The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VII to this prospectus, a copy of the accountants' report is available for inspection.

Deloitte.
德勤

11th August 2009

The Directors
Sundart International Holdings Limited
ICBC International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Sundart International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st March, 2009 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 11th August, 2009 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 1961, as consolidated and revised) of the Cayman Islands on 27th April, 2009. Pursuant to a corporate reorganisation ("Reorganisation"), as more fully explained in the paragraph headed "History, reorganisation and group structure" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 3rd August, 2009.

As at the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of the company	Place and date of incorporation/ establishment	Equity interest attributable to the Group as at 31st March, 2007	2008	2009	Date of this report	Issued and fully paid share capital/paid up registered capital	Principal activities
Sundart Holdings Limited ("Sundart Holdings")	British Virgin Islands ("BVI") 21st May, 2001	100%	100%	100%	100%	US$5,100	Investment holding
Sundart Investments Limited ("Sundart Investments ")	Hong Kong 7th April, 2005	100%	100%	100%	100%	HK$1,000	Investment holding

Name of the company	Place and date of incorporation/ establishment	Equity interest attributable to the Group as at 31st March, 2007	2008	2009	Date of this report	Issued and fully paid share capital/paid up registered capital	Principal activities
Sundart Timber Products Company Limited ("Sundart Timber")	Hong Kong 10th January, 1995	100%	100%	100%	100%	HK$46,510,000	Investment holding and supply and installation of timber doors and floorsets and interior fitting-out works
Sundart Investments (Middle East) Limited (formerly known as Giovanni & Company Limited) ("Sundart Middle East")	Hong Kong 4th November, 2002	100%	100%	100%	100%	HK$17,000	Investment holding
Sundart International Supply Limited (formerly known as Sundart Home Planner Limited) ("Sundart International")	Hong Kong 4th November, 2002	100%	100%	100%	100%	HK$10,000	Sourcing and distribution of interior decorative materials
Sundart Engineering & Contracting (Beijing) Limited[#] ("Sundart Beijing")	The People's Republic of China ("PRC") 19th September 2003	100%	100%	100%	100%	HK$28,000,000	Supply and installation of timber doors and floorsets and interior fitting-out works
Sundart Engineering Services (Macau) Limited ("Sundart Macau")	Macau 18th March, 2005	100%	100%	100%	100%	MOP$100,000	Supply and installation of timber doors and floorsets and interior fitting-out works
Sundart Products Limited ("Sundart Products")	BVI 11th November, 2008	N/A	N/A	100%	100%	US$1	Investment holding
Sundart Development Limited ("Sundart Development")	BVI 21st May, 2008	N/A	N/A	100%	100%	US$1	Investment holding
Sundart Engineering Limited[##] ("Sundart Engineering")	Hong Kong 12th September 1986	100%	N/A	N/A	N/A	HK$6,666,667	Supply and installation of timber doors and floorsets and interior fitting-out works
Sundart Build Idea Limited[###] ("Sundart Build Idea")	Hong Kong 15th August, 2007	N/A	65%	N/A	N/A	HK$1,000	Inactive

The entity is a wholly foreign owned enterprise established in the PRC.

Sundart Engineering was disposed of to an independent third party during the year ended 31st March, 2008 as set out in note 28 of section (A).

Sundart Build Idea was deregistered during the year ended 31st March, 2009.

Other than Sundart Holdings, all of the Company's subsidiaries are indirectly held by the Company.

All the companies within the Group, except Sundart Beijing, adopt 31st March as financial year end date. Sundart Beijing adopts 31st December as financial year end date.

No statutory audited financial statements have been prepared for the Company, Sundart Products and Sundart Development since their respective dates of incorporation, as these companies have not carried on any business other than acting as investment holding companies and they are incorporated in country where there is no statutory audit requirement.

No statutory audited financial statements have been issued for Sundart Build Idea since its incorporation.

The audited financial statements of Sundart Beijing for each of the three years ended 31st December 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 北京文信會計師事務所有限責任公司, the certified public accountants registered in the PRC.

We have acted as statutory auditor of Sundart Investments, Sundart Timber, Sundart Middle East and Sundart International for each of the three years ended 31st March, 2009.

We have acted as statutory auditor of Sundart Engineering for the year ended 31st March, 2007.

We have audited the financial statements of Sundart Macau for each of the three years ended 31st March 2009.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the audited consolidated financial statements of Sundart Holdings (the "Underlying Financial Statements") which are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the basis set out in Note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

We have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Sundart Holdings who approve their issues. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st March, 2007, 2008 and 2009 and of the combined results and combined cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Combined income statements

	NOTES	Year ended 31st March, 2007 HK$'000	2008 HK$'000	2009 HK$'000
Revenue	7	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	8	1,838	3,274	2,627
Gain on disposal of subsidiaries	28	2,554	379	–
Administrative expenses		(40,366)	(36,050)	(35,659)
Other expenses		(4,920)	(1,266)	(1,656)
Finance costs	9	(7,413)	(10,984)	(2,920)
Profit before taxation		82,824	92,575	167,517
Income tax expenses	11	(12,382)	(12,071)	(23,810)
Profit for the year	12	70,442	80,504	143,707
Dividends	13	36,800	25,000	113,000
Earnings per share				
Basic (HKD)	14	9.98	0.30	0.40

Combined balance sheets

	NOTES	As at 31st March, 2007 HK$'000	2008 HK$'000	2009 HK$'000
Non-current assets				
Investment properties	15	4,010	–	–
Property, plant and equipment	16	1,192	5,135	6,000
Goodwill	17	746	746	746
		5,948	5,881	6,746
Current assets				
Trade and other receivables	18	163,205	285,540	320,047
Amounts due from customers for contract work	19	171,496	141,287	70,056
Retentions receivable	18	83,755	111,673	114,914
Tax recoverable		3,083	1,293	43
Available-for-sale investment	20	5,000	–	–
Pledged bank deposits	21	5,506	70,790	809
Bank balances and cash	21	25,144	81,064	191,074
		457,189	691,647	696,943
Current liabilities				
Trade and other payables	22	130,347	271,766	353,520
Bills payable	22	996	370	2,291
Amount due to a related company	23	–	–	5,181
Amounts due to customers for contract work	19	6,474	10,302	15,512
Tax payable		12,365	22,653	35,017
Bank borrowings	24	122,326	148,362	26,667
		272,508	453,453	438,188
Net current assets		184,681	238,194	258,755
Total assets less current liabilities		190,629	244,075	265,501
Capital and reserves				
Share capital	26	1	40	40
Reserves		173,845	231,924	263,437
		173,846	231,964	263,477
Non-current liabilities				
Bank borrowings	24	16,500	11,666	1,667
Deferred taxation	25	283	445	357
		16,783	12,111	2,024
Total equity and non-current liabilities		190,629	244,075	265,501

