You should read this section in conjunction with our combined financial information including the notes thereto, as set forth in the accountants' report in Appendix I to this prospectus. The accountants' report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with HKFRS.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the section headed "Risk factors" in this prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are an integrated fitting-out contractor based in Hong Kong specialising in providing professional, up-market and cost-saving fitting-out contracting services for sizeable residential and hotel projects.

Our fitting-out business was started in 1988 when Sundart Engineering, our past subsidiary, was involved as a subcontractor in works relating to structural spray fire-protection (鋼結構耐火噴塗) and fitting-out works in respect of Jing Guang Centre in the PRC. Since then, we, through Sundart Engineering, continued to participate in several projects in the PRC on a project-by-project basis until Sundart (Beijing) was established in 2003. Then we have operated our fitting-out business in Hong Kong since 1996. We further expanded our fitting-out business to Macau in 2005 through Sundart (Macau). Over the years, we have participated in a number of sizeable fitting-out projects.

As a professional fitting-out contractor, we are responsible for the overall project implementation by providing or arranging for the necessary materials, labour, engineering expertise and technical know-how required for the fitting-out works and carrying out corresponding project management so as to ensure that the fitting-out works conform to the contractual requirements, meet customers' expectation and are completed on time and within budget. Our fitting-out projects normally commence with the tendering process. After tenders are awarded, we usually set up the detailed works programmes, delegate part of the fitting-out works to subcontractors and coordinate among customers, subcontractors and suppliers in completing the projects. Progress payments are received from the customers periodically according to the stages of completion of the works done, and the corresponding subcontracting fees and costs for materials payable to suppliers/subcontractors are settled accordingly.

Our growth in revenue and gross profit is principally attributable to our success in achieving effective economies of scale in the overall business model, cost control system, quality of services and the experienced and dedicated management team. Leveraging on the diverse nature and number of fitting-out projects undertaken by us, our management and staff have accumulated years of experience in a wide variety of fitting-out works.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

- **The level of investment in fitting-out in respect of residential buildings and hotels**

  A significant portion of our revenue is derived from fitting-out projects in respect of residential buildings, serviced apartments and hotels, which account for approximately 94.1%, 94.8% and 98.4%, respectively of our revenue for each of the three years ended 31 March 2009. Our business therefore depends to a certain extent on the level of investment in residential property, serviced apartments and hotel projects by the private sector. In the event that the fitting-out expenditures are substantially reduced in residential buildings, serviced apartments and hotels as a result of economic downturn, our business, financial condition and results of operation, our profitability and future growth in revenue may be adversely affected.

- **Pricing of our projects**

  The majority of our revenue in the Track Record Period is derived from our fitting-out projects, which are generally obtained by means of tender. The tender price of our fitting-out projects is based on our estimated project costs plus a mark-up margin. In relation to some of the projects that we wish to undertake to enhance our corporate profile, we may submit a lower tender price with a lower profit margin in order to remain competitive in the tendering process. The lower profit margin will affect our profitability.

- **Change in our subcontracting and material costs**

  Our subcontracting costs and material costs represent a significant portion of our cost of sales. During the Track Record Period, our subcontracting costs and material costs amounted to approximately HK$728.3 million, HK$1,205.5 million and HK$1,152.2 million, respectively and accounted for approximately 92.2%, 92.3% and 91.4% of our cost of sales, respectively. Our ability to control and manage our subcontracting and materials cost will enhance our profitability. In addition, our contract price is based on our estimated project costs (which mainly include subcontracting costs and material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers but the actual subcontracting costs and material costs will not be determined until after we have entered into agreements with our subcontractors/suppliers. Any fluctuations in the subcontracting and material costs during this period will affect our profitability.

- **Failure to complete fitting-out projects according to specifications, quality standards, safety measures or timetable**

  We have to complete our projects in accordance with the specifications, quality standards, safety measures and timetable. If we fail to comply with any of these requirements, we will be liable to pay penalties or damages and our results of operations and hence our profits will be adversely affected. We have not been claimed for any damages or penalties by our customers for any of the aforesaid reasons. We will continue to give full effort to ensure our current and future projects are completed in accordance with the specifications, quality standards, safety measures and timetable.

- **Recent global economic developments and credit crunch**

  The recent global economic developments and credit crunch has adversely affected the global economy. Under such deteriorating global economy and with the continual weak economic sentiment, the investment in residential, commercial and industrial property sectors may decrease and there may be delay or suspension with respect to construction including fitting-out projects. As such, these factors may affect our profitability and revenue growth. Moreover, banks have been tightening credit which may aggravate the interest expenses on our bank borrowings, or banks may even reduce the amount of or discontinue the banking facilities. If the economic downturn and the weak economic sentiment continue, our business, financial condition and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial position and results of operations as included in this prospectus is based on the combined financial statements prepared in accordance with the significant accounting policies set forth in note 3 in section A to the accountants' report set out in Appendix I to this prospectus, which conform with the HKFRS. Accounting methods, assumptions and estimates that underlie the preparation of a company's financial statements affect its financial position and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial statements. We believe that the following accounting policies involve the most significant accounting judgments and estimates used in the preparation of its combined financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

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

Revenue from sales of goods including sourcing and distribution of interior decorative materials are recognised when goods are delivered and title has been passed.

Rental income, including rentals invoiced in advance, from properties under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Supply and installation contracts including fitting-out works

When the outcome of a supply and installation contract including fitting-out works can be estimated reliably, contract costs are charged to the combined income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue.

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

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

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

Land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Impairment of financial assets – loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected. Objective evidence of impairment could include:

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

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

For financial asset carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Results of operations

The following table presents selected financial data from our combined income statements during the Track Record Period, details of which are set out in the accountants' report in Appendix I to this prospectus. The financial information contained herein and in the accountants' report in the Appendix I to this prospectus is prepared in accordance with HKFRS and is presented as if our current group structure had been in existence throughout the periods presented.

	For the year ended 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	921,334	1,443,742	1,465,230
Cost of sales	(790,203)	(1,306,520)	(1,260,105)
Gross profit	131,131	137,222	205,125
Other income	1,838	3,274	2,627
Gain on disposal of subsidiaries	2,554	379	–
Administrative expenses	(40,366)	(36,050)	(35,659)
Other expenses	(4,920)	(1,266)	(1,656)
Finance costs	(7,413)	(10,984)	(2,920)
Profit before taxation	82,824	92,575	167,517
Income tax expenses	(12,382)	(12,071)	(23,810)
Profit for the year	70,442	80,504	143,707
Dividends	36,800	25,000	113,000
Earnings per share			
Basic *(HK$)*[(1)]	9.98	0.30	0.40

Note:

1. Hong Kong Accounting Standard 33 "Earnings Per Share" requires the number of ordinary shares outstanding before a capitalisation issue to be adjusted proportionately as if the capitalisation issue had occurred at the beginning of the earliest period presented (i.e. 1 April 2006) for the purpose of computing earnings per share ("EPS"). The EPS calculation has also taken into account the effect of the shares swap under which 69,990,000 Shares were issued in exchange for the 5,100 shares of Sundart Holdings effected on 3 August 2009 by reference to the guidance set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations". Before the Capitalisation Issue of 290 million shares and the shares swap, the number of outstanding ordinary shares of Sundart Holdings is 5,100, of which only 100 shares were outstanding throughout the year ended 31 March 2007. Therefore, the number of ordinary shares for the purpose of calculating EPS during the year ended 31 March 2007 is adjusted for both the effect of the Capitalisation Issue and the shares swap (using a factor of 100/5100), resulting in a lower number of ordinary shares outstanding for that year and a considerably higher amount of EPS.

