14,624)
Profit before tax								<u>489,139</u>

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 is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment.

Inter-segment revenue was charged at prevailing market rates.

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	2,016,223	2,315,612
Macau	1,818,297	2,070,372
The PRC	2,094,210	1,706,629
Others	347	3,546
	<u>5,929,077</u>	<u>6,096,159</u>

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Government grants (<i>note</i>)	18,397	–
Interest income	3,741	8,871
Dividends from financial assets at fair value through profit or loss (“FVTPL”)	1,776	1,188
Rental income	1,440	520
Consultancy fee and entrustment fee income	530	526
Rent concessions	339	–
Others	2,656	4,335
	<u>28,879</u>	<u>15,440</u>
Other gains and losses		
Recovery of trade receivables written off	3,864	–
Loss from fair value changes of financial assets at FVTPL	(72,586)	(49,833)
Net foreign exchange (losses) gains	(5,584)	1,492
Loss on disposal of property, plant and equipment, net	(14)	(215)
	<u>(74,320)</u>	<u>(48,556)</u>
	<u>(45,441)</u>	<u>(33,116)</u>

Note: During the current year, the Group recognised government grants of HK\$18,397,000 in respect of Covid-19-related subsidies, of which HK\$18,010,000 relates to Employment Support Scheme provided by the government of Hong Kong (the “**Hong Kong Government**”).

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings and overdrafts	6,960	13,489
Interest on lease liabilities	804	1,135
	<u>7,764</u>	<u>14,624</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	16,837	14,396
Macau Complementary Tax	40,252	46,557
PRC Enterprise Income Tax	30,703	13,004
	<u>87,792</u>	<u>73,957</u>
(Over) under provision in prior years		
Hong Kong Profits Tax	(913)	(104)
Macau Complementary Tax	(1,686)	918
PRC Enterprise Income Tax	3,203	1,348
	<u>604</u>	<u>2,162</u>
Deferred tax		
Current year	(16,125)	46
	<u>72,271</u>	<u>76,165</u>

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

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

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

8. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
Audit service fee	1,970	1,900
Non-audit service fee	965	862
	2,935	2,762
Depreciation of property, plant and equipment	17,954	11,633
Depreciation of right-of-use assets	9,058	7,039
	27,012	18,672
Covid-19-related rent concessions	(339)	–
Cost of inventories recognised as expense	5,977	5,435
Allowance for inventories (included in contract costs and cost of sales)	9,944	229
Contract costs recognised as expense		
Fitting-out works	4,728,226	4,455,807
Alteration and addition and construction works	270,351	785,010
	4,998,577	5,240,817
Research and development expenses (included in administrative expenses)	74,933	61,224
Staff costs		
Gross staff costs (including Directors' emoluments)	481,978	453,912
Less: Staff costs capitalised to contract costs and inventories	(341,346)	(302,782)
	140,632	151,130
Gross rental income from investment properties	(1,440)	(520)
Less: Direct operating expenses incurred for investment properties that generated rental income during the Year	248	61
	(1,192)	(459)

9. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company (the “Shareholders”) recognised as distribution during the Year:		
2020 Interim – nil (Previous Year: 2019 interim dividend HK2.5 cents) per share	–	53,955
2019 Final – nil (Previous Year: 2018 final dividend HK5 cents) per share	–	107,911
	<u>–</u>	<u>161,866</u>

Subsequent to the end of the reporting period, a final dividend in respect of the Year of HK8 cents per share of the Company (the “Share”, collectively, the “Shares”), in an aggregate amount of HK\$172,657,000, has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company to be held at 10:00 a.m. on Thursday, 3 June 2021 at Room 03-05, 11/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof (the “AGM”) (Previous Year: the Directors do not recommend the payment of a final dividend for the Previous Year).

10. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>406,458</u>	<u>412,974</u>
	Number of shares	
	2020	2019
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,158,210</u>	<u>2,158,210</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

In January 2020, the Group acquired a commercial building of HK\$215,508,000 (Previous Year: nil), including deed tax, in the PRC from a related company in which Mr. Liu, the non-executive Director, and his spouse have in aggregate 60% beneficial interest, in order to accelerate the development of the Group in the PRC market.

In July 2020, the Group had leased two floors of the commercial building to a related company in which Mr. Liu and his spouse have in aggregate 95% beneficial interest as its office use for one year in exchange of rental. Thus, its respective carrying value of HK\$40,094,000 was transferred to investment properties at fair value at the end of its own occupation.

12. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (gross carrying amount)		
– fitting-out works	735,688	682,790
– alteration and addition and construction works	59,185	102,006
– manufacturing, sourcing and distribution of interior decorative materials	96	994
	<u>794,969</u>	<u>785,790</u>
Less: Allowance for credit losses	<u>(68,751)</u>	<u>(15,622)</u>
Trade receivables (net carrying amount)	<u>726,218</u>	<u>770,168</u>
Unbilled receivables (gross carrying amount) (<i>note</i>)	1,049,574	833,479
Less: Allowance for credit losses	<u>(66,702)</u>	<u>(17,894)</u>
Unbilled receivables (net carrying amount)	<u>982,872</u>	<u>815,585</u>
Other receivables (gross carrying amount)	129,923	171,486
Less: Allowance for credit losses	<u>(3,360)</u>	<u>–</u>
Other receivables (net carrying amount)	<u>126,563</u>	<u>171,486</u>
Bills receivable (gross carrying amount)	43,637	9,946
Less: Allowance for credit losses	<u>(2,353)</u>	<u>–</u>
Bills receivable (net carrying amount)	<u>41,284</u>	<u>9,946</u>
Prepayments and deposits	<u>261,349</u>	<u>400,866</u>
	<u>2,138,286</u>	<u>2,168,051</u>

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 2019, trade and unbilled receivables from contracts with customers amounted to HK\$1,271,971,000.

Trade receivables

The Group allows a 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1–30 days	519,669	564,295
31–60 days	110,053	101,931
61–90 days	15,301	9,807
Over 90 days	81,195	94,135
	<u>726,218</u>	<u>770,168</u>

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

As at 31 December 2020, included in the Group's trade receivable balances were customers with an aggregate carrying amount of HK\$159,451,000 (31 December 2019: HK\$167,984,000) which were past due as at the reporting date. Out of the past due balances, HK\$65,583,000 (31 December 2019: HK\$93,253,000) 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 loss 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.

Bills receivable

As at 31 December 2020, the carrying amount of bills receivable amounting to HK\$41,284,000 (31 December 2019: HK\$9,946,000) were held by the Group for settlement, of which HK\$7,064,000 (31 December 2019: nil) have been pledged as security for certain bills payable. All bills receivable held by the Group was with a maturity period of less than one year.

Ageing of bills receivable, net of allowance for credit losses, was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1-30 days	16,242 ^(Note)	5,582
31-60 days	–	1,005
61-90 days	–	1,923
Over 90 days	25,042	1,436
	<u>41,284</u>	<u>9,946</u>

Note: As at 31 December 2020, the relevant bills receivable amounting to HK\$9,939,000 was issued by a related company in which Mr. Liu and his spouse have in aggregate 80% beneficial interest.

13. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company in which Mr. Liu and his spouse have in aggregate 80% (31 December 2019: 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 2020, the trade receivable due from the related company was aged within 90 days (31 December 2019: over 90 days) based on invoice date.

14. 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 credit period taken for trade purchase is 7 to 45 days.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract creditors and suppliers	1,667,792	1,757,360
Retentions payable	482,934	443,262
	<u>2,150,726</u>	<u>2,200,622</u>
Other tax payable	117,505	84,684
Other payables and accruals	131,708	104,112
	<u>2,399,939</u>	<u>2,389,418</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1–30 days	1,137,310	1,302,557
31–60 days	141,919	151,948
61–90 days	57,370	47,901
Over 90 days	331,193	254,954
	<u>1,667,792</u>	<u>1,757,360</u>

As at 31 December 2020, the Group's retentions payable of HK\$185,484,000 (31 December 2019: HK\$192,107,000) was expected to be paid after one year.