Combined statements of changes in equity

	Share capital *HK$'000*	Share premium *HK$'000*	Legal reserve *HK$'000* *(Note)*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1st April, 2006	1	66,799	–	509	71,761	139,070
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	1,306	–	1,306
Release of translation reserve upon disposal of subsidiaries	–	–	–	(172)	–	(172)
Profit for the year	–	–	–	–	70,442	70,442
Total recognised income for the year	–	–	–	1,134	70,442	71,576
Dividends paid	–	–	–	–	(36,800)	(36,800)
At 31st March, 2007	1	66,799	–	1,643	105,403	173,846
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	2,013	–	2,013
Release of translation reserve upon disposal of subsidiaries	–	–	–	562	–	562
Profit for the year	–	–	–	–	80,504	80,504
Total recognised income for the year	–	–	–	2,575	80,504	83,079
Issue of shares	39	–	–	–	–	39
Transfer of reserve	–	–	49	–	(49)	–
Dividends paid	–	–	–	–	(25,000)	(25,000)
At 31st March, 2008	40	66,799	49	4,218	160,858	231,964
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	806	–	806
Profit for the year	–	–	–	–	143,707	143,707
Total recognised income for the year	–	–	–	806	143,707	144,513
Dividends paid	–	–	–	–	(113,000)	(113,000)
At 31st March, 2009	40	66,799	49	5,024	191,565	263,477

Note: In accordance with the provisions of the Macau Commercial Code, Sundart Macau is required to transfer a minimum of 25% of its profit for the Relevant Periods to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of Sundart Macau. This reserve is not distributable to the shareholders.

Combined cash flow statements

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	82,824	92,575	167,517
Adjustments for:			
Depreciation	710	624	753
Gain on disposal of subsidiaries	(2,554)	(379)	–
Loss (gain) on disposal of property, plant and equipment	41	(6)	(8)
Gain on disposal of available-for-sale investment	–	(197)	–
Write off of trade and other receivables	344	1,165	–
Interest income	(808)	(1,168)	(932)
Interest expense	7,413	10,984	2,920
Decrease in fair value of investment properties	3,442	–	–
Operating cash flows before movements in working capital	91,412	103,598	170,250
Increase in inventories	(362)	–	–
Decrease (increase) in trade and other receivables	21,837	(123,952)	(34,507)
(Increase) decrease in amounts due from customers for contract work	(117,426)	30,650	71,231
Increase in retentions receivable	(18,794)	(28,819)	(3,241)
Decrease in amounts due from related companies	38,372	–	–
Increase in trade and other payables	59,136	142,101	81,754
(Decrease) increase in bills payable	(252)	(626)	1,921
(Decrease) increase in amounts due to customers for contract work	(27,968)	3,828	5,210
(Decrease) increase in amount due to a related company	(13,151)	–	5,181
Cash generated from operations	32,804	126,780	297,799
Interest paid	(7,413)	(10,984)	(2,920)
Income tax refund	–	1,895	127
Income tax paid	(9,928)	(242)	(10,421)
Net cash generated from operating activities	15,463	117,449	284,585

	NOTES	Year ended 31st March, 2007 HK$'000	2008 HK$'000	2009 HK$'000
Investing activities				
Purchases of property, plant and equipment		(346)	(200)	(1,516)
Proceeds from disposal of property, plant and equipment		88	75	16
Interest received		808	1,168	932
Disposal of subsidiaries	28	(1,873)	(15)	–
Proceeds from disposal of available-for-sale investment		–	5,197	–
(Increase) decrease in pledged bank deposits		(5,506)	(65,284)	69,981
Purchase of available-for-sale investment		(5,000)	–	–
Acquisition of assets and liabilities through acquisition of a subsidiary	27	37	–	–
Net cash (used in) generated from investing activities		(11,792)	(59,059)	69,413
Financing activities				
New bank borrowings raised		348,708	406,544	137,992
Repayments of bank borrowings		(306,917)	(385,259)	(269,686)
Proceeds from issue of shares		–	39	–
Dividends paid		(36,800)	(25,000)	(113,000)
Net cash generated from (used in) financing activities		4,991	(3,676)	(244,694)
Net increase in cash and cash equivalents		8,662	54,714	109,304
Cash and cash equivalents at 1st April		15,427	25,144	81,064
Effect of foreign exchange rate changes		1,055	1,206	706
Cash and cash equivalents at 31st March, represented by				
Bank balances and cash		25,144	81,064	191,074

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined income statements, combined statements of changes in equity and combined cash flow statements are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entity, where this is a shorter period. The combined balance sheets as at 31st March, 2007, 2008 and 2009, present the assets and liabilities of the companies now comprising the Group which had been incorporated/established as at the relevant balance sheet dates as if the current group structure had been in existence at those dates. Pursuant to the Reorganisation completed on 3rd August, 2009, the Company was incorporated and interspersed between Sundart Holdings and the shareholders of Sundart Holdings and became the holding company of Sundart Holdings and its subsidiaries.

The Financial Information is presented in Hong Kong Dollars ("HKD"), which is the same as the functional currency of the Company and its subsidiary, Sundart Holdings.

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

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – INT") (hereinafter collectively referred to as the "New HKFRSs") which are effective for the Group's financial year beginning on 1st April, 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 2 (Amendment)	Group cash – settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives[6]
HK(IFRIC) – INT 13	Customer loyalty programmes[7]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[8]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[4]
HK(IFRIC) – INT 18	Transfer of assets from customers[9]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.

[2] Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1st January, 2009.

[4] Effective for annual periods beginning on or after 1st July, 2009.

[5] Effective for annual periods beginning on or after 1st January, 2010.

[6] Effective for annual periods ending on or after 30th June, 2009.

[7] Effective for annual periods beginning on or after 1st July, 2008.

