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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 2021

FINANCIAL HIGHLIGHTS

(in million HK dollars, unless otherwise stated)

	2021	2020	Year-on-year (decrease) increase
Revenue	5,689.9	5,929.1	(4.0%)
Gross profit	808.8	914.6	(11.6%)
Gross profit margin	14.2%	15.4%	(1.2%)
Profit attributable to owners of the Company	371.3	406.5	(8.7%)
Equity attributable to owners of the Company	3,227.3	2,996.9	7.7%
Basic and diluted earnings per share <i>(HK cents)</i>	17.20	18.83	(8.7%)

FINAL DIVIDEND

The Board proposed a final dividend of HK7 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 2021 (the “**Year**”) together with the comparative figures for the year ended 31 December 2020 (the “**Previous Year**”) as set out below:

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

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	5,689,948	5,929,077
Cost of sales		(4,881,178)	(5,014,498)
Gross profit		808,770	914,579
Other income, other gains and losses	5	(15,570)	(45,441)
Impairment losses under expected credit loss model, net of reversal		(29,903)	(102,820)
Selling expenses		(8,108)	(9,340)
Administrative expenses		(204,829)	(195,981)
Other expenses		(113,121)	(77,891)
Share of (losses) profits of associates		(2,050)	3,387
Finance costs	6	(2,371)	(7,764)
Profit before tax		432,818	478,729
Income tax expense	7	(61,531)	(72,271)
Profit for the year attributable to owners of the Company	8	371,287	406,458

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

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties transferred to investment properties		—	2,217
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		30,842	50,848
Share of other comprehensive income of an associate		1,015	2,008
		31,857	52,856
Other comprehensive income for the year		31,857	55,073
Total comprehensive income for the year attributable to owners of the Company		403,144	461,531
Earnings per share			
Basic and diluted (<i>HK cents</i>)	<i>10</i>	17.20	18.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		365,594	369,008
Right-of-use assets		8,688	16,780
Investment properties		57,939	56,355
Goodwill		1,510	1,510
Interests in associates		121,391	127,556
Financial assets at fair value through profit or loss		113,802	153,351
Other financial assets at amortised cost		16,125	–
Deferred tax assets		25,685	17,823
		<u>710,734</u>	<u>742,383</u>
Current assets			
Inventories		49,359	37,940
Trade and other receivables and bills receivable	<i>11</i>	3,082,112	2,138,286
Amounts due from related companies	<i>12</i>	5,436	1,444
Amount due from a fellow subsidiary	<i>13</i>	1,005	–
Contract assets		1,249,285	1,698,182
Tax recoverable		219	816
Other financial assets at amortised cost		4,940	–
Pledged bank deposits		132,000	90,398
Bank balances and cash		1,797,890	1,572,111
		<u>6,322,246</u>	<u>5,539,177</u>
Current liabilities			
Trade and other payables	<i>14</i>	2,682,913	2,399,939
Bills payable	<i>15</i>	839,859	542,535
Tax payable		38,983	68,561
Bank borrowings		84,537	164,747
Lease liabilities		8,186	10,749
Contract liabilities		147,212	88,931
		<u>3,801,690</u>	<u>3,275,462</u>
Net current assets		<u>2,520,556</u>	<u>2,263,715</u>
Total assets less current liabilities		<u>3,231,290</u>	<u>3,006,098</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**At 31 December 2021*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital and reserves		
Share capital	1,246,815	1,246,815
Reserves	1,980,523	1,750,036
	<hr/>	<hr/>
Equity attributable to owners of the Company	3,227,338	2,996,851
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liabilities	2,153	1,806
Lease liabilities	1,799	7,441
	<hr/>	<hr/>
	3,952	9,247
	<hr/>	<hr/>
	3,231,290	3,006,098
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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 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 9 and HKFRS 16

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021 (amendments)*.

Except as described below, the application of 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.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* for the first time in the current year. The amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting*.