PRINCIPAL INCOME STATEMENT ITEMS

Revenue

We derive our revenue mainly from our fitting-out business. The following table sets out our revenue from different business segments during the Track Record Period:

	Year ended 31 March					
	2007		2008		2009	
	(HK$' million)	*%*	*(HK$' million)*	*%*	*(HK$' million)*	*%*
Fitting-out works						
– Hotel and serviced apartment	528.2	57.3	1,025.6	71.0	843.5	57.6
– Residential apartment	338.8	36.8	343.8	23.8	598.2	40.8
– Others (including schools, commercial buildings and shopping arcades)	31.4	3.4	74.3	5.2	23.5	1.6
Sub-total:	898.4	97.5	1,443.7	100	1,465.2	100
Sourcing and distribution of interior decorative materials	22.9	2.5	–	–	–	–
Total:	921.3	100	1,443.7	100	1,465.2	100

Revenue derived from our fitting-out business has increased from approximately HK$898.4 million for the year ended 31 March 2007 to approximately HK$1,465.2 million for the year ended 31 March 2009, representing a CAGR of 27.7% per annum.

Revenue derived from fitting-out works for hotel and serviced apartment increased from approximately HK$528.2 million for the year ended 31 March 2007 to approximately HK$1,025.6 million for the year ended 31 March 2008 and then decreased to approximately HK$843.5 million for the year ended 31 March 2009. Such pattern was primarily attributable to the fact that most of our Macau projects, which were hotel and serviced apartment related, had been completed before 31 March 2008.

Revenue derived from fitting-out works for residential apartment increased from approximately HK$338.8 million for the year ended 31 March 2007 to approximately HK$343.8 million for the year ended 31 March 2008 and then to approximately HK$598.2 million for the year ended 31 March 2009. Such pattern was in line with the increasing revenue derived from fitting-out projects in Hong Kong, which mainly comprised projects for residential apartment. This has compensated for the drop of revenue from hotel and serviced apartment projects in Macau.

An analysis of the impact of certain major fitting-out projects undertaken by us and the corresponding revenue recognised during the Track Record Period is set out in the following table:

	Year ended 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Hotel and serviced apartment			
Cotai Casino, Exhibition and the Hotel Complex	181,492	190,514	15,934
MGM Grand Macau	25,408	264,964	62,955
Grand Lisboa Hotel and Casino	229,544	288,514	20,517
Wynn Resorts Macau	54,278	64,582	22,670
Waldo Hotel	–	40,426	64,605
Serviced Apartments for Parcel 2 Cotai Resort Development	–	–	114,187
City of Dream at Cotai, Macau	–	–	116,822
Harbour Grand (21/F – 40/F for Hotel Development at 15-17 Oil Street, North Point)	–	–	159,328
Garden East Serviced Apartment (Hotel Development at 214-224 Queen's Road)	–	3,919	46,082
Residential apartment			
Celestial Heights (Phase 1)	–	22,680	263,099
The Capitol, Lohas Park	–	48,710	127,076
Metro Town Phase 1 (Tiu Keng Leng Station Development)	21,386	1,937	–
Le Point, Phase 2 (Tiu Keng Leng Station)	51,894	115,440	6,944
The Legend	82,759	20,538	19,765
Phase RIII, RIVa and RV of the Residential Development at Pokfulam	18,751	36,679	53,572
The Palazzo (Ho Tung Lau Development)	–	–	53,513
13-15 Tai Hang Road, Causeway Bay, Hong Kong	–	–	8,672

The overall revenue significantly increased by HK$522.4 million from HK$921.3 million for the year ended 31 March 2007 to HK$1,443.7 million for the year ended 31 March 2008 and maintained stable for the year ended 31 March 2009. The major reasons are as follows:

1. Major hotel and serviced apartment projects, such as MGM Grand Macau, Grand Lisboa Hotel and Casino, Cotai Casino, Exhibition and the Hotel Complex in Macau, which were commenced during the year ended 31 March 2007, were nearly completed in the year ended 31 March 2008. In addition, the residential apartment projects, including Le Point, Phase 2 (Tiu Keng Leng Station), were substantially completed in the year ended 31 March 2008. These projects contributed for the significant increase in revenue for the year ended 31 March 2008.

2. With the hotel and serviced apartment projects in Macau substantially completed in the year ended 31 March 2008, the main source of revenue for the year ended 31 March 2009 shifted to the residential apartment projects including Celestial Heights (Phase 1), The Capitol, Lohas Park and Harbour Grand (21/F – 40/F for Hotel Development at 15-17 Oil Street, North Point). In addition, Serviced Apartments for Parcel 2 Cotai Resort Development and City of Dream at Cotai, Macau, being new projects commenced in Macau and they further contributed to the revenue.

Revenue derived from our business of sourcing and distribution of interior decorative materials decreased from approximately HK$22.9 million for the year ended 31 March 2007 to nil for each of the two years ended 31 March 2009. Such decrease was mainly attributable to the fact that our efforts have been put to concentrate on the fitting-out works due to rapidly expanding business in Macau.

The following table sets out our revenue from different geographic locations during the Track Record Period:

	Year ended 31 March					
	2007		**2008**		**2009**	
	(HK$' million)	*%*	*(HK$' million)*	*%*	*(HK$' million)*	*%*
Hong Kong	310.7	33.7	445.7	30.9	867.9	59.2
Macau	500.5	54.3	939.1	65.0	547.8	37.4
China	110.1	12.0	58.9	4.1	49.5	3.4
Total:	921.3	100	1,443.7	100	1,465.2	100

Our revenue derived from Hong Kong increased from approximately HK$310.7 million for the year ended 31 March 2007 to approximately HK$445.7 million for the year ended 31 March 2008 and then to approximately HK$867.9 million for the year ended 31 March 2009. The increase was mainly attributable to the fact that we have secured a number of sizeable projects for hotel and residential apartment in Hong Kong such as The Capitol, Lohas Park, Celestial Heights (Phase 1) and The Legend, etc.

Our revenue from Macau grew significantly from approximately HK$500.5 million for the year ended 31 March 2007 to approximately HK$939.1 million for the year ended 31 March 2008 and then decreased to nearly HK$547.8 million for the year ended 31 March 2009. Such pattern was mainly attributable to the fact that most of our projects in Macau had been completed before 31 March 2008.

Our revenue from the PRC decreased from approximately HK$110.1 million for the year ended 31 March 2007 to approximately HK$58.9 million for the year ended 31 March 2008 and then to approximately HK$49.5 million for the year ended 31 March 2009. Such decreasing pattern was primarily attributable to the fact that we have placed most of our efforts and resources to penetrate our fitting-out business into the rapidly growing Macau market and Hong Kong market during the Track Record Period. As a result, less resource was placed in the China's segment and hence decreasing revenues were recorded in the two years ended 31 March 2009. The results for China by geographical segment recorded losses of approximately HK$2,694,000, HK$919,000 and HK$3,900,000 for the three years ended

31 March 2009. Since less resources were placed in the PRC market due to a small scale of operation as mentioned above, the revenue generated was not sufficient to cover the overhead expenses incurred during the Track Record Period and thereby resulted in losses.