[8] Effective for annual periods beginning on or after 1st October, 2008.

[9] Effective for transfers on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for the business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the Group's accounting treatment on changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out below. The Financial Information has been prepared in accordance with accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial information of the entities controlled by the Company (subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Business combinations

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st April, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the combined balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the combined income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or deemed cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings originally classified as investment properties carried at fair value is transferred to property, plant and equipment at a deemed cost equal to its fair value at the date of commencement of owner-occupation.

Depreciation is provided to write off the cost or deemed cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

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

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.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the combined income statement in the year in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the combined income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to combined income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the combined balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories of financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment loss on available-for-sale equity investment will not reverse in profit or loss in subsequent periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables (including trade and other receivables, retentions receivable, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets 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. For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- 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 the 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 assets carried at amortised cost, 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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The key sources of estimation uncertainty and critical judgements that can significantly affect the amounts recognised in the Financial Information are set out below.

Critical judgement on determination of functional currency of the Company and Sundart Holdings

The Group operates in Hong Kong, Macau and PRC. Its revenue and expenses are denominated in the respective local currency of the subsidiaries it operates which includes HKD, Macau Pataca ("MOP") and RMB which are the functional currencies of the respective subsidiaries. In determining the functional currency of the Company and Sundart Holdings, the management has carefully considered the currencies that mainly affect its revenue and operating expenses and the currency of funds from financing activities. The management considered HKD is able to represent most faithfully the economic environment the Group operates because substantial revenue and financing activity of the Group are denominated in HKD and therefore selected HKD as the functional currency of the Company and Sundart Holdings.

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

The Group's contract profit or loss arising from supply and installation contracts is estimated by reference to the latest available budgets of individual supply and installation contracts prepared by the management of the Company. The estimation of budget contract costs is based on management's best estimates and judgments. Contract costs include costs for interior decorative materials, labour costs and subcontractor fees. If the price of interior decorative materials or the wages of labour or the subcontracting fees varied significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

5. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditors' and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of debt, which include bank borrowings disclosed in note 24 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	254,948	541,482	593,712
Available-for-sale investment	5,000	–	–
	259,948	541,482	593,712
Financial liabilities			
Amortised cost	270,015	340,555	269,171

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, retentions receivable, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets			Liabilities		
	As at 31st March,			As at 31st March,		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HKD against MOP	16,231	61,551	82,493	81,692	24,316	17,471
United States Dollars ("USD")	–	–	870	5,277	3,069	1,248
Euro	–	–	10,737	1,500	–	2,377

Sensitivity analysis

As HKD is pegged to USD and the exchange rate of HKD/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HKD and HKD/MOP exchange rates. As a result, the directors of the Company consider that the sensitivity of the Group's exposures towards the change in foreign exchange rates between USD/HKD and HKD/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against Euro. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding Euro denominated monetary items and adjusts its translation at the year end for a 5% change in HKD/Euro exchange rate. A positive (negative) number below indicates an increase (decrease) in profit for the year where Euro strengthens 5% against HKD. For a 5% weakening of Euro against HKD there would be an equal and opposite impact on the profit for the year below:

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
(Decrease) increase in post-tax profit	(62)	–	349

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's interest rate risk arises from pledged bank deposits, bank balances and bank borrowings. The Group is exposed to the fair value interest rate risk in relation to the fixed-rate pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 24 for details). The Group does not have an interest rate hedging policy. However, the management of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet dates. The Group's interest rate risk exposure for bank deposits and bank balances is insignificant, therefore a sensitivity analysis is not presented. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profits for the years ended 31st March, 2007, 2008 and 2009 would decrease/increase by approximately HK$584,000, HK$660,000 and HK$118,000 respectively.

Other price risk

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at 31st March, 2007. If the prices of the available-for-sale investment had been 5% higher/lower, investment valuation reserve as at 31st March, 2007 would increase/decrease by approximately HK$250,000 for the Group as a result of the changes in fair value of available-for-sale investment.

Credit risk

The 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 the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Most of the customers and trade receivables of the Group are located in Hong Kong and Macau. The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

Liquidity risk

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

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. It has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Less than 4 months	Between 4 to 6 months	Between 7 to 12 months	Between 1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st March, 2007							
Non-derivative financial liabilities							
Trade and other payables	–	99,816	3,279	6,920	20,178	130,193	130,193
Bills payable	–	996	–	–	–	996	996
Bank borrowings	5.35%	62,036	34,659	29,589	17,123	143,407	138,826
		162,848	37,938	36,509	37,301	274,596	270,015
As at 31st March, 2008							
Non-derivative financial liabilities							
Trade and other payables	–	144,170	10,192	11,620	14,175	180,157	180,157
Bills payable	–	370	–	–	–	370	370
Bank borrowings	3.40%	73,437	31,057	46,623	11,904	163,021	160,028
		217,977	41,249	58,243	26,079	343,548	340,555
As at 31st March, 2009							
Non-derivative financial liabilities							
Trade and other payables	–	204,392	7,446	11,028	15,680	238,546	238,546
Bills payable	–	2,291	–	–	–	2,291	2,291
Bank borrowings	1.73%	9,783	13,732	3,372	1,675	28,562	28,334
		216,466	21,178	14,400	17,355	269,399	269,171

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, except for the fair value of unlisted mutual fund which was determined by reference to the quoted prices provided by a financial institution.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the net amounts received and receivable for sourcing and distribution of interior decorative materials and fitting-out works rendered by the Group to outside customers, net of discounts. An analysis of the Group's revenue for the Relevant Periods is as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from fitting-out works	898,364	1,443,742	1,465,230
Sourcing and distribution of interior decorative materials	22,970	–	–
	921,334	1,443,742	1,465,230

Segment information

The Group reports the geographical segments by location of customers as the Group's primary segment information. The Group's customers are mainly located in Hong Kong, Macau and the PRC (excluding Hong Kong and Macau).