- Modification of financial assets, financial liabilities and lease liabilities: A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- Hedge accounting requirements: Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- Disclosures: The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments had no 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract revenue from fitting-out works (<i>note a</i>)	5,573,435	5,654,082
Contract revenue from alteration and addition and construction works (<i>note a</i>)	94,084	268,259
Manufacturing, sourcing and distribution of interior decorative materials (<i>note b</i>)	22,429	6,736
	<u>5,689,948</u>	<u>5,929,077</u>

For the year ended 31 December 2021

	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>	Total <i>HK\$'000</i>
Geographical markets				
Hong Kong	1,734,484	94,084	5,963	1,834,531
Macau	701,721	–	174	701,895
The PRC	3,137,230	–	16,292	3,153,522
Total	<u>5,573,435</u>	<u>94,084</u>	<u>22,429</u>	<u>5,689,948</u>
Timing of revenue recognition				
A point in time	–	–	22,429	22,429
Over time	5,573,435	94,084	–	5,667,519
Total	<u>5,573,435</u>	<u>94,084</u>	<u>22,429</u>	<u>5,689,948</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>	Total <i>HK\$'000</i>
Geographical markets				
Hong Kong	1,747,964	268,259	–	2,016,223
Macau	1,814,625	–	3,672	1,818,297
The PRC	2,091,493	–	2,717	2,094,210
Others	–	–	347	347
Total	<u>5,654,082</u>	<u>268,259</u>	<u>6,736</u>	<u>5,929,077</u>
Timing of revenue recognition				
A point in time	–	–	6,736	6,736
Over time	5,654,082	268,259	–	5,922,341
Total	<u>5,654,082</u>	<u>268,259</u>	<u>6,736</u>	<u>5,929,077</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 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.

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 2021 and the expected timing of recognising revenue are as follows:

	Construction contracts	
	2021	2020
	HK\$'000	HK\$'000
Within one year	3,644,276	2,970,392
More than one year but not more than two years	554,016	239,821
Over two years	42,766	–
	<u>4,241,058</u>	<u>3,210,213</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 2021

	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	1,734,484	701,721	3,137,230	94,084	22,429	5,689,948	-	5,689,948
Inter-segment revenue	612	-	-	-	196,810	197,422	(197,422)	-
Segment revenue	<u>1,735,096</u>	<u>701,721</u>	<u>3,137,230</u>	<u>94,084</u>	<u>219,239</u>	<u>5,887,370</u>	<u>(197,422)</u>	<u>5,689,948</u>
Segment profit (loss)	<u>144,703</u>	<u>112,169</u>	<u>242,807</u>	<u>(17,766)</u>	<u>18,567</u>	<u>500,480</u>	<u>-</u>	<u>500,480</u>
Share of losses of associates								(2,050)
Unallocated other income								14,984
Unallocated corporate expenses								(78,225)
Unallocated finance costs								(2,371)
Profit before tax								<u>432,818</u>

For the year ended 31 December 2020

	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	1,747,964	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>

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 losses/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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,834,531	2,016,223
Macau	701,895	1,818,297
The PRC	3,153,522	2,094,210
Others	-	347
	<u>5,689,948</u>	<u>5,929,077</u>

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Interest income	11,545	3,741
Rental income	2,515	1,440
Dividends from financial assets at fair value through profit or loss (“FVTPL”)	724	1,776
Consultancy fee and entrustment fee income	341	530
Government grants (<i>note</i>)	–	18,397
Rent concessions	–	339
Others	5,531	2,656
	<u>20,656</u>	<u>28,879</u>
Other gains and losses		
Net loss from fair value changes of financial assets at FVTPL	(33,605)	(72,586)
Net foreign exchange losses	(2,389)	(5,584)
Loss on disposal of property, plant and equipment	(232)	(14)
Recovery of trade receivables written off	–	3,864
	<u>(36,226)</u>	<u>(74,320)</u>
	<u>(15,570)</u>	<u>(45,441)</u>

Note: During the Previous Year, the Group recognised government grants of HK\$18,397,000 in respect of subsidies for the coronavirus disease 2019 (COVID-19) (“Covid-19”), of which HK\$18,010,000 was related to Employment Support Scheme provided by the government of Hong Kong (the “Hong Kong Government”).