Cost of sales

Cost of sales mainly represents subcontracting fees, purchasing costs of materials from raw materials to finished products and other furnishing materials and staff costs. During the Track Record Period, breakdown of our cost of sales were as follows:

	For the year ended 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Subcontracting fees[1]	400,632	801,348	843,777
Material purchase costs	327,646	404,164	308,399
Staff costs	20,787	29,198	51,763
Others	41,138	71,810	56,166
Total:	790,203	1,306,520	1,260,105

Note:

1. Some material purchase costs and labour costs were included in the subcontracting fees and they could not be segregated as the terms of subcontracting contracts would sometimes include provision of both services.

Gross profit

During the Track Record Period, our gross profit and gross profit margin by business segments were as follows:

	For the year ended 31 March		
Gross profit	**2007**	**2008**	**2009**
	HK$'million	*HK$'million*	*HK$'million*
	131.1	137.2	205.1

	For the year ended 31 March		
Gross profit margin	**2007**	**2008**	**2009**
	(%)	*(%)*	*(%)*
Fitting-out works			
– Hotel and serviced apartment	17.1	11.6	14.7
– Residential apartment	10.1	3.3	13.4
– Others	20.6	9.2	2.3
Overall for fitting-out works	14.6	9.5	14.0
Sourcing and distribution of interior decorative materials	0.3	N/A	N/A
Overall	14.2	9.5	14.0

Gross profit margin for fitting-out works decreased from approximately 14.6% for the year ended 31 March 2007 to approximately 9.5% for the year ended 31 March 2008 and then increased to approximately 14.0% for the year ended 31 March 2009. The fluctuation was mainly attributable to the fitting-out projects in Hong Kong and Macau.

For the year ended 31 March 2008, gross profit margin was significantly decreased, in particular, segments of hotel and serviced apartment and residential apartment dropped from 17.1% to 11.6% and from 10.1% to 3.3%, respectively. Regarding the hotel and serviced apartment segment, the decrease in gross profit margin was mainly attributable to the fact that the wage level of direct labour costs, which accounted for an approximately from 30% to 40% of subcontracting fees, rose dramatically for approximately 30% at relevant time due to shortage in labour in Macau, as a result of a number of sizeable hotel and casino projects in Macau commenced construction at that time. Regarding the residential apartment segment, the decrease of gross profit margin from 10.1% to 3.3% was mainly attributable to the fact that additional labour costs was incurred by us to implement the design and specifications for two luxurious projects, namely, The Legend and Phase RIII, RIVa and RV of the Residential Development at Pokfulam.

In the absence of the above factors, our gross profit margin for the year ended 31 March 2009 restored to about the same level in 2007. Gross profit margin for our business of sourcing and distribution of interior decorative materials recorded a slight margin as such business was carried out at a small scale and not our main revenue stream at that time. We placed most of our efforts and resources in our fitting-out business in Hong Kong and Macau.

Other income

Other income mainly includes interest income, rental income and sundry income. During the Track Record Period, other income amounted to approximately HK$1.8 million, HK$3.3 million and HK$2.6 million, respectively. Interest income is recognised as it accrues using the effective interest method. During the Track Record Period, interest income amounted to approximately HK$0.8 million, HK$1.2 million and HK$0.9 million, respectively.

Gain on disposal of subsidiaries

During the year ended 31 March 2007, our Group has disposed of certain subsidiaries, namely, Sundart Creation and its wholly-owned subsidiary, Taishan Sundart (collectively referred to as "**Sundart Creation Group**"), SIL, Win Venture and its 51% owned subsidiary, LPI. Sundart Creation Group, which was principally engaged in property investment, was disposed of to an Independent Third Party; while SIL and Win Venture, which were the entities used by us in the business of sourcing and distribution of timber products and LPI, which was the entity used by us in the business of sourcing and distribution of building materials, were disposed of to SPG. The gain on disposal of subsidiaries amounted to HK$2.6 million for the year ended 31 March 2007.

During the year ended 31 March 2008, our Group has disposed of a subsidiary, namely, Sundart Engineering. Sundart Engineering used to be principally engaged in supply and installation of timber doors and floorsets and interior fitting-out works. After its business was taken up by Sundart Timber and Sundart (Beijing), Sundart Engineering ceased to carry on any business. After the completion of its final accounts in respect of its last project in March 2008, Sundart Engineering was disposed of to Mr. Leung Chung Lim, who is the son of Mr. Leung. The gain on disposal of subsidiary amounted to HK$0.4 million for the year ended 31 March 2008.

Such disposals of subsidiaries were made with a view to simplifying our corporate structure by disposing of inactive subsidiary (such as Sundart Engineering) and subsidiaries with overlapping functions (such as the business of sourcing and distribution of timber products then carried on by SIL and Win Venture, which is now solely carried on by Sundart International).

Administrative expenses

Administrative expenses mainly include staff costs and other miscellaneous administrative expenses. During the Track Record Period, the administrative expenses amounted to approximately HK$40.4 million, HK$36.1 million and HK$35.7 million, respectively.

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March					
	2007		2008		2009	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs	27,004	66.9	23,612	65.5	21,719	60.9
Depreciation	710	1.8	624	1.7	753	2.1
Insurance	862	2.1	978	2.7	1,274	3.6
Legal and professional fees(1)	3,030	7.5	2,845	7.9	2,285	6.4
Rent & rates and building management fees	2,218	5.5	3,164	8.8	4,133	11.6
Travelling expenses	589	1.5	489	1.4	668	1.9
Entertainment expenses	407	1.0	564	1.6	848	2.4
R&D	1,697	4.2	–	–	–	–
Others	3,849	9.5	3,774	10.4	3,979	11.1
Total:	40,366	100	36,050	100	35,659	100

Note:

1. Legal and professional fees mainly include professional fees paid to our legal advisers in providing us with legal services or representing us in legal proceedings in which we were a party but have not been reimbursed to us under any insurance policy, audit fees and project consultancy and advisory fees.

Administrative expenses decreased from approximately HK$40.4 million for the year ended 31 March 2007 to approximately HK$35.7 million for the year ended 31 March 2009 despite the revenue increased from HK$921.3 million for the year ended 31 March 2007 to approximately HK$1,465.2 million for the year ended 31 March 2009. Such phenomenon was primarily attributable to the significant decreases in both R&D costs and staff costs. The decrease in staff costs from the year ended 31 March 2007 to the year ended 31 March 2008 was mainly attributable to the fact that there were significant amount of staff costs incurred for the year ended 31 March 2007, which in turn was due to a combination of factors such as (i) significant administrative staff costs were incurred in the Macau related projects to facilitate the tendering procedures and preparation of pre-tendering works when we penetrated into the Macau market; (ii) special bonus payment to our staff; and (iii) a reduction in number of our marketing and R&D staff and senior management of our Group for the year ended 31 March 2007. Moreover, administrative staff costs related to tendering procedures and preparation of pre-tendering work for Macau market further decreased for the year ended 31 March 2009.

Other expenses

Other expenses mainly include net decrease in fair value of investment properties and written-off of trade receivables. During the Track Record Period, other expenses amounted to approximately HK$4.9 million, HK$1.3 million and HK$1.7 million, respectively.

Finance costs

Finance costs represent interest on bank borrowings wholly repayable within five years.

Income tax expenses

During the Track Record Period, our income tax expenses amounted to approximately HK$12.4 million, HK$12.1 million and HK$23.8 million, respectively.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007 and 2008: 17.5%) of the estimated assessable profit for the year. The deferred tax balance as at 31 March 2008 has been adjusted to reflect the tax rate that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Macau Profits Complementary Tax is calculated at the progressive rates from 3% to 12%, 9% to 12% and 9% to 12% of the estimated assessable profits for the years ended 31 March 2007, 2008 and 2009 respectively.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**New Law**") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled. The applicable tax rates for Sundart (Beijing) from 1 April 2006 to 31 December 2007 and 1 January 2008 to 31 March 2009 are 33% and 25% respectively.

The effective tax rate of our Group during the Track Record Period were 14.9%, 13.0% and 14.2%, respectively.

Period to period comparison of results of operations

Year ended 31 March 2009 compared to year ended 31 March 2008

Revenue

Our revenue increased by approximately HK$21.5 million, or approximately 1.5%, from approximately HK$1,443.7 million for the year ended 31 March 2008 to approximately HK$1,465.2 million for the year ended 31 March 2009. Revenue derived in Hong Kong increased by approximately HK$422.2 million from approximately HK$445.7 million for the year ended 31 March 2008 to approximately HK$867.9 million for the year ended 31 March 2009, whereas revenue derived in Macau decreased by approximately HK$391.3 million from approximately HK$939.1 million for the year ended 31 March 2008 to approximately HK$547.8 million for the year ended 31 March 2009 and the revenue derived in the PRC decreased by approximately HK$9.4 million from approximately HK$58.9 million for the year ended 31 March 2008 to approximately HK$49.5 million for the year ended 31 March 2009. The increase in our revenue was mainly attributable to the increases of works done in respect of some major projects in Hong Kong such as Celestial Heights (Phase 1), Central Park Towers II and Lohas Park Phase II during the year ended 31 March 2009 which off set the decreases in revenue derived in Macau and the PRC.

Cost of sales

Cost of sales decreased from approximately HK$1,306.5 million for the year ended 31 March 2008 to approximately HK$1,260.1 million for the year ended 31 March 2009 despite the fact that our revenue increased from approximately HK$1,443.7 million for the year ended 31 March 2008 to approximately HK$1,465.2 million for the year ended 31 March 2009. During the Track Record Period, material purchases and subcontracting fees in general constituted approximately over 85% of the total cost of sales. Such phenomenon was mainly attributable to the fact that subcontracting fees and material costs, which amounted to approximately HK$801.3 million and HK$404.2 million respectively, were exceptionally high during the year ended 31 March 2008, particularly, for projects MGM Grand Macau, Cotai Casino, Exhibition and the Hotel Complex and The Legend. Direct labour costs, which account for an approximately 30% to 40% of subcontracting fees, rose dramatically at relevant time due to shortage in labour in Macau.

Gross profit and gross profit margin

Gross profit increased by approximately HK$67.9 million, or approximately 49.5% from approximately HK$137.2 million for the year ended 31 March 2008 to approximately HK$205.1 million for the year ended 31 March 2009.

The gross profit margin for the year ended 31 March 2008 was approximately 9.5%, whereas the gross profit margin for the year ended 31 March 2009 increased to 14.0%. This was mainly attributable to the fact that some of our projects in Macau and Hong Kong, whose gross profits were significant influenced by higher labour costs as a result of shortage in labour in Macau, had been substantially completed before 31 March 2008.

Other income

Other income decreased by approximately HK$0.7 million, or approximately 21.2%, from approximately HK$3.3 million for the year ended 31 March 2008 to approximately HK$2.6 million for the year ended 31 March 2009. The decrease was primarily associated with the combined effect in decreases in interest income and rental income.

Gain on disposal of subsidiaries

No subsidiary has been disposed of by us during the year ended 31 March 2009. As a result, no gain (or loss) was recorded by us for the same period.

Administrative expenses

Administrative expenses decreased slightly by approximately HK$0.4 million, or approximately 1.1%, from approximately HK$36.1 million for the year ended 31 March 2008 to approximately HK$35.7 million for the year ended 31 March 2009. Such decrease was due to administrative staff costs related to tendering procedures and preparation of pre-tendering work for Macau market further decreased for the year.

Other expenses

Other expenses increased by approximately HK$0.4 million, or approximately 30.8%, from approximately HK$1.3 million for the year ended 31 March 2008 to approximately HK$1.7 million for the year ended 31 March 2009.

Finance costs

Finance costs decreased by approximately HK$8.1 million, or approximately 73.6%, from approximately HK$11.0 million for the year ended 31 March 2008 to approximately HK$2.9 million for the year ended 31 March 2009. The decrease was mainly attributable to the significant decrease in bank borrowings resulting from collection of retention moneys in respect of our fitting-out projects in Macau.

Income tax expenses

Income tax expenses increased by approximately HK$11.7 million, or approximately 96.7%, from approximately HK$12.1 million for the year ended 31 March 2008 to approximately HK$23.8 million for the year ended 31 March 2009. Such increase was mainly attributable to the increase of effective tax rate from approximately 13.0% for the year ended 31 March 2008 to approximately 14.2% for the year ended 31 March 2009 and the significant increase in profit before taxation from approximately HK$92.6 million for the year ended 31 March 2008 to approximately HK$167.5 million for the year ended 31 March 2009.

Profit for the year

Based on the above factors, profit for the year increased by approximately HK$63.2 million, or approximately 78.5%, from approximately HK$80.5 million for the year ended 31 March 2008 to approximately HK$143.7 million for the year ended 31 March 2009. Net profit margin increased from approximately 5.6% for the year ended 31 March 2008 to approximately 9.8% for the year ended 31 March 2009.

Dividends

We declared interim dividends of HK$113.0 million in aggregate for the year ended 31 March 2009 and an interim dividend of HK$25.0 million during the year ended 31 March 2008.

Year ended 31 March 2008 compared to year ended 31 March 2007

Revenue

Our revenue increased by approximately HK$522.4 million, or approximately 56.7%, from approximately HK$921.3 million for the year ended 31 March 2007 to approximately HK$1,443.7 million for the year ended 31 March 2008. Revenue derived in Hong Kong increased by approximately HK$135.0 million from approximately HK$310.7 million for the year ended 31 March 2007 to approximately HK$445.7 million for the year ended 31 March 2008, whereas revenue derived in Macau increased by approximately HK$438.6 million from approximately HK$500.5 million for the year ended 31 March 2007 to approximately HK$939.1 million for the year ended 31 March 2008. The increase in our revenue was mainly attributable to the increases of works done in respect of some major projects in Macau and Hong Kong such as projects in respect of the Cotai Casino, Exhibition and the Hotel Complex, The Capitol, Lohas Park, Grand Lisboa Hotel and Casino and Waldo Hotel during the year ended 31 March 2008.

Cost of sales

Our cost of sales increased by approximately HK$516.3 million, or approximately 65.3%, from approximately HK$790.2 million for the year ended 31 March 2007 to approximately HK$1,306.5 million for the year ended 31 March 2008. The increase was mainly attributable to increases in material costs and labour costs as a result of payment of extra wages to meet exceptional tight project timetables. The increase in cost of sales was also in line with the increase of revenue for the year ended 31 March 2008 as compared with the revenue for the year ended 31 March 2007.

Gross profit and gross profit margin

Gross profit increased by approximately HK$6.1 million, or approximately 4.7% from approximately HK$131.1 million for the year ended 31 March 2007 to approximately HK$137.2 million for the year ended 31 March 2008.

Other income

Other income increased by approximately HK$1.5 million, or approximately 83.3%, from approximately HK$1.8 million for the year ended 31 March 2007 to approximately HK$3.3 million for the year ended 31 March 2008. The increase was primarily associated with (1) the increase in interest income from approximately HK$0.8 million to approximately HK$1.2 million as a result of significant increase in the amounts of bank deposits; and (2) increase in sundry income arising from write-back of unclaimed retention money by subcontractors from approximately HK$0.4 million to approximately HK$1.5 million.

Gain on disposal of subsidiaries

To streamline our business, we have disposed of certain subsidiaries during the two years ended 31 March 2008. Gain on disposal of subsidiaries decreased by approximately HK$2.2 million, or approximately 84.6%, from approximately HK$2.6 million for the year ended 31 March 2007 to approximately HK$0.4 million for the year ended 31 March 2008. The disposal of Sundart Creation Group in the year ended 31 March 2007 gave rise to a gain on disposal of approximately HK$2.6 million and the disposal of the entire interest in Sundart Engineering in the year ended 31 March 2008 at a consideration of HK$2.0 gave rise on a gain of disposal profit of approximately HK$0.4 million.

Administrative expenses

Administrative expenses decreased by approximately HK$4.3 million, or approximately 10.6%, from approximately HK$40.4 million for the year ended 31 March 2007 to approximately HK$36.1 million for the year ended 31 March 2008. The decrease was mainly attributable to the fact that staff costs were decreased in 2008. There were significant staff costs incurred for the year ended 31 March 2007 due to a combination of factors such as (i) significant administrative staff costs were incurred in the Macau related projects to facilitate the tendering procedures and preparation of pre-tendering works for Macau market; (ii) special bonus payment to the staff; and (iii) a reduction in the number of our marketing and R&D staff and senior management of our Group for year ended 31 March 2007.

Other expenses

Other expenses decreased by approximately HK$3.6 million, or approximately 73.5%, from approximately HK$4.9 million for the year ended 31 March 2007 to approximately HK$1.3 million for the year ended 31 March 2008. The decrease was mainly attributable to the net decrease in fair value of investment property recognised in the year ended 31 March 2007.

Finance costs

Finance costs increased by approximately HK$3.6 million, or approximately 48.6%, from approximately HK$7.4 million for the year ended 31 March 2007 to approximately HK$11.0 million for the year ended 31 March 2008. The increase was mainly attributable to the increase in number of fitting-out projects undertaken by us which caused us to use additional bank borrowings to pay for increased start-up costs.

Income tax expenses

Income tax expenses decreased by approximately HK$0.3 million, or approximately 2.4%, from approximately HK$12.4 million for the year ended 31 March 2007 to approximately HK$12.1 million for the year ended 31 March 2008. This is because the effective tax rate decreased slightly from approximately 14.9% for the year ended 31 March 2007 to approximately 13.0% for the year ended 31 March 2008.

Profit for the year

Based on the above factors, profit for the year increased by approximately HK$10.1 million, or approximately 14.3%, from approximately HK$70.4 million for the year ended 31 March 2007 to approximately HK$80.5 million for the year ended 31 March 2008. Net profit margin decreased from approximately 7.6% for the year ended 31 March 2007 to approximately 5.6% for the year ended 31 March 2008.

Dividends

We declared an interim dividend of HK$36.8 million during the year ended 31 March 2007 and an interim dividend of HK$25 million during the year ended 31 March 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table is a condensed summary of our combined cash flow statements for the periods indicated:

	For the year ended 31 March		
	2007	**2008**	**2009**
	HK$' million	*HK$' million*	*HK$' million*
Net cash generated from operating activities	15.5	117.4	284.6
Net cash (used in) generated from investing activities	(11.8)	(59.1)	69.4
Net cash generated from (used in) financing activities	5.0	(3.7)	(244.7)
Cash and cash equivalents as at the beginning of the financial year	15.4	25.1	81.1
Cash and cash equivalents as at the end of the financial year	25.1	81.1	191.1

Net cash generated from operating activities

Net cash inflow from operating activities primarily consists of profit before taxation adjusted for finance costs, depreciation and the effect of changes in working capital.

Our Group derives its cash inflow from operating activities principally from the receipt of payments from contract work. Our Group's cash outflow from operations mainly includes purchases of raw materials, as well as for staff costs and subcontracting costs.

Net cash generated from operating activities for the year ended 31 March 2007 amounted to approximately HK$15.5 million, while our Group's profit before taxation for the same period was approximately HK$82.8 million. The difference of approximately HK$67.3 million was primarily attributable to the combined effect of the increase in amounts due from customers for contract work of approximately HK$117.4 million and the increase in trade and other payables of approximately HK$59.1 million.

Net cash generated from operating activities for the year ended 31 March 2008 amounted to approximately HK$117.4 million, while our Group's profit before taxation for the same period was approximately HK$92.6 million. The difference of approximately HK$24.8 million was primarily attributable to the combined effect of the increase in trade and other receivables of approximately HK$124.0 million and the increase in trade and other payables of approximately HK$142.1 million.

Net cash generated from operating activities for the year ended 31 March 2009 amounted to approximately HK$284.6 million, while our Group's profit before taxation for the same period was approximately HK$167.5 million. The difference of approximately HK$117.1 million was primarily attributable to the combined effect of the decrease in amounts due from customers for contract work of approximately HK$71.2 million and the increase in trade and other payables of approximately HK$81.8 million.

Net cash (used in) generated from investing activities

Net cash used in investing activities for the year ended 31 March 2007 amounted to approximately HK$11.8 million, which was primarily attributable to the increase in pledged bank deposits of approximately HK$5.5 million and the purchase of available-for-sale investment of HK$5.0 million.

Net cash used in investing activities for the year ended 31 March 2008 amounted to approximately HK$59.1 million, which was primarily attributable to the increase in pledged bank deposits of approximately HK$65.3 million.

Net cash generated from investing activities for the year ended 31 March 2009 amounted to approximately HK$69.4 million, which was primarily attributable to the decrease in pledged bank deposits of approximately HK$70.0 million.

Net cash generated from (used in) financing activities

Net cash generated from financing activities for the year ended 31 March 2007 amounted to approximately HK$5.0 million, which was mainly the difference between new bank borrowings raised of approximately HK$348.7 million and repayments of bank borrowings of approximately HK$306.9 million and dividends paid of HK$36.8 million.

Net cash used in financing activities for the year ended 31 March 2008 amounted to approximately HK$3.7 million, which was mainly the difference between new bank borrowings raised of approximately HK$406.5 million and repayments of bank borrowings of approximately HK$385.2 million and dividends paid of HK$25.0 million.

Net cash used in financing activities for the year ended 31 March 2009 amounted to approximately HK$244.7 million, which was the difference between new bank borrowings raised of approximately HK$138.0 million and repayments of bank borrowings of approximately HK$269.7 million and the dividends paid of HK$113.0 million.

MAJOR FINANCIAL RATIOS

	For the year ended 31 December		
	2007	**2008**	**2009**
Trade receivable turnover (days)(1)	58	49	63
Trade payable turnover (days)(2)	26	27	41
Gearing ratio(3)	30%	22.9%	4%
Current ratio(4)	1.68	1.53	1.59
Return on equity(5)	40.5%	34.7%	54.5%

Notes:

1. The trade receivable turnover is calculated based on the average of the beginning and ending balance of trade receivables, net of provision on impairment, for the year divided by revenue during the year and multiplied by 365 days.

2. The trade payable turnover is calculated based on the average of the beginning and ending balance of trade payables for the year divided by cost of sales for the year, and multiplied by 365 days.

3. The gearing ratio is calculated by dividing total borrowings with total assets as at the end of respective years multiplied by 100%.

4. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective years.

5. Return on equity equals the profit for each year divided by the ending balance of total equity as at the end of the respective years.

Trade receivable turnover

The majority of our Group's revenues are generated through fitting-out contracts and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The credit period of individual customer is considered on a case-by-case basis and set out in the relevant contracts, as appropriate. In general, the projects in Track Record Period were granted a credit period of 14 to 60 days. We receive payments from our customers in the form of advance payment and progress payment and the return of retention money. For some of the projects, our customers may pay an advance payment of 15% to 29% of the total contract sum to us at the beginning of the projects. Our customers usually retain 5% to 10% of the total contract sum of the projects as retention money. The remaining balance will mainly be in the form of progress payment to be billed periodically according to the progress of the projects.

Trade receivable turnover decreased from 58 days for the year ended 31 March 2007 to 49 days for the year ended 31 March 2008 because of the shorter credit terms given to our customers in respect of certain projects in Macau.

Trade receivable turnover increased to 63 days for the year ended 31 March 2009 because most of the projects in Macau of shorter credit terms had been completed before 31 March 2008 and two sizeable projects were nearly completed in March 2009 which resulted in higher trade receivable at that time.

Included in the allowance for doubtful debts as at 31 March 2007 were individually impaired trade receivables with an aggregate balance of HK$500,000 which was due from a debtor under severe financial difficulties. Up to 30 June 2009, approximately HK$207.5 million of the trade receivables, being approximately 85.7% of the trade receivables as at 31 March 2009, had been settled.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at each balance sheet dates:

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
1 – 30 days	79,274	190,991	223,802
31 – 60 days	42,437	56,042	7,185
61 – 90 days	20	–	5,865
Over 90 days	3,837	14,022	5,398
	125,568	261,055	242,250

Retentions receivable

	As at 31st March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Retentions receivable which:			
– will be recovered within twelve months	52,164	83,880	88,699
– will be recovered more than twelve months after the balance sheet date	31,591	27,793	26,215
	83,755	111,673	114,914

Retentions receivable is recognised immediately when the customers hold up a portion of each progress payments since payment of the first progress payment until 5% of the contract sum is reached rather than at the time when the certificate of completion is issued. Also, some of our fitting-out projects may last for over 12 months. For most of the fitting-out projects, half of the retentions receivable will generally be released to us by our customers after the issue of the certificate of practical completion and the remaining portion will be released after the defect liability period. Therefore, a significant portion of retentions receivable remained outstanding as at each balance sheet date.

As at 31 March 2009, retentions receivable, which would be recovered within 12 months, amounted to be approximately HK$88.7 million. Up to 30 June 2009, retentions receivable in the amount of approximately HK$3.6 million, which represented approximately 4% of the said retentions receivable of HK$88.7 million has been subsequently settled, leaving an amount of HK$85.1 million remained outstanding. Our Directors confirmed that the outstanding amount is related to projects which are currently either still in progress or under the defect liability period and hence is not overdue. Moreover, our Directors expect that approximately 48% of the said retentions receivable of approximately HK$88.7 million will be due and received by September 2009; 22% of the said retentions receivable of approximately HK$88.7 million will be due and received by December 2009; and 26% of the said retentions receivable of approximately HK$88.7 million will be due and received by March 2010. For the retentions receivable which will be recovered more than twelve months in the sum of approximately HK$26.2 million as at 31 March 2009, the Directors confirmed that such outstanding amount is related to projects which are in progress or under the defect liability period and hence is not overdue.

Trade payable turnover

Our trade payables excluding retentions payable are derived primarily from payables relating to the purchase of materials and subcontracting fees. The credit period is granted by our suppliers and subcontractors on a case-by-case basis. In general, the projects in Track Record Period were granted a credit period of approximately 30 days.

Trade payable turnover increased from 27 days for each of the year ended 31 March 2008 to 41 days for the year ended 31 March 2009. Since it is our practice to match the cash received by us with the payment to be paid by us in order to control our cash flow, we usually settle the trade payables after our trade receivables are settled. The increase in trade payable turnover was therefore in line with the increasing trend of our trade receivable turnover for the year ended 31 March 2009.

The aged analysis of contract creditors and suppliers is stated as follows:

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Contract creditors and suppliers			
Within 30 days	61,901	90,308	152,817
31 days to 60 days	7,203	11,399	6,689
61-90 days	2,796	3,625	1,780
Over 90 days	7,970	7,277	6,465
	79,870	112,609	167,751
Retentions payable	40,086	56,110	58,728
Other payables	10,391	103,047	127,041
	130,347	271,766	353,520

Our Directors confirm that trade payables aged over 90 days during the Track Record Period were not due to disputes with relevant creditors.

As at 31 March 2007, 2008 and 2009, retentions payable of approximately HK$20,178,000, HK$14,175,000 and HK$15,680,000 respectively are expected to be paid after more than one year. Retentions payable is recognised immediately after we deduct each progress payment from the subcontractors since payment of the first progress payment rather than at the time when the certificate of completion is issued. Also, some of our fitting-out projects may last for over 12 months and the retentions payable will generally be released by us to our subcontractors after the defect liability period. Therefore, a significant portion of retentions payable remained outstanding as at each balance sheet date.

Other payables generally include accrued expenses, temporary receipt and project deposit received. Other payables increased significantly from approximately HK$10.4 million for the year ended 31 March 2007 to approximately HK$103.0 million for the year ended 31 March 2008 and then to approximately HK$127.0 million for the year ended 31 March 2009 because of our participation of larger fitting-out projects in Macau and PRC, where the customers, unlike those in Hong Kong, would pay us deposit in advance. Such deposits amounted to approximately HK$88.8 million and HK$105.5 million for the years ended 31 March 2008 and 31 March 2009, respectively.

Gearing ratio

Gearing ratio decreased from 30% for the year ended 31 March 2007 to 22.9% for the year ended 31 March 2008 because of the increase in total assets as a result of sharp business growth.

Gearing ratio decreased to 4% for the year ended 31 March 2009 because of the decrease of bank borrowings.

Current ratio

We commenced our fitting-out business in Macau in 2005 and such business attained its peak in 2008. Therefore, higher working capital was required for 2008, resulting in lower liquidity in that year. As such, current ratio dropped from 1.68 for the year ended 31 March 2007 to 1.53 for the year ended 31 March 2008. The current ratio slightly increased to 1.59 for the year ended 31 March 2009.

Return on equity

Return on equity decreased from 40.5% for the year ended 31 March 2007 to 34.7% for the year ended 31 March 2008 because of the lower profitability resulting from increased labour and material costs for the year ended 31 March 2008 and increase in equity as a result of increase in accumulated profits. Return on equity increase to 54.5% for the year ended 31 March 2009 because of several projects whose profitability were equivalently influenced by higher labour and material costs had been completed before 31 March 2008 and the decrease of shareholders' fund as a result of the declaration of a dividend of HK$113 million.

Available-for-sale equity investment

As at 31 March 2007, our Group had an available for sale investment, being an unlisted mutual fund of HK$5 million. The fair value of the unlisted mutual fund was determined by reference to the quoted price provided by an authorised financial institution. The amount was denominated in US$. The fund was pledged to secure the banking facilities granted to our Group as at 31 March 2007.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements, that is, for at least in the next 12 months commencing from the date of this prospectus.

We strive to effectively manage its cash flow and capital commitments and to ensure that it has sufficient funds to meet its existing and future cash requirements. In addition to cash generated from our operations, we also seek bank borrowings to fund our working capital cash requirement. We have maintained long-term relationships with various commercial banks in Hong Kong, Macau and China and it is believed that the existing short-term bank loans will be accepted for renewal upon their maturity, if necessary. Since the beginning of the global financial tsunami, we have neither encountered major difficulties in securing and/or renewing bank borrowings, nor being charged an exceptionally high interest rate on the bank borrowings. In addition, the credit facilities currently available to our Group would not be tightened nor cancelled as a result of the any unfavourable financial results of our Group, in accordance with terms and conditions of the relevant bank loan agreements.

We expect to finance our operations through a combination of operating cash inflows, our proceeds from the Global Offering and/or bank borrowings.

OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, we did not enter into any material off-balance sheet transactions.

JOINTLY-CONTROLLED ENTITY

Sundart (Middle East) occupies two out of four directorships in Sundart Interior and the following key operating activities of the Sundart Interior require the joint authorisation of Sundart (Middle East) and Abdullateef M. A Al-Kuwari, the 47% and 51% equity holders of Sundart Interior respectively:

(a) all tenders of Sundart Interior;

(b) all commercial contracts;

(c) all single payments of more than QAR50,000; and

(d) all tax and government documents.

In addition, certain key financial and operating decisions of Sundart Interior require unanimous consent of all its shareholders in general meetings pursuant to the SI-JV Agreement, examples of which are:

(a) any changes in its articles of association;

(b) any change in capital and debt structure, including any variation in its share capital, any placing under option of its shares or other securities (if any) whatsoever, all calls in respect of its shares or other securities (if any) and any borrowings which taken together with any existing borrowings of it, cause the aggregate borrowings of it to exceed one hundred percent of the nominal value of the share capital of it from time to time;

(c) any change in dividend policy or any capitalisation of profits or reserves, or the approval, declaration or payment of dividends; and

(d) any proposal for company's reconstruction, consolidation, amalgamation or merger with, or acquisition by, another corporation.

Hence, Sundart (Middle East) is unable to exercise control over Sundart Interior as defined under Hong Kong Accounting Standard 27 Consolidated and Separate Financial Statements. Since certain key operating activities require the joint authorisation of the said two shareholders and other key financial and operating activities requires the unanimous consent of all of its shareholders, Sundart Interior is classified as a jointly-controlled entity of our Group.

NET CURRENT ASSETS AND INDEBTEDNESS

Net current assets as at 30 June 2009

As at 30 June 2009, being the latest practicable date for the preparation of the working capital sufficiency statement in this prospectus, we had net current assets of approximately HK$332.4 million, comprising current assets of approximately HK$830.6 million and current liabilities of approximately HK$498.2 million. The following table sets out the composition of our unaudited current assets and liabilities as at 30 June 2009:

	HK$'000 *(unaudited)*
Current assets	
Trade and other receivables	427,338
Amounts due from customers for contract work	60,803
Retentions receivable	147,296
Tax recoverable	40
Amounts due from related parties	23,819
Pledged bank deposits	829
Bank balances and cash	170,440
	830,565
Current liabilities	
Trade and other payables	237,167
Bills payable	13,466
Amount due to a related party	8,318
Amounts due to customers for contract work	159,749
Tax payable	47,242
Bank borrowings	32,250
	498,192
Net current assets	332,373

Indebtedness

As at 30 June 2009, being the latest practicable date for the purpose of this statement prior to the printing of this prospectus, we had total bank borrowings of approximately HK$32,250,000, which were secured by certain trade receivables of the Group and personal guarantees given by certain directors, including Mr. Chan, a Controlling Shareholder. It is expected that the guarantees will be released and will be replaced by guarantees from our Company upon the Listing. We have no present intention to raise any funds by means of debt financing after the Listing.

Our Directors confirm that, taking into consideration the financial resources available to us as at 30 June 2009, including banking facilities and other internal resources, we have sufficient working capital for our requirements as at 30 June 2009, including funds necessary to meet our contractual obligations, maintain our operations and complete our existing projects that were under progress as at 30 June 2009. Other than the risk factors set out in the section headed "Risk factors" in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity as at 30 June 2009, including those that may materially and adversely affect our future cash requirements associated with trends known to our Group. As at 30 June 2009, our Directors are not aware of any change in the applicable legal and regulatory requirements that would have a material adverse impact on our Group's liquidity.

Cash flows

Our Group has financed our operations and growth mainly through a combination of cash from operations and external borrowings and we applied our cash mainly to finance our operations and capital expenditures and to repay our borrowings. As at 30 June 2009, save as disclosed in the section headed "Future plan and use of proceeds" in this prospectus, our Directors are not aware any material change to the sources of cash of our Group and the use of cash by our Group. Our Directors are of the view that as at the Latest Practicable Date, the recent global economic downturn had no material adverse effect on the liquidity position of our Group.

Prior to the Listing, we funded our operations principally from the revenue derive from contract work and through bank borrowings. Our principal liquidity and capital requirements were mainly related to the following:

- payment of dividends to their then shareholders;
- costs and expenses related to the operation of our business and procurement of materials and raw materials; and
- capital expenditures for the purchase of equipment and investment properties.

After the Listing, we expect to meet our liquidity needs from cash generated from our operations, and debt and equity financings, including the proceeds of the Global Offering.

Capital expenditures

During the Track Record Period, we incurred capital expenditure mainly for the purchase of properties and equipment. Our capital expenditures were approximately HK$0.3 million, HK$0.2 million and HK$1.5 million for the three years ended 31 March 2009 respectively.

We anticipate that the funds needed to finance the capital expenditures will be financed by cash generated from our operations and bank borrowings, as well as net proceeds from the Global Offering. If necessary, we may raise additional funds on terms that are acceptable to us.

Our current plan with respect to future capital expenditures may be subject to change based on the implementation of our business plan, including potential acquisitions, the progress of our fitting-out projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong, Macau and other jurisdiction(s) in which we operate.

Operating lease commitments – Group as lessee

At the balance sheet dates, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,699	2,746	2,108
In the second to fifth years inclusive	2,105	66	902
	4,804	2,812	3,010

Leases for rented premises are negotiated for a period of one to three years with fixed rental.

Contingent liabilities

Our Directors confirm that there were no material contingent liabilities as at 30 June 2009. We are currently not involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

Disclaimers

Save as disclosed in the sections headed "Financial information – Net current assets and indebtedness – Indebtedness" and "Financial information – Net current assets and indebtedness – Contingent liabilities" in this prospectus, and apart from intra-group liabilities, we did not have, at the close of business on 30 June 2009, any outstanding loan capital issued and outstanding or agreed to be issued loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has been no material change in indebtedness, commitments and contingent liabilities of our Group since 30 June 2009.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We during our conduct of business are exposed to various types of market risks including currency risk, interest rate risk, price risk, credit risk and liquidity risk.