The following table provides an analysis of the Group's results, assets and liabilities by geographical segments based on location of customers:

Combined income statement for the year ended 31st March, 2007

	Hong Kong	**Macau**	**PRC**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	310,754	500,493	110,087	921,334
Segment result	18,932	84,324	(2,694)	100,562
Unallocated corporate expenses				(13,734)
Unallocated corporate income				855
Gain on disposal of subsidiaries	2,554	–	–	2,554
Finance costs				(7,413)
Profit before taxation				82,824
Income tax expenses				(12,382)
Profit for the year				70,442

Combined balance sheet as at 31st March, 2007

	Hong Kong *HK$'000*	Macau *HK$'000*	PRC *HK$'000*	Combined *HK$'000*
ASSETS				
Segment assets	183,292	204,339	31,435	419,066
Unallocated corporate assets				44,071
				463,137
LIABILITIES				
Segment liabilities	55,629	64,885	16,936	137,450
Unallocated corporate liabilities				151,841
				289,291

Other information for the year ended 31st March, 2007

	Hong Kong *HK$'000*	Macau *HK$'000*	PRC *HK$'000*	Unallocated *HK$'000*	Combined *HK$'000*
Additions of property, plant and equipment	–	–	–	346	346
Depreciation of property, plant and equipment	416	49	245	–	710
Write-off of trade and other receivables	306	–	38	–	344
Loss on disposal of property, plant and equipment	–	–	–	41	41

Combined income statement for the year ended 31st March, 2008

	Hong Kong *HK$'000*	Macau *HK$'000*	PRC *HK$'000*	Combined *HK$'000*
Revenue	445,686	939,106	58,950	1,443,742
Segment result	7,961	104,314	(919)	111,356
Unallocated corporate expenses				(9,540)
Unallocated corporate income				1,364
Gain on disposal of subsidiaries	379	–	–	379
Finance costs				(10,984)
Profit before taxation				92,575
Income tax expenses				(12,071)
Profit for the year				80,504

Combined balance sheet as at 31st March, 2008

	Hong Kong	Macau	PRC	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	212,342	290,761	39,909	543,012
Unallocated corporate assets				154,516
				697,528
LIABILITIES				
Segment liabilities	92,319	168,247	21,233	281,799
Unallocated corporate liabilities				183,765
				465,564

Other information for the year ended 31st March, 2008

	Hong Kong	Macau	PRC	Unallocated	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property, plant and equipment	–	–	–	200	200
Depreciation of property, plant and equipment	265	49	310	–	624
Write-off of trade and other receivables	1,165	–	–	–	1,165

Combined income statement for the year ended 31st March, 2009

	Hong Kong	Macau	PRC	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	867,908	547,786	49,536	1,465,230
Segment result	118,676	66,463	(3,900)	181,239
Unallocated corporate expenses				(11,734)
Unallocated corporate income				932
Finance costs				(2,920)
Profit before taxation				167,517
Income tax expenses				(23,810)
Profit for the year				143,707

Combined balance sheet as at 31st March, 2009

	Hong Kong	Macau	PRC	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	287,417	187,748	29,502	504,667
Unallocated corporate assets				199,022
				703,689
LIABILITIES				
Segment liabilities	181,800	163,298	30,199	375,297
Unallocated corporate liabilities				64,915
				440,212

Other information for the year ended 31st March, 2009

	Hong Kong	Macau	PRC	Unallocated	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property, plant and equipment	–	–	–	1,516	1,516
Depreciation of property, plant and equipment	263	201	289	–	753

Business segments

For management purposes, the Group's three geographic divisions are currently organised into four operating divisions, including fitting-out works for hotel and serviced apartment, residential buildings and others and sourcing and distribution of interior decorative materials. The following table provides an analysis of the Group's sales by business operations:

	Revenue from external customers Year ended 31st March,		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Fitting-out works			
– Hotel and serviced apartment	528,156	1,025,647	843,477
– Residential buildings	338,840	343,779	598,251
– Others (including schools, commercial buildings and shopping arcades)	31,368	74,316	23,502
Sourcing and distribution of interior decorative materials	22,970	–	–
	921,334	1,443,742	1,465,230

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the business operations in which the assets are used for:

	Carrying amount of segment assets As at 31st March,			**Additions to property, plant and equipment As at 31st March,**		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fitting-out works						
– Hotel and serviced apartment	227,422	343,714	281,842	–	–	–
– Residential buildings	184,319	174,716	203,522	–	–	–
– Others	7,325	24,582	19,303	–	–	–
Sourcing and distribution of interior decorative materials	–	–	–	–	–	–
Unallocated	44,071	154,516	199,022	346	200	1,516
	463,137	697,528	703,689	346	200	1,516

8. OTHER INCOME

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	808	1,168	932
Rental income	174	127	–
Others	856	1,979	1,695
	1,838	3,274	2,627

9. FINANCE COSTS

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

10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company during the Relevant Periods were as follows:

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits			
Executive directors:			
Mr. Chan William ("Mr. Chan")	–	–	960
Mr. Ng Tak Kwan ("Mr. Ng")	1,080	1,200	1,200
Mr. Leung Kai Ming ("Mr. Leung") *(Note)*	339	–	–
Mr. Wong Kim Hung, Patrick ("Mr. Wong")	840	840	840
Mr. Yip Chun Kwok, Sunny	–	–	900
Independent non-executive directors:			
Mr. To King Yan, Adam	–	–	–
Mr. Wong Hoi Ki	–	–	–
Mr. Wong Kwok Wai, Albert	–	–	–
	2,259	2,040	3,900

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Retirement benefit scheme contributions			
Executive directors:			
Mr. Chan	–	–	12
Mr. Ng	12	12	12
Mr. Leung	4	–	–
Mr. Wong	12	12	12
Mr. Yip Chun Kwok	–	–	12
Independent non-executive directors:			
Mr. To King Yan, Adam	–	–	–
Mr. Wong Hoi Ki	–	–	–
Mr. Wong Kwok Wai, Albert	–	–	–
	28	24	48

Note: Mr. Leung resigned as an executive director of Sundart Holdings on 14th July, 2006 and was appointed as an executive director of the Company on 1st April, 2009.