Bills payable

As at 31 December 2020 and 31 December 2019, certain bills payable were secured by certain bills receivable and pledged bank deposits and were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
1–30 days	137,231	106,162
31–60 days	75,790	48,624
61–90 days	76,381	51,419
Over 90 days	253,133	69,010
	<u>542,535</u>	<u>275,215</u>

15. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured (notes a and b)	947	42,400
Unsecured (note a)	163,800	330,933
	<u>164,747</u>	<u>373,333</u>

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	80,210	209,042
– more than one year but not exceeding two years	80,211	72,509
– more than two years but not exceeding five years	4,326	87,927
– more than five years	–	3,855
	<u>164,747</u>	<u>373,333</u>

Notes:

- (a) As at 31 December 2020, the bank borrowings were variable-rate and bore interest at 1.5% per annum over Hong Kong Interbank Offered Rate (31 December 2019: 1.35% to 2% per annum over Hong Kong Interbank Offered Rate or 1.6% per annum over cost of fund, respectively) and interest was repriced every month (31 December 2019: 1 to 4 months). As at 31 December 2020, the weighted average and the ranges of effective interest rate (which is also equal to contracted interest rate) on the Group's bank borrowings were 1.73% and 1.70% to 1.78% per annum, respectively (31 December 2019: 4.16% and 3.66% to 4.69% per annum, respectively).
- (b) As at 31 December 2020, the secured bank borrowings were secured by a commercial property (included in property, plant and equipment) with carrying amount of HK\$97,233,000 (31 December 2019: HK\$100,902,000).
- (c) The amounts due are based on scheduled repayment dates set out in the banking facility letters.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2020 was a difficult year for Hong Kong's economy. The volatility of Covid-19 coupled with the uncertainty of Sino-US trade dispute and the global economic slowdown had brought unprecedented challenges to the local economy. According to Census and Statistics Department ("C&SD") of the Hong Kong Government, Hong Kong's gross domestic product ("GDP") decreased by 6.1% year-on-year in real terms in 2020.

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 4.2% in nominal terms year-on-year to HK\$226.4 billion in 2020. However, the statistics from the Land Registry of the Hong Kong Government indicated that primary and secondary sales of residential buildings in 2020 reached 59,880 units, which was closed to the average figure over the past five years. The residential property market remained relatively stable in terms of transaction volume, and the demand for residential properties remained strong even in turbulent times. As mentioned in the Chief Executive's 2020 Policy Address, the Hong Kong Government will continue to increase the supply of residential buildings, which will in turn support the development of both construction industry and real estate market, sustaining a stable demand for the fitting-out industry in Hong Kong.

Macau's economy, which relies heavily on its tourism industry and export of services, experienced a severe recession in 2020 due to the outbreak of Covid-19. Information from the Statistics and Census Service of the government of Macau (the "Macau Government") indicated that the Macau's GDP decreased by 56.3% year-on-year in real terms in 2020. With the Macau Government's implementation of vigorous measures to limit inbound travel, the number of tourists decreased by 85.0% in 2020 in accordance with the information from Macao Government Tourism Office. Meanwhile, the latest statistics from Gaming Inspection and Coordination Bureau of Macau indicated that revenue from the gambling sector decreased by 79.3% year-on-year to Macau Pataca ("MOP") 60.4 billion in 2020. Nevertheless, the construction activities in Macau did not appreciably stall, which was mainly attributable to the fact that (i) the Macau Government had implemented effective measures for pandemic control, and (ii) some gambling operators and developers continued their development plans during the Year in order to attract tourists with the upgraded facilities once the economy recovers and sustain a stable demand for the fitting-out industry in the future.

With the successful control of Covid-19, the PRC resumed its normal business activities and achieved positive growth of economy in 2020. In 2020, the PRC's GDP increased by 2.3% year-on-year to Renminbi ("RMB") 101,598.6 billion according to information from National Bureau of Statistics of China, and the PRC's real estate market maintained steady growth as a whole. Specifically, the investment in national real estate development in 2020 increased by 7.0% year-on-year to RMB14,144.3 billion, among which, investment in residential buildings increased by 7.6% year-on-year to RMB10,444.6 billion and investment in office buildings increased by 5.4% year-on-year to RMB649.4 billion. The total floor area under construction by the PRC's real estate developers increased by 3.7% year-on-year to 9.3 billion square

meters (“m²”) in 2020. Coupled with the government of the PRC’s (the “**PRC Government**”) strict control measures on Covid-19 and implementation of policies to enhance the stability of real estate market, the construction activities on real estate projects had recovered significantly, stimulating the demand for 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 the business of providing alteration and addition and construction works in Hong Kong and the business of providing manufacturing, sourcing and distribution services of interior decorative materials internationally. During the Year, about 95.4% of the Group’s revenue was derived from its fitting-out works.

Although the outbreak of Covid-19 severely impacted the global economic activities, there had been no apparent or serious impact on the business operation of the Group. The Group implemented effective measures on management as well as cost and expenditure control to ensure that the operating performance remained solid during the Year. Leveraging its solid brand reputation, professional project management capabilities and economic of scale, the Group obtained several sizable fitting-out projects during the Year, which are expected to sustain stable business development of the Group in the coming years.

Fitting-out works

The Group’s fitting-out business primarily comprises 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, fitting-out business remained as the key contributor to the Group’s revenue and profit.

During the Year, the Group completed a total of 28 fitting-out projects, including 10 in Hong Kong, six in Macau and 12 in the PRC, with the individual contract sum being not less than HK\$50.0 million. The total contract sum of such projects amounted to HK\$6,410.9 million, HK\$2,294.3 million of which was recognised as revenue during the Year. As at 31 December 2020, the Group had 59 projects on hand (including contracts in progress and contracts signed but yet to commence), including 24 in Hong Kong, one in Macau and 34 in the PRC, with the individual contract sum being not less than HK\$50.0 million. The total contract sum and value of the outstanding works of such projects as at 31 December 2020 amounted to HK\$6,953.2 million and HK\$3,633.3 million, respectively.

During the Year, the Group’s revenue derived from its fitting-out business increased by HK\$360.5 million or 6.8% year-on-year to HK\$5,654.1 million (Previous Year: HK\$5,293.6 million). Such increase was mainly attributable to the increase in the number of projects the Group awarded in the PRC in the past two years. As a result, the Group’s revenue derived from its fitting-out business in the PRC increased by HK\$385.8 million, as compared to the Previous Year.

The Group's gross profit derived from its fitting-out business during the Year increased by HK\$78.1 million or 9.3% year-on-year to HK\$915.9 million (Previous Year: HK\$837.8 million). The increase in gross profit was mainly attributable to the increase in revenue and the slight increase of gross profit margin for its fitting-out business from 15.8% for the Previous Year to 16.2% for the Year.

Alteration and addition and construction works

The Group carries out alteration and addition and construction business in Hong Kong through Kin Shing (Leung's) General Contractors Limited (“**Kin Shing**”), a registered general building contractor in Hong Kong. Kin Shing's principal service scope 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 seven alteration and addition and construction projects, with a total contract sum of HK\$1,789.9 million, HK\$160.6 million of which was recognised as revenue during the Year. As at 31 December 2020, Kin Shing had one on-going project with a contract sum of HK\$188.0 million. The value of the outstanding works of such project as at 31 December 2020 amounted to HK\$88.9 million.

During the Year, the Group's revenue derived from its alteration and addition and construction business decreased by HK\$522.5 million or 66.1% year-on-year to HK\$268.3 million (Previous Year: HK\$790.8 million). Such decrease was primarily attributable to the fact that the Group carried out four sizable projects in the Previous Year but only two sizeable projects during the Year.

The Group's gross loss derived from its alteration and addition and construction business was HK\$2.1 million (Previous Year: gross profit of HK\$5.8 million), whilst the gross loss margin was 0.8% (Previous Year: gross profit margin of 0.7%). Such gross loss and gross loss margin was primarily attributable to the additional overheads and/or cost incurred for several construction projects of commercial and residential buildings due to the extension of construction period and the defect rectification.

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 Dongguan Sundart Home Furnishing Co., Ltd. (東莞承達家居有限公司) (“**Dongguan Sundart**”), a subsidiary of the Group, the Group operates a manufacturing plant and a warehouse in Dongguan, Guangdong Province, the PRC, with the aggregate gross floor area of which is over 40,000 m². 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\$5.1 million or 43.2% year-on-year to HK\$6.7 million (Previous Year: HK\$11.8 million). Such decrease was primarily attributable to the decrease in acceptance of orders from external customers due to the reservation of certain manufacturing capacity of Dongguan Sundart for the fitting-out projects carried out by other subsidiaries of the Group.

In addition, during the Year, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$5.3 million or 86.9% year-on-year to HK\$0.8 million (Previous Year: HK\$6.1 million), whilst the gross profit margin decreased to 11.9% (Previous Year: 51.7%). Such decrease was primarily due to the completion of an order from the PRC which had a relatively high gross profit margin during the Previous Year.

Principal risks

As at 31 December 2020, 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. Under the ever-changing business environment, the Group is facing various business risks, challenges and uncertainties, including but not limited to: (i) the Group's contracts are not recurring in nature and its business prospect heavily depends on its continuing success on project tender; (ii) if the global economic downturn or prolonged disruptions to the credit markets continues, the Group's ability of debt financing may be limited or cost of debt financing may be higher, and the Group's business, financial condition and results of operation may be adversely affected; (iii) changes in the social, political and economic landscape of Hong Kong and Macau may materially affect the Group's business; (iv) the economy of Macau may adversely affect the Group's performance and financial condition; and (v) the business strategies and performance of the Group's major customers may affect the Group's business.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Year, the Group's revenue decreased by HK\$167.1 million or 2.7% year-on-year to HK\$5,929.1 million (Previous Year: HK\$6,096.2 million). Such decrease was primarily due to the decrease in revenue from its alteration and addition and construction business as discussed under the paragraph headed "Business review – Alteration and addition and construction works" above. However, during the Year, the Group's gross profit increased by HK\$64.9 million or 7.6% year-on-year to HK\$914.6 million (Previous Year: HK\$849.7 million) and its gross profit margin increased to 15.4% (Previous Year: 13.9%). Such increases were primarily due to the increase in its fitting-out business as discussed under the paragraph headed "Business review – Fitting-out works" above.

Other income, other gains and losses

The Group recorded net other losses of HK\$45.4 million for the Year (Previous Year: HK\$33.1 million), primarily derived from a loss of HK\$72.6 million resulted from fair value changes of financial assets at FVTPL, as the market price of the listed equity securities and unlisted equity fund held by the Group decreased during the Year. Details of other income, other gains and losses are set out in note 5 to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this announcement.

Profit for the year

The Group's profit for the year decreased by HK\$6.5 million or 1.6% year-on-year to HK\$406.5 million (Previous Year: HK\$413.0 million). Such decrease was primarily attributable to the increase in impairment losses on trade and other receivables and bills receivable and contract assets, due to the increasing long outstanding balances in respect of the fitting-out projects in the PRC.

Basic earnings per share

The Company's basic earnings per share for the Year was HK18.83 cents (Previous Year: HK19.14 cents), decreased by HK0.31 cents or 1.6% year-on-year, in line with the decrease in profit for the year. Details of earnings per share are set out in note 10 to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this announcement.

Final dividend

The Board proposed a final dividend of HK8 cents per Share (the "**Final Dividend**") for the Year, subject to the approval of the Shareholders at the AGM, representing approximately 42.5% of the profit available for distribution for the Year, which is in line with the Company's dividend policy.

Material acquisition and disposal

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

Financial assets at FVTPL

As at 31 December 2020, the Group's financial assets at FVTPL comprised of HK\$61.4 million and HK\$92.0 million (31 December 2019: HK\$92.9 million and HK\$123.6 million) of listed equity securities and unlisted equity fund, respectively.

During the Year, the Group further injected HK\$9.4 million to the unlisted equity fund to fulfill capital commitment in capacity as a limited partner. Further, the Group recognised a fair value loss of HK\$72.6 million in profit or loss for the Year. As at the date of this announcement, a decline in the value of certain listed equity securities held by the Group due to the drop in market price of such securities. In terms of the prospects of the Group's financial assets at FVTPL, the performance of the listed equity securities and unlisted equity fund held by the Group will be subject to the performance of the relevant financial and property markets which may change rapidly and unpredictably in the future. The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments, so as to make timely and appropriate adjustments on its investments for the maximisation of returns to the Shareholders.

Save as disclosed above, the Group did not hold any other 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 take appropriate risk management actions.

Future plans for material investments or capital assets

As at the date of this announcement, the Group did not have any plan for material investments or capital assets.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

During the Year, the Group continued to maintain a solid financial and cash position. As at 31 December 2020, the Group's working capital amounted to HK\$2,263.7 million, representing an increase of HK\$284.3 million from HK\$1,979.4 million as recorded as at 31 December 2019, and the bank balances and cash in total amounted to HK\$1,572.1 million, representing an increase of HK\$494.0 million from HK\$1,078.1 million as recorded as at 31 December 2019. Such increase was mainly generated from the operating activities.

As at 31 December 2020, the bank borrowings of the Group amounted to HK\$164.7 million (31 December 2019: HK\$373.3 million), and its repayment schedule is set out in note 15 to the Consolidated Statement of Financial Position of this announcement. There is no seasonality on the Group's bank borrowings.

During the Year, the Group continued to maintain a healthy liquidity position. As at 31 December 2020, the Group's current assets and current liabilities amounted to HK\$5,539.2 million and HK\$3,275.5 million, respectively (31 December 2019: HK\$5,172.1 million and HK\$3,192.7 million, respectively). The Group's current ratio as at 31 December 2020 increased to 1.7 times (31 December 2019: 1.6 times) and the Group maintained sufficient liquid assets to finance its business operation during the Year.

As at 31 December 2020, the Group's gearing ratio of total debts (bank borrowings) divided by total equity was 5.5% (31 December 2019: 14.7%). The decrease in gearing ratio was primarily due to the decrease in the Group's bank borrowings.

As at 31 December 2020, the share capital and equity attributable to owners of the Company amounted to HK\$1,246.8 million and HK\$2,996.9 million, respectively (31 December 2019: HK\$1,246.8 million and HK\$2,535.3 million, respectively).

Charge on the Group's assets

The Group's assets pledged for securing certain bank borrowings, certain bills payable, certain performance bonds and tender bonds comprised a commercial property, certain bills receivable and pledged bank deposits, which amounted to HK\$97.2 million, HK\$7.1 million and HK\$90.4 million, respectively as at 31 December 2020 (31 December 2019: a commercial property and pledged bank deposits of HK\$100.9 million and HK\$56.9 million, respectively).

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 31 December 2020 and 31 December 2019, respectively.

As at 31 December 2020, the Group had capital commitments of HK\$0.2 million (31 December 2019: HK\$1.7 million) in relation to acquisition of property, plant and equipment and HK\$22.2 million (31 December 2019: HK\$9.4 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. As at 31 December 2020, all of the Group's bank borrowings were made in HK dollars at floating rates, and, cash and cash equivalents held were mainly in HK dollars, MOP and RMB. As at the date of this announcement, the Group did not implement 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

The Group's major customers included reputable property developers, hotel owners and main contractors. During the Year, the Group has experienced slowing payment pace from certain customers which led to an increase in expected credit loss. Nonetheless, the Group will continue to monitor and tighten collection measures and continue to adopt a prudent credit policies to deal with credit risk exposure. 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 2020 Interim Report of the Company. It was agreed by the parties that the subject main contractor (the "**Main Contractor**") would make payment of the agreed amount (the "**Agreed Amount**") to Sundart Engineering Services (Macau) Limited ("**Sundart Macau**") in relation to the subject fitting-out projects. However, as the Main Contractor had failed to settle the Agreed Amount after two instalments of payment since August 2018, Sundart Macau resumed the arbitration proceedings in December 2018 (the

“**Resumed Arbitration**”). Although the Resumed Arbitration was under progress, the Main Contractor settled four instalments of payment in the Previous Year. On 24 June 2020, the Main Contractor and Sundart Macau signed the final account statements and the Main Contractor settled the payment in accordance with the payment schedule stated on the final account statements up to the date of this announcement. The Directors are of the opinion that the aforesaid trade receivables will not materially affect the Group’s operating and financial performance.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the Year and up to the date of this announcement which had materially affected the Group’s operating and financial performance.

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 2020, the Group employed 1,704 full-time employees (31 December 2019: 1,632). The Group’s gross staff costs (including the Directors’ emoluments) increased by HK\$28.1 million or 6.2% year-on-year to HK\$482.0 million for the Year (Previous Year: HK\$453.9 million). The increase was mainly attributable to the increase in average number of full-time employees by 8.8% during the Year.

PROSPECTS AND STRATEGIES

Looking forward to 2021, Hong Kong’s economy will continue to be influenced by the uncertainty caused by Sino-US trade dispute and the outbreak of Covid-19. However, it is believed that the Hong Kong Government’s implementation of the Covid-19 vaccination programme will facilitate the resumption of normal economic activities and cross border travel between Hong Kong and the PRC and the recovery of certain industries, including hotel, tourism, food and beverage and retail. Coupled with the strong housing demand and the persistent housing shortage, the real property market in Hong Kong is expected to boost, which will in turn increase the demand for fitting-out works in Hong Kong.

In light of the stable pandemic situation of Covid-19 in Macau, the PRC Government has resumed issuing outbound visas for visitors to Macau in order to resume Macau’s tourism industry. Meanwhile, the Macau Government has been implementing the Covid-19 vaccination programme which is expected to control the pandemic and recover the economy more effectively. As mentioned in the Macau’s 2021 Policy Address, the Macau Government emphasised to promote the tourism industry with an aim to develop Macau into a world tourism and leisure centre. The Macau Government will strengthen tourism cooperation between Macau and Hengqin as well as promote the expansion of Macau International Airport, with a view that Macau’s tourism industry will recover soon. Going forward, it is expected that the demand of casinos, shopping malls and hotels will rise, bringing opportunities for both construction and fitting-out industries in Macau.

Under the effective control of the Covid-19 pandemic and driven by the PRC Government's fiscal stimulus packages, the PRC's economy is experiencing a V-shaped recovery. According to the International Monetary Fund's World Economic Outlook, the PRC's GDP growth will increase to 8.1% in 2021. Furthermore, the PRC Government unveiled its "Dual Circulation" strategy which aims actively expand domestic demand. With subsequent initiatives to boost consumption and rapid economic recovery, it is expected to stimulate consumer demand and increase purchasing power of local residents. This will significantly promote the rapid development of catering, shopping malls, tourism and other service industries. By taking full advantage of the strategic opportunities of the PRC Government, the Group will actively expand its business in the PRC and leverage its strengths to secure more large-scale and high-end fitting-out projects in hotels and shopping malls.

Looking ahead, the Group will adopt a prudent approach to its business strategy and management in light of Covid-19 pandemic as well as the weak global economic recovery. While grasping the business opportunities from the development of Guangdong-Hong Kong-Macao Greater Bay Area and the implementation of Belt and Road Initiative, the Group will closely monitor and keep up with the latest market trends with real-time adjustments to strategic initiatives and operations. Leveraging its years of experience in providing fitting-out works, solid project management, well-established long-term business relationships with its customers, stable cash flow and sound financial management, the Group is committed to maximisation of returns for the Shareholders.

FINAL DIVIDEND AND AGM

The Board proposed the Final Dividend of approximately HK\$172.7 million for the Year. The payment of such dividend will be subject to the approval of the Shareholders at the AGM and is payable to the Shareholders whose names appear on the register of members of the Company at the close of business on 11 June 2021. Subject to the approval of the Shareholders at the AGM, it is expected that the proposed Final Dividend will be paid on 25 June 2021. Notice of the AGM will be published on the Company's website and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 31 May 2021 to 3 June 2021, both days inclusive, during which no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 28 May 2021.

For determining the entitlement to the proposed Final Dividend, the register of members of the Company will be closed from 9 June 2021 to 11 June 2021, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the entitlement to the proposed Final Dividend, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 8 June 2021.

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

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

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. It also recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Company and its ability to attract investment, protect the interests of Shareholders and stakeholders, and create values for Shareholders. The Group's corporate governance policy is designed to achieve these objectives and is implemented through a framework of processes, policies and guidelines.

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules (the "**Code Provisions**") during the Year, except for the following deviation:

Paragraph A.6.7 of the Code Provisions specifies that the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company to gain and develop a balanced understanding of the views of the Shareholders. The non-executive Director and two independent non-executive Directors were absent from the last annual general meeting of the Company held on 3 June 2020 due to travel restrictions imposed as the outbreak of Covid-19.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Year. The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. To the best knowledge of the Directors, there was no incident of non-compliance with the Model Code by the relevant employees during the Year.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the "**Audit Committee**") comprised three independent non-executive Directors, namely, Mr. Tam Anthony Chun Hung (chairman of the Audit Committee), Mr. Huang Pu and Mr. Li Zheng.

The Audit Committee has reviewed and discussed the accounting principles and policies adopted by the Group, the financial information of the Group and the annual results of the Group for the Year with the Group's management and auditor, Messrs. Deloitte Touche Tohmatsu.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu in this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sundart.com). The annual report for the Year containing all the information required by the Listing Rules will also be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its Shareholders, business partners and other professional parties for their support throughout the Year.

By order of the Board
SUNDART HOLDINGS LIMITED
承達集團有限公司

Ng Tak Kwan

Chief Executive Officer and Executive Director

Hong Kong, 29 March 2021

* *for identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Ng Tak Kwan, Mr. Leung Kai Ming, Mr. Xie Jianyu and Mr. Ng Chi Hang; the non-executive Director is Mr. Liu Zaiwang; and the independent non-executive Directors are Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng.