

Analyst: Sabina Cheng

Main Board Listing – Research

承達國際控股有限公司

Sundart International Holdings Limited [Stock Code: 02288]
Global Coordinator, Bookrunner, Lead Manager and Sponsor : ICBC International

Sector : Fitting-out services in construction industry

Business : An integrated fitting-out contractor based in Hong Kong

Total share offer: <u>144,000,000</u> shares (30% of the enlarged share capital) Public Offer: 14,400,000 shares (10%) Placing: *129,600,000 shares (90%) *Comprising 105,600,000 New Shares and 24,000,000 Sale Shares	<u>Business of Sundart (“the Group”)</u> The Group has been providing fitting-out services including professional, up-market and cost-saving fitting-out ones for hotel projects since 1988 and sizeable residential projects in Hong Kong since 1996.
Price: HK\$3.33 – HK\$4.18 per share Market Cap: HK\$1,598million – HK\$2,006million Pro forma fully diluted FY09 P/E: 11.1x – 13.9x Adjusted NTA per share: HK\$1.30 – HK\$1.51 Staffing: 257 (as of 30 th June 2009)	The Group is responsible for the fitting-out services of the overall project implementation, like providing the necessary materials, labour, engineering expertise and technical know-how, as well as the corresponding project management. As of 3 rd August 2009, it had over 200 subcontractors, of which 33 have five years or above working relationship with the Group.
HK Public Offer period: 11 th August 2009 – 14 th August 2009 noon Receiving bank: ICBC (Asia) Ltd. Hang Seng Bank Ltd. Share registrar: Tricor Investor Services Ltd. Listing date: 21 st August 2009	As of 31 st March 2009, the Group derived 59.2% of its total revenue from Hong Kong, 37.4% from Macau and 3.4% from the Mainland.

Shareholders after Listing (Assuming the over-allotment option is not exercised)

Tiger Crown (BVI) – a company wholly owned by chairman and executive director of the Group, Mr. Chan William	20.23%
Scenemay Holdings (BVI) – a company equally owned by two of the Group’s controlling shareholders, Mr. Li Chu Kwan and Ms. Li Wing Yin.	20.23%
Mr. Ng Tak Kwan, an executive director and CEO of the Group	17.50%
Mr. Leung Kai Ming, an executive director and chief operating officer of the Group	7.14%
Mr. Wong Kim Hung, Patrick, an executive director of the Group	4.90%
Public shareholders	30.00%
	<u>100.00%</u>

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.

**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$412.2 million (based on an offer price of HK\$3.76, being the mid-point of the indicative price range and assuming the over-allotment option is not exercised)

	HK\$ million
To finance the Group's future fitting-out projects in the PRC	123.7
To set up the Group's own procurement and pre-fabrication facility and for its R&D	70.1
To finance the Group's future fitting-out projects in the Middle East	61.8
To act as reserve for potential future acquisitions	61.8
To finance the Group's fitting-out projects in Hong Kong and Macau	41.2
For the Group's marketing activities	12.4
For working capital requirements and other general corporate purposes	41.2

Financial Highlights

	Year ended 31 st March		
	2007	2008	2009
	HK\$ '000	HK\$ '000	HK\$ '000
Total turnover	921,334	1,443,742	1,465,230
Gross profit	131,131	137,222	205,125
Profit before taxation	82,824	92,575	167,517
Profit/ (Loss) attributable to shareholders	70,442	80,504	143,707
Gross profit margin	14.23%	9.50%	14.00%
Operating profit margin	8.99%	6.41%	11.43%
Net profit margin	7.65%	5.58%	9.81%

Breakdown of turnover in terms of products

	Year ended 31 st March					
	2007		2008		2009	
	HK\$ '000	%	HK\$ '000	%	HK\$ '000	%
Fitting-out works						
- Hotel and serviced apartment	528.2	57.3%	1,025.6	71.0%	843.5	57.6%
- Residential apartment	338.8	36.8%	343.8	23.8%	598.2	40.8%
- Others	31.4	3.4%	74.3	5.2%	23.5	1.6%
	898.4	97.5%	1,443.7	100.0%	1,465.2	100.0%
Sourcing and distribution of interior decorative materials	22.9	2.5%	-	-	-	-
Total:	921.3	100.0%	1,443.7	100.0%	1,465.2	100.0%

Strengths/Opportunities

- ✓ The Group has long working relationships with certain hotel owners in Hong Kong, Macau and the PRC since 1988, as well as most of the major property developers since 1996.

Weaknesses/Threats

- × Given that the entrance barrier to fitting-out industry is relatively low, it is expected that the Group may face more competition if there are new comers in the industry.
- × For the three financial years ended 31st March, revenue derived from the Group's five largest customers accounted for about 64.9%, 80.2% and 78.7%, respectively, of its total revenue, implying it has high customer concentration risk.

Recommendation: Unattractive

**Important Disclosure / Analyst Certification / Disclaimer**

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.