The emoluments for the five individuals with the highest emoluments in the Group included two, two and one executive directors of the Company for the years ended 31st March, 2007, 2008 and 2009, respectively. The emoluments of these executive directors are included in the disclosure set out above. The emoluments of the remaining individuals were as follows:

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	2,162	2,970	5,748
Retirement benefit scheme contributions	36	23	36
	2,198	2,993	5,784

Their emoluments were within the following bands:

	Number of individuals		
	2007	**2008**	**2009**
Nil to HK$1,000,000	3	2	–
HK$1,000,001 to HK$1,500,000	–	1	3
HK$2,000,001 to HK$2,500,000	–	–	1

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

11. INCOME TAX EXPENSES

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
Hong Kong Profits Tax	1,296	46	15,940
Macau Profits Complementary Tax	10,194	12,108	7,999
	11,490	12,154	23,939
(Over)underprovision in prior years			
Hong Kong Profits Tax	(31)	14	(31)
Macau Profits Complementary Tax	–	(223)	–
PRC Enterprise Income Tax	647	1	–
	616	(208)	(31)
Deferred taxation *(note 25)*			
Current year	276	196	(98)
Attributable to a change in tax rate	–	(71)	–
	276	125	(98)
	12,382	12,071	23,810

On 26th 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 31st 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 31st March 2007, 2008 and 2009 respectively.

On 16th 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 6th 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 1st 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 1st April 2006 to 31st December 2007 and 1st January 2008 to 31 March 2009 are 33% and 25% respectively.

The tax charge for the year can be reconciled to the profit before taxation per the combined income statement as follows:

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	82,824	92,575	167,517
Tax at the weighted average tax rate *(Note)*	9,976	10,490	24,296
Tax effect of expenses not deductible for tax purpose	1,236	869	201
Tax effect of income not taxable for tax purpose	(199)	(987)	(174)
Under (over) provision in respect of prior years	616	(208)	(31)
Tax effect of tax losses not recognised	424	1,789	901
Utilisation of tax losses previously not recognised	–	–	(1,400)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	–	(71)	–
Others	329	189	17
Tax charge for the year	12,382	12,071	23,810

Note: For the years ended 31st March, 2007, 2008 and 2009, the weighted average applicable tax rate for different jurisdictions are approximately 12%, 11% and 14% respectively. The weighted average applicable tax rate represents the weighted average tax rate in different jurisdictions in which the Group operates and is calculated on the basis of the profit or loss before taxation arising in these jurisdictions and on the statutory rates applicable.

12. PROFIT FOR THE YEAR

	Year ended 31st March, 2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*
Profit for the year has been arrived at after charging (crediting):			
Auditor's remuneration			
– Provision for the year	550	620	650
– Overprovision in prior year	(93)	–	–
	457	620	650
Depreciation	710	624	753
Net foreign exchange losses (gain)	349	(293)	4
Net decrease in fair value of investment properties (included in other expenses)	3,442	–	–
Loss (gain) on disposal of property, plant and equipment	41	(6)	(8)
Gain on disposal of available-for-sale investment	–	(197)	–
Operating lease payments in respect of rented properties	2,896	3,938	5,228
Write off of trade and other receivables (included in other expenses)	344	1,165	–
Bad debt recovery (included in other income)	(496)	–	(890)
Staff costs			
– Gross staff costs (including directors' emoluments)	53,561	59,265	73,142
Less: Staff costs capitalised to contract costs	(26,557)	(35,653)	(51,423)
	27,004	23,612	21,719

13. DIVIDENDS

Pursuant to the directors' meeting of Sundart Holdings on 21st October, 2006 and 4th July, 2007, interim dividends of HK$368,000 and HK$250,000 per share amounting to HK$36,800,000 and HK$25,000,000 in total respectively, were declared and distributed to the then shareholders according to their respective shareholdings and recognised as distributions.

On 3rd December, 2008 and 11th March, 2009, Sundart Holdings declared interim dividends of HK$8,431 and HK$13,725 per share amounting to HK$43,000,000 and HK$70,000,000 in total respectively. The aggregate amount of HK$113,000,000 was distributed to the then shareholders according to their respective shareholdings and recognised as distributions.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the Relevant Periods and on the number of shares as follows:

	Year ended 31st March, 2007	2008	2009
Weighted average number of ordinary shares issued	7,057,815	268,351,244	359,948,571

Note: The number of shares for the purpose of calculating basic earnings per share during the Relevant Periods is based on the weighted average number of shares in issue after taking into account the effect of the share swap under which 69,990,000 shares of the Company was issued in exchange for the 5,100 shares of Sundart Holdings pursuant to the Reorganisation and adjusted for the 290,000,000 shares to be issued pursuant to the capitalisation issue.

There was no diluted earnings per share for the Relevant Periods as there were no potential ordinary shares in issue during the Relevant Periods.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April, 2006	12,070
Exchange adjustments	319
Net decrease in fair value recognised in the combined income statement	(3,442)
Disposal of a subsidiary	(4,937)
At 31st March, 2007	4,010
Exchange adjustments	136
Transfer to property, plant and equipment	(4,146)
At 31st March, 2008 and 31st March, 2009	–

As at 31st March, 2007, the Group has not yet completed the transfer of the title of the investment property with a carrying value of approximately HK$4,010,000. In the opinion of the directors of the Company, the absence of formal title to this investment property does not impair the value of the relevant investment property to the Group. The formal title to this investment property has been granted to the Group during the year ended 31st March, 2008.

On the date of the transfer of investment property to property, plant and equipment, the investment property was revalued by Greater China Appraisal Limited, Chartered Surveyors, which is not connected with the Group, at open market value on a continued use basis. The valuation method was based on the direct comparison approach by making reference to recent comparable sales transaction as available in the relevant market. At the date of transfer, the fair value of the investment property approximated to the carrying value.