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings and overdrafts	1,987	6,960
Interest on lease liabilities	384	804
	<u>2,371</u>	<u>7,764</u>

7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	20,731	16,837
Macau Complementary Tax	12,978	40,252
PRC Enterprise Income Tax	33,295	30,703
	<u>67,004</u>	<u>87,792</u>
(Over) under provision in prior years		
Hong Kong Profits Tax	(1)	(913)
Macau Complementary Tax	(2,792)	(1,686)
PRC Enterprise Income Tax	4,256	3,203
	<u>1,463</u>	<u>604</u>
Deferred tax		
Current year	(6,936)	(16,125)
	<u>61,531</u>	<u>72,271</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
Audit service fee	1,300	1,970
Non-audit service fee	347	965
	1,647	2,935
Depreciation of property, plant and equipment	19,010	17,954
Depreciation of right-of-use assets	10,233	9,058
	29,243	27,012
Cost of inventories recognised as expenses in respect of		
External revenue	18,941	5,977
Inter-segment revenue	133,059	192,806
	152,000	198,783
Allowance for inventories (included in cost of sales)	209	9,944
Contract costs recognised as expenses		
Fitting-out works (<i>note</i>)	4,753,192	4,728,226
Alteration and addition and construction works	108,836	270,351
	4,862,028	4,998,577
Research and development expenses (included in other expenses)	112,520	74,933
Staff costs		
Gross staff costs (including Directors' emoluments)	488,443	481,978
Less: Staff costs capitalised to contract costs and inventories	(340,242)	(341,346)
	148,201	140,632
Gross rental income from investment properties	(2,515)	(1,440)
Less: Direct operating expenses incurred for investment properties that generated rental income during the Year	423	248
	(2,092)	(1,192)
Covid-19-related rent concessions	–	(339)

Note: Contract costs of fitting-out works recognised as expenses included cost of inventories recognised as expenses of HK\$133,059,000 (Previous Year: HK\$192,806,000).

9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company (the “Shareholders”) recognised as distribution during the Year:		
2020 final dividend – HK8 cents per share (Previous Year: 2019 final dividend – nil)	<u>172,657</u>	<u>–</u>

Subsequent to the end of the reporting period, a final dividend in respect of the Year of HK7 cents (Previous Year: final dividend in respect of the Previous Year of HK8 cents) per ordinary share of the Company (the “Share”, collectively, the “Shares”), in an aggregate amount of HK\$151,075,000 (Previous Year: 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 Monday, 6 June 2022 at Room 03-05, 11/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong or any adjournment thereof (the “AGM”).

10. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>371,287</u>	<u>406,458</u>
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>2,158,210</u>	<u>2,158,210</u>

Diluted earnings per share are the same as the basic earnings per share as the Company had no dilutive potential Shares in existence for both years.

11. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (gross carrying amount)		
Fitting-out works	1,143,763	735,688
Alteration and addition and construction works	32,304	59,185
Manufacturing, sourcing and distribution of interior decorative materials	5,737	96
	<u>1,181,804</u>	<u>794,969</u>
Less: Allowance for credit losses	(59,450)	(68,751)
	<u>1,122,354</u>	<u>726,218</u>
Trade receivables (net carrying amount)		
Unbilled receivables (gross carrying amount) (<i>note</i>)	1,434,524	1,049,574
Less: Allowance for credit losses	(104,696)	(66,702)
	<u>1,329,828</u>	<u>982,872</u>
Unbilled receivables (net carrying amount)		
Other receivables (gross carrying amount)	184,448	129,923
Less: Allowance for credit losses	(9,216)	(3,360)
	<u>175,232</u>	<u>126,563</u>
Other receivables (net carrying amount)		
Bills receivable (gross carrying amount)	120,725	43,637
Less: Allowance for credit losses	(5,871)	(2,353)
	<u>114,854</u>	<u>41,284</u>
Bills receivable (net carrying amount)		
Prepayments and deposits	339,844	261,349
	<u>3,082,112</u>	<u>2,138,286</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.

Trade receivables

The Group allows a credit period of 7 to 60 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1–30 days	611,588	519,669
31–60 days	314,137	110,053
61–90 days	30,803	15,301
Over 90 days	165,826	81,195
	<u>1,122,354</u>	<u>726,218</u>

Bills receivable

As at 31 December 2021, the carrying amount of bills receivable amounting to HK\$114,854,000 (31 December 2020: HK\$41,284,000) were held by the Group for settlement, of which no bills receivable (31 December 2020: HK\$7,064,000) have been pledged as security for certain bills payable. All bills receivable held by the Group were with a maturity period of less than one year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1-30 days (<i>note</i>)	61,737	16,242
31-60 days	6,426	–
61-90 days	4,481	–
Over 90 days	42,210	25,042
	<u>114,854</u>	<u>41,284</u>

Note: As at 31 December 2021, the relevant bills receivable amounting to HK\$24,179,000 (31 December 2020: HK\$9,939,000) were issued by a related company in which Mr. Liu and his spouse have beneficial interest.

12. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies, in which Mr. Liu and his spouse have beneficial interest, represented trade receivables.

The Group allows a credit period of 30 days to the related companies. As at 31 December 2021, the trade receivables due from the related companies were aged within 30 days (31 December 2020: within 90 days) based on invoice date.

13. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The Group allows a credit period of 30 days to its trade receivables due from a fellow subsidiary. As at 31 December 2021, the trade receivables due from the fellow subsidiary were aged within 30 days based on invoice date.

14. 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract creditors and suppliers	1,879,861	1,667,792
Retentions payable	494,510	482,934
	<u>2,374,371</u>	<u>2,150,726</u>
Other tax payable	163,410	117,505
Other payables and accruals	145,132	131,708
	<u>2,682,913</u>	<u>2,399,939</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1–30 days	1,223,058	1,137,310
31–60 days	165,199	141,919
61–90 days	77,457	57,370
Over 90 days	414,147	331,193
	<u>1,879,861</u>	<u>1,667,792</u>

As at 31 December 2021, the Group's retentions payable of HK\$248,025,000 (31 December 2020: HK\$185,484,000) was expected to be paid after one year.

15. BILLS PAYABLE

As at 31 December 2021, certain bills payable were secured by certain pledged bank deposits (31 December 2020: certain bills receivable and pledged bank deposits) and were repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1–30 days	147,733	137,231
31–60 days	143,321	75,790
61–90 days	108,920	76,381
Over 90 days	439,885	253,133
	<u>839,859</u>	<u>542,535</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2021 was a year of economic recovery for Hong Kong. Despite the volatility caused by Covid-19, local employment improved and consumption-related industries was revived with the support of the Hong Kong Government's Consumption Voucher Scheme. According to Census and Statistics Department (“**C&SD**”) of the Hong Kong Government, Hong Kong's gross domestic product (“**GDP**”) increased by 6.4% year-on-year in real terms in 2021.

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 increased by 0.7% in nominal terms year-on-year to HK\$231.4 billion in 2021, while the gross value of construction works carried out at private sector sites decreased by 0.1% in nominal terms year-on-year to HK\$61.1 billion in 2021. With reference to the Land Registry of the Hong Kong Government, the primary and secondary sales of residential buildings in 2021 reached 74,297 units, which was higher than the figures from the past five years, reflecting the strong demand for residential properties. In the Chief Executive's 2021 Policy Address, the Hong Kong Government released the Northern Metropolis Development Strategy and will continue to increase the supply of residential buildings. This will support the development of both the construction industry and real estate market, which will provide further opportunities for the fitting-out industry in Hong Kong.

In Macau, social and economic activities have gradually resumed under the strict control measures for Covid-19, accompanied by the electronic consumption benefits plan and the “Stay, Dine and See Macao” programme. Information from the Statistics and Census Service of the government of Macau (the “**Macau Government**”) indicated that the Macau's GDP increased by 18.0% year-on-year in real terms in 2021. The new Guangdong-Macao border crossing checkpoint (Qingmao Checkpoint) was opened during the Year, and the Macau Government also held “Macao Week” events in the PRC to promote tourism in Macau, with the number of tourists increasing by 30.7% in 2021, according to Macao Government Tourism Office. Gaming Inspection and Coordination Bureau of Macau further noted that revenue from the gambling sector increased by 43.7% year-on-year to Macau Pataca (“**MOP**”) 86.9 billion in 2021. As a result, some developers continued their development plans during the Year, sustaining a stable demand for the fitting-out industry in Macau.

With the prompt and effective control of Covid-19, the PRC achieved stable recovery with positive growth of its economy in 2021. According to National Bureau of Statistics of China, the PRC's GDP increased by 8.1% year-on-year to Renminbi ("RMB") 114,367.0 billion in 2021, while the gross output value of construction industry increased by 11.0% year-on-year to RMB29,307.9 billion in 2021. In 2021, investments in national real estate development increased by 4.4% year-on-year to RMB14,760.2 billion, among which, investments in residential buildings increased by 6.4% to RMB11,117.3 billion. The total floor area under construction by the PRC's real estate developers increased by 5.2% year-on-year to 9.8 billion square meters ("m²") in 2021. Coupled with the policies of the government of the PRC (the "PRC Government") to enhance the stability of the real estate market and the opportunities arising from Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"), the demand for fitting-out industry in the PRC continues to grow.

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, commercial building and hotel projects. The Group is also engaged in the provision of alteration and addition and construction works in Hong Kong, and the provision of manufacturing, sourcing and distribution services of interior decorative materials internationally. During the Year, around 98.0% of the Group's revenue was derived from its fitting-out works business.

Despite the prolonged effects of Covid-19 pandemic on the global economy, the Group managed to maintain satisfactory business performance and a healthy financial position during the Year. The Group continuously monitored and managed risks and challenges while responding swiftly to macroeconomic changes. Leveraging its solid brand reputation and project management expertise, the Group obtained a large number of fitting-out projects during the Year, which are expected to provide steady growth in the Group's business for the coming years.

Fitting-out works

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

During the Year, the Group completed a total of 38 fitting-out projects, including 11 in Hong Kong, one in Macau and 26 in the PRC, with an individual contract sum of not less than HK\$50.0 million. The total contract sum of such projects amounted to HK\$4,112.1 million, HK\$1,525.6 million of which was recognised as revenue during the Year. As at 31 December 2021, the Group had 62 projects on hand (including contracts in progress and contracts signed but yet to commence), including 24 in Hong Kong, two in Macau and 36 in the PRC, with an individual contract sum of not less than HK\$50.0 million. The total contract sum and value of the outstanding works of such projects as at 31 December 2021 amounted to HK\$7,766.9 million and HK\$4,646.7 million, respectively.

During the Year, the Group's revenue derived from its fitting-out business decreased by HK\$80.7 million or 1.4% year-on-year to HK\$5,573.4 million (Previous Year: HK\$5,654.1 million). Such decrease was mainly attributable to the decrease of HK\$1,112.9 million in the revenue from its fitting-out projects in Macau, as most of the Group's works in Macau were completed during the Previous Year. This impact was not fully mitigated by the increase of HK\$1,045.7 million in the revenue from the fitting-out projects in the PRC during the Year. Such increase was attributable to the increase in the number of projects awarded to the Group in the PRC in the past two years.

The Group's gross profit derived from its fitting-out business during the Year decreased by HK\$95.9 million or 10.5% year-on-year to HK\$820.0 million (Previous Year: HK\$915.9 million), whilst the gross profit margin decreased from 16.2% for the Previous Year to 14.7% for the Year. Such decrease was mainly attributable to the increase in projects in the PRC awarded to the Group with relatively lower gross profit margin.

Alteration and addition and construction works

The Group carries out its 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 scope of services include construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, commercial buildings, hotels and factories in Hong Kong.

During the Year, Kin Shing completed two alteration and addition and construction projects, with a total contract sum of HK\$1.7 million which was recognised as revenue during the Year. As at 31 December 2021, Kin Shing had three on-going projects with a total contract sum of HK\$195.2 million. The value of the outstanding works of such projects as at 31 December 2021 amounted to HK\$27.0 million.

During the Year, the Group's revenue derived from its alteration and addition and construction business decreased by HK\$174.2 million or 64.9% year-on-year to HK\$94.1 million (Previous Year: HK\$268.3 million). Such decrease was primarily attributable to the decrease in the number of projects awarded to the Group in the past year.

The Group's gross loss derived from its alteration and addition and construction business increased by HK\$12.7 million or 604.8% year-on-year to HK\$14.8 million (Previous Year: HK\$2.1 million), whilst the gross loss margin increased from 0.8% for the Previous Year to 15.7% for the Year. Such gross loss and gross loss margin were primarily attributable to the additional overheads and/or cost incurred for several construction projects of commercial and residential buildings due to the extension of the respective construction periods and the rectification of work defects.

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 the Group's subsidiary, Dongguan Sundart Home Furnishing Co., Ltd. (東莞承達家居有限公司) ("**Dongguan Sundart**"), the Group operates a manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC, the aggregate gross floor area of which is over 40,000 m². Dongguan Sundart manufactures interior decorative timber products including 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 increased by HK\$15.7 million or 234.3% year-on-year to HK\$22.4 million (Previous Year: HK\$6.7 million). Such increase was primarily attributable to the increase in acceptance of orders from external customers and indent sales during the Year, as compared to the Previous Year.

In addition, the Group's gross profit derived from its manufacturing, sourcing and distribution of interior decorative materials business during the Year increased by HK\$2.7 million or 337.5% year-on-year to HK\$3.5 million (Previous Year: HK\$0.8 million), whilst the gross profit margin increased from 11.9% for the Previous Year to 15.6% for the Year. Such increase was attributable to the increase in orders from the PRC with relatively high gross profit margin during the Year.

Principal risks

As at 31 December 2021, 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 internationally. Under the ever-changing business environment, the Group faces various business risks, challenges and uncertainties, including but not limited to: (i) the Group's contracts are not recurring in nature and its business prospects heavily depends on its continuing success on project tenders; (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 business strategies and performance of the Group's major customers may affect the Group's business; (iv) the economy of Macau may adversely affect the Group's performance and financial condition; and (v) the Group's estimated time and costs to determine the tender price and its failure to make accurate estimates may lead to cost overruns or even losses in its projects.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

During the Year, the Group's revenue decreased by HK\$239.2 million or 4.0% year-on-year to HK\$5,689.9 million (Previous Year: HK\$5,929.1 million). Such decrease was primarily due to the decrease in its alteration and addition and construction business as discussed under the paragraph headed "Business review – Alteration and addition and construction works" above. In addition, during the Year, the Group's gross profit decreased by HK\$105.8 million or 11.6% year-on-year to HK\$808.8 million (Previous Year: HK\$914.6 million) and its gross profit margin decreased to 14.2% (Previous Year: 15.4%). Such decreases were primarily due to decreases 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\$15.6 million for the Year (Previous Year: HK\$45.4 million) which is primarily derived from a loss of HK\$33.6 million resulting 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 in this announcement.

Profit for the year

The Group's profit for the year decreased by HK\$35.2 million or 8.7% year-on-year to HK\$371.3 million (Previous Year: HK\$406.5 million) as a result of the decrease in gross profit as discussed above.

Basic and diluted earnings per share

The Company's basic and diluted earnings per share for the Year was HK17.20 cents (Previous Year: HK18.83 cents), decreased by HK1.63 cents or 8.7% 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 in this announcement.

Final dividend

The Board proposed a final dividend of HK7 cents per Share (the "Final Dividend") for the Year, subject to the approval of the Shareholders at the AGM, representing approximately 40.7% 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.

Investments

Financial assets at FVTPL

As at 31 December 2021, the Group's financial assets at FVTPL comprised HK\$23.8 million and HK\$90.0 million (31 December 2020: HK\$61.4 million and HK\$92.0 million) of listed equity securities and unlisted equity fund, respectively.

During the Year, the Group further injected HK\$22.2 million to the unlisted equity fund to fulfill capital commitment in capacity as a limited partner, and disposed of HK\$28.2 million of listed equity securities. Further, the Group recognised a fair value loss of HK\$33.6 million in profit or loss in respect of the listed equity securities and unlisted equity fund, primarily as a result of a decrease on the market prices of certain listed equity securities and unlisted equity fund.

Other financial assets at amortised cost

During the Year, the Group subscribed for three corporate bonds traded in the secondary market, which will mature from 30 June 2022 to 15 November 2024, with fixed interest rates ranging from 5.75% to 8.50% per annum at a total consideration of HK\$20.6 million.

In terms of the prospects of the Group's financial assets at FVTPL, the performance of the listed equity securities and the 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. As to other financial assets at amortised cost, the Group will continue to enjoy a steady investment return until its redemption by the respective issuers.

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

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 maximization of returns to the Shareholders. In addition, 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 plans for material investments or capital assets.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

During the Year, the Group continued to maintain solid financial and cash positions. As at 31 December 2021, the Group's net current assets amounted to HK\$2,520.6 million, representing an increase of HK\$256.9 million from HK\$2,263.7 million as recorded as at 31 December 2020. The Group's bank balances and cash in total amounted to HK\$1,797.9 million, representing an increase of HK\$225.8 million from HK\$1,572.1 million as recorded as at 31 December 2020. Such increase was mainly generated from the operating activities.

As at 31 December 2021, the bank borrowings of the Group amounted to HK\$84.5 million (31 December 2020: HK\$164.7 million), of which HK\$80.2 million, HK\$4.0 million and HK\$0.3 million (31 December 2020: HK\$80.2 million, HK\$80.2 million and HK\$4.3 million) will be repayable within one year, more than one year but not exceeding two years and more than two years but not exceeding five years, respectively. 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 2021, the Group's current assets and current liabilities amounted to HK\$6,322.2 million and HK\$3,801.7 million, respectively (31 December 2020: HK\$5,539.2 million and HK\$3,275.5 million, respectively). The Group's current ratio as at 31 December 2021 remained stable at 1.7 times (31 December 2020: 1.7 times) and the Group maintained sufficient liquid assets to finance its business operations during the Year.

As at 31 December 2021, the Group's gearing ratio of total debts (bank borrowings) divided by total equity was 2.6% (31 December 2020: 5.5%). The decrease in gearing ratio was primarily due to the decrease in the Group's bank borrowings.

As at 31 December 2021, the share capital and equity attributable to owners of the Company amounted to HK\$1,246.8 million and HK\$3,227.3 million, respectively (31 December 2020: HK\$1,246.8 million and HK\$2,996.9 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 certain tender bonds comprised a commercial property, certain bills receivable and pledged bank deposits, which amounted to HK\$93.6 million, nil and HK\$132.0 million, respectively as at 31 December 2021 (31 December 2020: HK\$97.2 million, HK\$7.1 million and HK\$90.4 million, respectively).

Contingent liabilities and capital commitments

The Group did not have any significant contingent liabilities as at 31 December 2021 and 31 December 2020, respectively.

As at 31 December 2021, the Group had capital commitments of HK\$29,000 (31 December 2020: HK\$0.2 million) in relation to acquisition of property, plant and equipment, and nil (31 December 2020: HK\$22.2 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. As at 31 December 2021, 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. 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 include reputable property developers, hotel owners and main contractors. During the Year, the Group has closely monitored and strengthened its collection measures, and has adopted prudent credit policies to mitigate credit risk exposure. The Group was not exposed to any significant credit risk during the Year. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time with a view of keeping the Group's credit risk exposure at a reasonably low level.

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 2021, the Group had 2,147 employees (31 December 2020: 1,881). The Group's gross staff costs (including the Directors' emoluments) increased by HK\$6.4 million or 1.3% year-on-year to HK\$488.4 million for the Year (Previous Year: HK\$482.0 million). Such increase was mainly attributable to the increase in average number of employees by 2.2%.

PROSPECTS AND STRATEGIES

Looking forward to 2022, Hong Kong's economy will remain stable and solid. However, the external business environment remains extremely complicated at present while the global economy still faces enormous challenges. The on-going Covid-19 pandemic remains the greatest uncertainty. In response, certain governments have tightened their anti-epidemic measures and travel restrictions, which may significantly drag down global economic growth. Developments surrounding China-US relations and other geopolitical tensions also warrant attention. Generally speaking, if the external economic environment does not deteriorate sharply and the local pandemic situation can be brought under control, Hong Kong's economy should continue to grow for 2022. The PRC Government issued "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", setting out an agenda for the PRC's social and economic development over the next five years to support Hong Kong's plans to strengthen its advantages as an international financial, transportation and trade centre to play an ever-growing role in the nation's development. Furthermore, the Northern Metropolis Development Strategy will facilitate Hong Kong's connection with the Greater Bay Area. Coupled with the persistent housing shortage, the Hong Kong Government will continue to increase the number of residential buildings and maintain a healthy real estate market, providing opportunities for both the construction and fitting-out industries in Hong Kong.

In Macau, economic growth will hinge strongly on the pace and level of travel normalisation in the region. With the rising global vaccination rate and the Macau Government's strict control measures on Covid-19, it is expected that the pandemic situation can be brought under control to create favourable conditions to resume normal cross-border flows and economic recovery in Macau. To foster the recovery and quality enhancement of tourism industry, the Macau Government aims to develop Macau into a world tourism and leisure centre, accompanied with the interactive development between tourism and related industries. In addition, the Macau Government will boost the development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin, and will strengthen tourism cooperation between Macau and Hengqin in order to promote economic development and connectivity between Guangdong and Macau. As mentioned in the Macau's 2022 Policy Address, the Macau Government will promote adequate economic diversification and sustainable industrial structure for local long-term prosperity and stability. The Group will regularly review the market and explore all potential business opportunities for the fitting-out industry arising from the changing environment in Macau.

Stability will be the top priority for the PRC's economy in 2022. The PRC Government stressed at the Central Economic Work Conference held in December 2021 that economic work in 2022 should prioritise stability while pursuing progress. According to the World Bank's forecast, the PRC's real GDP is expected to grow by 5.1% in 2022. The PRC Government will continue to implement its "Dual Circulation" strategy to expand domestic demand. It is expected to support the development of retail, catering and shopping malls, boosting the demand for commercial fitting-out projects. In addition, the PRC Government will adhere to the key objective of "housing should be for living, not for speculation" to keep housing prices stable, to enhance the stability of real estate market, and to promote high-end housing construction. This will further boost the development of residential properties. The Group will strive to seize opportunities brought by these strategies, focusing more resources in the PRC while securing more fitting-out projects.

While the definite end of Covid-19 pandemic remains uncertain, the Group will continue to implement prudent measures to minimise any downside risks as well as develop responsible strategies to maintain a healthy financial position for sustaining its operations. The Group will closely monitor market trends and focus on opportunities arising from the Greater Bay Area and the Belt and Road Initiative. Meanwhile, the Group will remain dedicated to improving the quality of its products and services to achieve sustainable growth, while creating and maximising value for the Shareholders in today's highly volatile business environment.

FINAL DIVIDEND AND AGM

The Board proposed the Final Dividend of approximately HK\$151.1 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 14 June 2022. Subject to the approval of the Shareholders at the AGM, it is expected that the proposed Final Dividend will be paid on 27 June 2022. 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 2022 to 6 June 2022, 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 Monday, 30 May 2022.

For determining the entitlement to the proposed Final Dividend, the register of members of the Company will be closed from 10 June 2022 to 14 June 2022, 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 Thursday, 9 June 2022.

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 as contained in Appendix 14 to the Listing Rules (the "**Code Provisions**") during the Year, except for the following deviation:

Paragraph C.1.6 in Part 2 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. A non-executive Director and three independent non-executive Directors were absent from the last annual general meeting of the Company held on 3 June 2021 due to travel restrictions imposed as the outbreak of Covid-19 and/or other important business commitments, nevertheless, two independent non-executive Directors have participated the aforesaid meeting through conference call.

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, BDO Limited.

SCOPE OF WORK OF BDO LIMITED

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, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by BDO Limited 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 BDO Limited 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, 21 March 2022

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

* *for identification purpose only*