Currency risk

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

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

Interest rate risk

Our Group's interest rate risk arises from pledged bank deposits, bank balances and bank borrowings. Our Group is exposed to the fair value interest rate risk in relation to the fixed-rate pledged bank deposits. Our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Our Group does not have an interest rate hedging policy. However, the management of our Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Other price risk

Our Group's available-for-sale investment was measured at fair value as at 31 March 2007. Therefore, our Group was exposed to equity security price risk before the investment was disposed of during the year ended 31 March 2008. The management closely monitors the performance of our Group's investments and would consider risk management actions should the need arise.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at each of the balance sheet dates in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined balance sheet. In order to minimise the credit risk, management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade receivable and other receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our Group's credit risk is significantly reduced. Most of the customers and trade receivables of the Group are located in Hong Kong and Macau. Our Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Our Group's bank balances are deposited with banks with high credit-ratings, so our Group has limited credit risk on liquid funds.

Liquidity risk

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

Our Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2007, 2008 and 2009, our Group has available unutilised short-term bank loan facilities of approximately HK$161,840,000, HK$91,471,000 and HK$268,723,000, respectively.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS

As at the Latest Practicable Date, we owned one property located in the PRC with an aggregate floor area of approximately 159 sq.m. for office uses and leased 30 properties located in Hong Kong, Macau and Qatar with an aggregate floor area of approximately 5,179 sq.m. for office, staff quarter, carpark and warehouse uses. For more details of our leased properties, please refer to the valuation report as set out in Appendix IV in this prospectus.

The table below shows the reconciliation of aggregate amounts of land and buildings from our Group's audited combined balance sheet as at 31 March 2009 to the unaudited net book value of our Group's property interests as at 30 June 2009.

	HK$'000
Net book value of land and building as at 31 March 2009	4,368
Movements for the three months ended 30 June 2009	
– Depreciation and amortisation	(25)
Net Book Value as at 30 June 2009	4,343
Valuation surplus	287
Valuation as at 30 June 2009 per Appendix IV to this prospectus	4,630

UNAUDITED PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2009[1]

Forecast combined profit attributable to equity holders of our Company[2] . . . . Not less than HK$112 million

Unaudited pro forma forecast basic earnings per Share[3] . . . . Not less than HK$0.23

Notes:

1. Pursuant to Rule 11.18 of the Listing Rules, our Company has given an undertaking to the Stock Exchange that the interim financial statements of our Group for the six months ending 30 September 2009 will be audited.

2. The bases and assumptions on which the forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2009 has been prepared are summarised in Appendix III to this prospectus. The forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2009 is based on the unaudited management accounts of our Group for the three months ended 30 June 2009 and a forecast of the results of our Group for the remaining three months ending 30 September 2009.

3. The calculation of the unaudited pro forma forecast basic earnings per Share is based on the forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2009 assuming that the Global Offering had occured on 1 April 2009 and a total of 480,000,000 Shares (including the Shares in issue as at 3 August 2009 and the Shares to be issued under the Capitalisation Issue and the Global Offering) had been in issue during that period, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to under the section headed "Further information about our Company – Written resolutions of all the Shareholder passed on 3 August 2009" in Appendix VI to this prospectus.

DIVIDEND POLICY

Subsidiaries of our Company have declared dividends to our then equity holders of HK$36.8 million, HK$25.0 million and HK$113.0 million, respectively, during the Track Record Period. In addition, Sundart Holdings had declared a dividend in the sum of HK$120.0 million on 30 July 2009 in the form of cash to its then equity holders, which was paid on 5 August 2009. For the avoidance of doubt, the holders of Offer Shares will not be entitled to any of the aforesaid dividends.

We paid our pre-IPO dividends using net cash generated from our operating activities and did not obtain external funding for the distributions. The Directors confirm that payments of the aforementioned pre-IPO dividends have all been settled before the Listing.

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

RECENT DEVELOPMENTS

The pressure experienced by global capital and credit markets that began in the second half of 2007 continues and substantially increased during the second half of 2008. Concerns over the availability and cost of credit, the U.S. mortgage market, energy costs, inflation, and a declining U.S. real estate market have contributed to increased volatility and diminished expectations for the global economy and the financial markets going forward. These factors, combined with declining business and increased unemployment in the United States and Europe, have precipitated a recession worldwide. The PRC and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals have resulted in an economic slowdown, which has in turn affected corporates' spending preferences and patterns including property developers and hotel owners.

We believe we managed to continue to maintain profitability despite the economic downturn primarily as a result of our experienced management team, proven track record and excellent cost-saving measures by having arrangements with major suppliers and subcontractors.

Furthermore, we believe our revenue and net profit level will improve in subsequent periods as a result of (i) an expected stabilisation and recovery from the economic downturn during the later part of 2009, thereby improving sentiment of property developers and hotel owners to spend on fitting-out works, (ii) our development in the business of sourcing and distribution of interior decorative materials; and (iii) our further expansion into new markets such as Qatar and Abu Dhabi.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 33 of section (A) to the accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 27 April 2009 and has not carried out any business since the date of its incorporation save for investment holdings and the transactions related to the Reorganisation. Accordingly, save for the special reserve of HK$66,139,220 arising from the Reorganisation, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets prepared based on our combined net assets as at 31 March 2009 contained in the accountants' report set out in Appendix I to this prospectus and adjusted as described below:

	Audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2009	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share
	HK$' million	*HK$' million*	*HK$' million*	*HK$*
Based on the minimum indicative Offer Price of HK$3.33 per Share	262.7	363.0	625.7	1.30
Based on the maximum indicative Offer Price of HK$4.18 per Share	262.7	461.4	724.1	1.51

Notes:

1. The audited combined net tangible assets of our Group attributable to the equity holders of our Company as at 31 March 2009 are based on the audited combined net assets attributable to the equity holders of our Company as at 31 March 2009 of approximately HK$263,477,000 as set out in Appendix I to this prospectus after deducting goodwill of approximately HK$746,000.

2. The estimated net proceeds from the Global Offering are based on the maximum and minimum indicative Offer Price of HK$4.18 and HK$3.33, respectively, after deduction of the underwriting fees and other related expenses payable by our Company without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis of 480,000,000 Shares (including the Shares in issue as at 3 August 2009 and the Shares to be issued under the Capitalisation Issue and the Global Offering) are in issue and that the Over-allotment Option and the options that may be granted under the Share Option Scheme are not exercised.

4. The property interests were valued by Jones Lang LaSalle Sallmanns Limited and the valuation report in respect of which was set out in Appendix IV to this prospectus. According to the valuation report, the property interests as at 30 June 2009 amounted to approximately HK$4,630,000. Comparing this

amount with the unaudited net carrying value of the property interests as at 30 June 2009 of approximately HK$4,343,000, there was a surplus of HK$287,000. Had the property interests been stated at revaluation, additional annual depreciation of approximately HK$6,000 would have been charged. The surplus on revaluation will not be reflected in our Group's consolidated financial statements in subsequent years as our Group has elected to measure the property interests which are classified as property, plant and equipment at cost less accumulative depreciation and impairment in accordance with Hong Kong Accounting Standard 16 Property, Plant and Equipment at cost model.

5. The unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company and the unaudited pro forma adjusted net tangible assets per Share as at 31 March 2009 do not take into account the special dividend of HK$120,000,000 declared by the Sundart Holdings on 30 July 2009. The dividend was paid on 5 August 2009.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 31 March 2009, the end of period reported in the accountants' report set out in Appendix I to this prospectus, and there has been no event since 31 March 2009 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.