The fair value of the Group's investment property as at 1st April, 2006 and 31st March, 2007 has been determined by the directors of the Company. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31st March, 2007, the investment property was situated in the PRC under medium term leases and leased out under operating leases. The Group's property interests held under operating leases to earn rental was measured using the fair value model and was classified and accounted for as investment property.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st April, 2006	–	723	5,295	478	6,496
Exchange adjustments	–	14	46	9	69
Additions	–	–	346	–	346
Disposals	–	–	(192)	–	(192)
Disposal of subsidiaries	–	–	(12)	–	(12)
At 31st March, 2007	–	737	5,483	487	6,707
Exchange adjustments	261	28	97	19	405
Additions	–	–	54	146	200
Transfer from investment properties	4,146	–	–	–	4,146
Disposals	–	–	–	(75)	(75)
Disposal of a subsidiary	–	(314)	(737)	–	(1,051)
At 31st March, 2008	4,407	451	4,897	577	10,332
Exchange adjustments	103	–	8	5	116
Additions	–	925	326	265	1,516
Disposals	–	(52)	(23)	(300)	(375)
At 31st March, 2009	4,510	1,324	5,208	547	11,589
DEPRECIATION					
At 1st April, 2006	–	397	4,107	334	4,838
Exchange adjustments	–	7	28	2	37
Provided for the year	–	204	487	19	710
Eliminated on disposals	–	–	(63)	–	(63)
Disposal of subsidiaries	–	–	(7)	–	(7)
At 31st March, 2007	–	608	4,552	355	5,515
Exchange adjustments	3	25	71	6	105
Provided for the year	36	129	418	41	624
Eliminated on disposals	–	–	–	(6)	(6)
Disposal of a subsidiary	–	(314)	(727)	–	(1,041)
At 31st March, 2008	39	448	4,314	396	5,197
Exchange adjustments	1	–	3	2	6
Provided for the year	102	249	298	104	753
Eliminated on disposals	–	(52)	(15)	(300)	(367)
At 31st March, 2009	142	645	4,600	202	5,589
CARRYING VALUES					
At 31st March, 2007	–	129	931	132	1,192
At 31st March, 2008	4,368	3	583	181	5,135
At 31st March, 2009	4,368	679	608	345	6,000

Depreciation is provided to write off the cost or deemed cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method, at the following rates per annum:

Land and building	2% or over the remaining term of lease, if shorter
Leasehold improvements	33⅓% or over the remaining term of lease, if shorter
Furniture, fixtures and equipment	20% – 25%
Motor vehicles	20% – 33⅓%

The land and building is situated in the PRC under medium term leases.

17. GOODWILL

	HK$'000
Carrying amount as at 1st April, 2006, 31st March, 2007, 31st March, 2008 and 31st March, 2009	746

Goodwill represents the excess of consideration paid over the fair value of net assets taken over on the acquisition of a subsidiary, Sundart Timber.

For the purpose of impairment test, the carrying amount of goodwill has been allocated to the supply and installation cash generating unit ("CGU") of Sundart Timber.

The recoverable amount of CGU has been determined based on a value in use calculation. For each of the year ended 31st March, 2007, 2008 and 2009, the calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 3-year period, 2-year period and 2-year period respectively and discount rate of 10%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

18. OTHER FINANCIAL ASSETS

Trade and other receivables and retentions receivable at the balance sheet date comprise receivables from third parties and a related party as set out in note 33.

Trade and other receivables

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	126,068	261,055	242,250
Less: allowance for doubtful debts	(500)	–	–
	125,568	261,055	242,250
Other receivables	37,637	24,485	77,797
Total trade and other receivables	163,205	285,540	320,047

The Group allows a credit period ranging from 14 days to 60 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at each balance sheet dates:

	As at 31st 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

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

As at 31st March, 2007, 2008 and 2009, included in the Group's trade receivable balances were receivables with aggregate carrying amount of approximately HK$15,223,000, HK$63,120,000 and HK$18,549,000 respectively which were past due at the reporting date for which the Group has not provided for impairment loss as the balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts. The Group does not hold any collateral over these balances.

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

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Overdue			
1 – 30 days	10,822	50,291	10,376
31 – 60 days	1,677	–	2,237
61 – 90 days	982	4,845	692
Over 90 days	1,742	7,984	5,244
	15,223	63,120	18,549

Movement in the allowance for doubtful debts

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	500	500	–
Amounts written off as uncollectible	–	(500)	–
Balance at end of the year	500	–	–

Included in the allowance for doubtful debts as at 31st 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.

Other receivables

Other receivables at the balance sheet date comprise receivables from third parties and deposits paid to suppliers and are unsecured, interest free and recoverable within one year. All balances are neither past due nor impaired as at 31st March, 2007, 2008 and 2009.

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

As at 31st March, 2007, 2008 and 2009, the Group's trade and other receivables and retentions receivable denominated in foreign currencies of the group entities are as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables			
Denominated in:			
HKD (against MOP)	10,786	13,213	48,754
Other receivables			
Denominated in:			
HKD (against MOP)	450	–	6,644
Euro	–	–	337
Retentions receivable			
Denominated in:			
HKD (against MOP)	2,654	4,225	11,196

Certain trade receivables and retentions receivable were pledged to banks to secure banking facilities granted to the Group. Details are set out in note 32.

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

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Contracts in progress at the balance sheet date:			
Contract costs incurred plus recognised profits less recognised losses	1,955,120	2,050,837	1,880,735
Less: Progress billings	(1,790,098)	(1,919,852)	(1,826,191)
	165,022	130,985	54,544
Analysed for reporting purposes as:			
Amounts due from customers for contract work	171,496	141,287	70,056
Amounts due to customers for contract work	(6,474)	(10,302)	(15,512)
	165,022	130,985	54,544

At 31st March, 2007, 2008 and 2009, retentions held by customers for contract work amounted to approximately HK$83,755,000, HK$111,673,000 and HK$114,914,000 respectively. Advances received from customers for contract work amounted to approximately HK$47,000, HK$88,791,000 and HK$105,519,000 respectively which were included in other payables.

20. AVAILABLE-FOR-SALE INVESTMENT

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted mutual fund	5,000	–	–

As at 31st March, 2007, the fair value of unlisted mutual fund was determined by reference to the quoted price provided by an authorised financial institution. The amount was denominated in USD, foreign currency of the relevant group entity.

The fund was pledged to secure the banking facilities granted to the Group as at 31st March, 2007. Details are set out in note 32.

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. All deposits are pledged to secure certain short-term bank loans, performance bonds and advance payment bonds and are therefore classified as current assets. For the years ended 31st March, 2007, 2008 and 2009, the pledged bank deposits carried interest at average market rate of 3.02%, 1.28% and 1.98% per annum respectively and will be released upon the settlement of the bank borrowings and/or the release of banking facilities granted by banks.

The bank balances carried interest at prevailing market interest rates.

As at 31st March, 2007, 2008 and 2009, the aggregate amounts of pledged bank deposits and bank balances and cash amounting to approximately HK$10,951,000, HK$11,260,000 and HK$31,714,000 respectively were denominated in Renminbi which is not freely convertible into other currencies.

As at 31st March, 2007, 2008 and 2009, the Group's pledged bank deposits and bank balances and cash denominated in foreign currencies of the relevant group entities were as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Pledged bank deposits			
Denominated in:			
HKD (against MOP)	–	35,025	–
Bank balances and cash			
Denominated in:			
HKD (against MOP)	2,341	9,088	15,899
USD	–	–	870
Euro	–	–	10,400

22. FINANCIAL LIABILITIES

Trade and other payables at the balance sheet dates comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 30 days.

	As at 31st March,		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Contract creditors and suppliers	79,870	112,609	167,751
Retentions payable	40,086	56,110	58,728
	119,956	168,719	226,479
Other payables	10,391	103,047	127,041
Trade and other payables	130,347	271,766	353,520

As at 31st 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.

As at 31st March, 2007, 2008 and 2009, the Group's trade and other payables and bills payable denominated in foreign currencies of the relevant group entities are as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables			
Denominated in:			
HKD (against MOP)	39,192	24,316	17,471
USD	679	3,069	1,248
Euro	–	–	86
Bills payable			
Denominated in:			
Euro	–	–	2,291

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

	As at 31st March,		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
– 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

All bills payable are repayable within 90 days and are secured by pledged assets and directors' guarantee set out in note 32 and 33 respectively.

23. AMOUNT DUE TO A RELATED COMPANY

The amount represents deposits for fitting-out works received from Giant World Corporation Limited ("Giant World") which is beneficially owned by Mr. Chan that gives him significant influence on Giant World.

24. BANK BORROWINGS

	As at 31st March,		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Bank loans:			
Secured	35,166	16,500	–
Unsecured	103,660	143,528	28,334
	138,826	160,028	28,334
Carrying amount repayable:			
Within one year	122,326	148,362	26,667
More than one year, but not exceeding two years	13,167	10,000	1,667
More than two years, but not exceeding five years	3,333	1,666	–
	138,826	160,028	28,334
Less: Amounts due within one year shown under current liabilities	(122,326)	(148,362)	(26,667)
Non-current liabilities	16,500	11,666	1,667

The bank loans are variable-rate borrowings which bear interest at 1.00% to 1.5% per annum, 1.00% to 1.5% per annum and 1.00% to 1.25% per annum over the Hong Kong interbank offer rate and interest was repriced every one to three months for the years ended 31st March, 2007, 2008 and 2009 respectively. For the years ended 31st March, 2007, 2008 and 2009, the average effective interest rate (which is also equal to contracted interest rate) on the Group's bank loans is approximately 5.35% and 3.40% and 1.73% per annum respectively. As at 31st March, 2007, the bank borrowings of HK$4,598,000, HK$1,500,000 and HK$42,500,000 were denominated in USD, Euro and HKD respectively which were not the functional currencies of the relevant group entities. As at 31st March, 2008 and 2009, all bank borrowings were denominated in functional currencies of the relevant group entities.

Details of the pledge of assets and directors' guarantee to secure banking facilities are set out in note 32 and 33 respectively.

25. DEFERRED TAXATION

The followings are the major deferred tax balances recognised and movements thereon during the Relevant Periods:

	HK$'000
At 1st April, 2006	–
Exchange adjustments	7
Charge to combined income statement for the year *(note 11)*	276
At 31st March, 2007	283
Exchange adjustments	37
Charge to combined income statement for the year *(note 11)*	196
Effect of change in tax rate	(71)
At 31st March, 2008	445
Exchange adjustments	10
Charge to combined income statement for the year *(note 11)*	(98)
At 31st March, 2009	357

Deferred taxation represents the temporary differences between the carrying amounts of the property situated in the PRC and the corresponding tax bases as at the balance sheet dates.

At 31st March, 2007, 2008 and 2009, the Group had unused estimated tax losses of approximately HK$16,953,000, HK$10,911,000 and HK$6,098,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for the following tax losses which will expire on various dates up to 2013 as set out below:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Expired in:			
2011	1,284	1,450	1,484
2012	–	984	1,007
2013	–	–	3,607
	1,284	2,434	6,098

26. SHARE CAPITAL

THE GROUP

The share capital of the Group as at 31st March, 2007, 2008 and 2009 represents the share capital of Sundart Holdings.

	Number of shares As at 31st March,			Nominal value As at 31st March,		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
				HK$'000	*HK$'000*	*HK$'000*
Ordinary shares of US$1 each						
Authorised:						
At beginning of year and at end of year	50,000	50,000	50,000	390	390	390
Issued and fully paid:						
At beginning of year	100	100	5,100	1	1	40
Issue of shares *(Note)*	–	5,000	–	–	39	–
At end of year	100	5,100	5,100	1	40	40

Note: On 4th July, 2007, Sundart Holdings issued and allotted 5,000 ordinary shares of US$1 each at par for cash. The new shares rank pari passu with the existing shares in all respects.

27. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 29th May, 2006, the Group acquired assets and liabilities through the acquisition of the remaining 50% issued share capital of Sundart Middle East at a consideration of HK$1 from Mr. Anthony Ng, a former director of Sundart Holdings.

The assets and liabilities acquired in the transaction are as follows:

	Acquiree's carrying amount before combination
	HK$'000
Assets and liabilities acquired:	
Trade and other receivables	13
Bank balances and cash	37
Amount due to the Group	(45)
Trade and other payables	(5)
	–
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	37

28. DISPOSAL OF SUBSIDIARIES

During the year ended 31st March, 2007, the Group has disposed of certain subsidiaries namely Sundart Creation Limited and its subsidiary, Taishan Sundart Building Materials Co., Ltd. (collectively refer to as "Sundart Creation Group"), Sundart International Limited and Win Venture Trading Limited and its subsidiary LPI (HK) Limited ("Win Venture Group"). Sundart Creation Group, which was principally engaged in property investment, was disposed of to an independent third party; while Sundart International Limited and Win Venture Group, which were principally engaged in the sourcing and distribution of interior decorative materials, were disposed of to Mr. Leung and a company which is controlled and beneficially owned by Mr. Leung. The aggregate net liabilities of these subsidiaries at the date of disposal are as follows:

	HK$'000
Net liabilities disposed of:	
Investment property	4,937
Property, plant and equipment	5
Trade and other receivables	557
Inventories	2,005
Bank balances and cash	1,874
Trade and other payables	(11,720)
Tax payable	(39)
	(2,381)
Exchange gain realised	(172)
	(2,553)
Profit on disposal	2,554
Total consideration satisfied by cash	1
Net cash outflow arising on disposal:	
Cash consideration	1
Bank balances and cash disposed of	(1,874)
	(1,873)

The subsidiaries disposed of during the year ended 31st March, 2007 contributed approximately HK$21,481,000 to the Group's revenue and incurred operating loss of approximately HK$2,834,000 up to the date of disposal.

During the year ended 31st March, 2008, the Group has disposed of a subsidiary namely, Sundart Engineering at a consideration of HK$2. Sundart Engineering, which was principally engaged in supply and installation of timber doors and floorsets and interior fitting-out works, was disposed of to an independent third party. The aggregate net liabilities of the subsidiary at the date of disposal are as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	10
Trade and other receivables	452
Retentions receivable	901
Bank balances and cash	15
Trade and other payables	(682)
Tax payable	(1,637)
	(941)
Exchange loss realised	562
	(379)
Profit on disposal	379
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(15)

The subsidiary disposed of during the year ended 31st March, 2008 contributed approximately HK$649,000 and HK$23,000 to the Group's revenue and profit after tax respectively up to the date of disposal.

29. OPERATING LEASES

The Group as lessee

At the balance sheet dates, the 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 31st 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.

The Group as lessor

As 31st March, 2007, the Group had contracted with a tenant for the future minimum lease payment receivable within one year of approximately HK$95,000.

30. PERFORMANCE BOND AND ADVANCE PAYMENT BOND

As at 31st March, 2007, 2008 and 2009, the Group had issued performance bonds and advance payment bonds in respect of supply and installation contracts through the banks amounting to approximately HK$82,615,000, HK$184,069,000 and HK$307,448,000 respectively. The bonds were secured by pledged assets and directors' guarantee set out in notes 32 and 33 respectively.

31. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. Those subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

Eligible employees in Macau currently participate in a defined contribution pension scheme operated by the local government which is a fixed amount for each employee.

The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the Relevant Periods, the total costs charged to the combined income statement are approximately HK$922,000, HK$752,000 and HK$941,000 represent contributions payable to these plans by the Group in respect of approximately HK$1,427,000, HK$1,418,000 and HK$1,855,000 less contributions capitalised to contract works of approximately HK$505,000, HK$666,000 and HK$914,000 respectively. The amounts capitalised to contract works were subsequently charged to cost of sales.

32. PLEDGE OF ASSETS

The Group had pledged certain bank deposits, trade receivables, retentions receivable and available-for-sale investment to secure the general banking facilities including bank borrowings, bills payable, performance bonds and advance payment bonds issued by the Group. The carrying value of the pledged assets are as follows:

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	11,968	48,565
Retentions receivable	–	4,871	14,127
Available-for-sale investment	5,000	–	–
Pledged bank deposits	5,506	70,790	809

33. RELATED PARTY TRANSACTIONS

Apart from the amount due to a related company as set out in note 23, during the Relevant Periods, the Group had entered into the following significant transactions with related companies:

	Year ended 31st March, 2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Sales to related companies			
Dongguan Yoho Building Materials Limited ("DYBM") *(Note 1)*	4,894	–	–
Dongguan Sundart Timber Products Company Limited ("DSTP") *(Note 1)*	3,764	–	–
Giant World *(Note 2)*	–	–	7,619
Waldo Hotel Limited ("Waldo") *(Note 3)*	–	–	64,605
	8,658	–	72,224

	Year ended 31st March, 2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Purchases from related companies			
DSTP	15,446	–	–
DYBM	3,297	–	–
	18,743	–	–
Consultancy fee paid to related companies			
Longrich Asia Limited ("Longrich") *(Note 4)*	329	300	–
Youngberg Investment Limited *(Note 5)*	600	600	–
	929	900	–

Notes:

(1) This is a company in which Mr. Leung, Mr. Anthony Ng, Mr. Ng, and Mr. Wong have beneficial interests that give them significant influence over this company.

(2) This is a company in which Mr. Chan, has beneficial interest that gives him significant influence over this company.

(3) Waldo is a company in which Ms. Li Wing Yin ("Ms Li"), a beneficial shareholder of the Company, and Mr. Chan's father have beneficial interests that give them control over this company.

Ms. Li became the beneficial shareholder of Sundart Holdings in March 2008. Mr. Chan was appointed as the director of Sundart Holdings on 20th March, 2008. Accordingly, Waldo became a related party of the Group since then. As at 31st March 2008 and 31st March 2009, the amounts due from Waldo included in trade receivables and retentions receivable are as follows:

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivable	–	4,723	5,128
Retentions receivable	–	2,511	–

(4) Mr. Chen Chien, a former director of Sundart Holdings, is also a director of this company.

(5) This is a company in which Mr. Anthony Ng, has beneficial interest that gives him significant influence over this company.

On 20th July, 2006, the Group disposed of certain of its subsidiaries namely Sundart International Limited and Win Venture Group to Mr. Leung, and a company controlled and beneficially owned by Mr. Leung for a total consideration of HK$4.

On 29th May, 2006, the Group acquired the remaining 50% issued share capital of Sundart Middle East from Mr. Anthony Ng for a total consideration of HK$1.

Certain directors and a former director of the Sundart Holdings guaranteed the banking facilities of the Group. The directors and the former director did not charge the Group for such guarantee provided.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the Relevant Periods is as follows:

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and short-term benefits	6,743	7,761	10,895
Post-employment benefits	135	143	143
	6,878	7,904	11,038

The remuneration of key management personnel is determined by the directors of the Sundart Holdings having regard to the performance of individuals and market trends.

(B) SUBSEQUENT EVENTS

The following events took place subsequent to 31st March, 2009:

(1) On 17th May, 2009, the Group established Sundart Interior Contracting (Middle East) L.L.C., a jointly controlled entity incorporated in the State of Qatar.

(2) On 30th July, 2009, Sundart Holdings declared dividend of HK$120 million, which was distributed to its then shareholders on 5th August, 2009.

(3) On 3rd August 2009, the Company issued and allotted 69,990,000 shares, all credited as fully paid, to the shareholders of Sundart Holdings in exchange for the entire share capital of Sundart Holdings in proportion to their respective holding in Sundart Holdings.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31st March, 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong