

## Management Discussion and Analysis

The following comments should be read in conjunction with the Financial Statements of Decca Holdings Limited and the related notes to the financial statements.

### REVIEW OF RESULTS

The business environment in which the Group operates improved steadily during the year as global economy picked up, coupled with the Group's strategy adopted previously to diversify its markets and products had continued to help the Group to return to profitability. With a broader customer base from the overseas markets, orders have marginally increased as well.

During the year under review, consolidated turnover increased by 30.4% to HK\$268.2 million (2003: HK\$205.8 million) while net profit after tax was HK\$2.4 million (2003: net loss of HK\$68.4 million). The increase in turnover is a result of the Group's continuous effort in securing various sizable contracts from our Atlanta office.

As the Group remained cautiously selective in the Hong Kong and Mainland China interior fit out markets, United States and Europe became the principal markets of the Group, accounted for approximately 52% (2003: 29%) of the Group's turnover. Hong Kong and Mainland China markets remained rather stagnant during the year under review representing 43% (2003: 63%) of the Group's turnover.

During the year under review, the Group completed interior fitting out projects and/or supply of furniture for various mock-up rooms in connection with a new hotel project at the International Finance Centre II, Hong Kong, Hyatt Hotel – San Antonio, Orrington Hotel – Illinois and Four Seasons Hotel – Whistler. Shop fixtures were supplied to a new customer of another world-class brand, Salvatore Ferragamo at the Pacific Place in Hong Kong and Shanghai. The Group also undertook to supply architectural woodwork for the Bellagio Tower – Las Vegas, the Hyatt Centre in Chicago and Boston Convention Centre, USA, through its partner, Imperial Woodworking Company.

Projects currently in progress include a large residential project in Repulse Bay, Hong Kong and a flagship store for Hermes in Central, Hong Kong, furniture supply contracts for the Hilton San Francisco & Towers, the Ritz Carlton Hotel – Cayman Islands, Fountainbleau Hilton Resort – Florida, architectural woodwork supply for the University of Chicago Business School, the Lurie Cancer Research Center – Illinois, USA and shop fixtures project for a Louis Vuitton store in Xian, PRC.

In April 2004, the Group opened an office in Dallas, Texas, USA in order to increase its activities in the contract furniture industry in the USA. The Group believes that with the introduction of the contract furniture range in the US market would attract business based on better quality and lower prices than that is currently available in the US market.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a conservative financial structure during the year. As at the balance sheet date, total bank borrowings amounted to HK\$27.0 million (2003: HK\$56.3 million), representing approximately 15% (2003: 32%) of the Group's net worth. Finance cost were maintained at a low level of HK\$2.4 million (2003: HK\$2.8 million) representing 0.9% (2003: 1.4%) of the Group's turnover. The Board believes that the Group's available banking facilities and its bank balances should provide the Group with sufficient financial resources for its operations and future development.

下列之意見應與達藝控股有限公司之財務報表及有關之財務報表附註一併閱讀。

### 業績回顧

隨著環球經濟逐步復甦，本集團繼續遵循往年既定的策略，致力拓展以多元化市場及產品為主要目標。實際上，此策略確實為集團帶來可觀的利潤，轉虧為盈。此外，由於集團擁有廣泛的海外顧客，項目訂單亦相繼出現輕微的增長。

本年度之綜合營業額較去年同期增加30.4%至2.682億港元（二零零三年：2.058億港元），稅後純利則為240萬港元（二零零三年：淨虧損6,840萬港元）。綜合營業額較去年同期上升，主要由於本集團繼續經由美國喬治亞州亞特蘭大辦事處取得多個大型項目工程。

由於本集團對香港及中國內地的室內裝修工程項目保持審慎及選擇性參與的態度，故美國及歐洲市場已成為集團的主要市場，合共佔集團總營業額約52%（二零零三年：29%）。至於香港及中國內地市場則停滯不前，合共佔集團總營業額約43%（二零零三年：63%）。

於回顧年度內，本集團參與並完成的室內裝飾工程項目及酒店樣辦房之傢俬供應包括：香港國際金融中心（第二期）、聖安東尼奧的凱悅酒店、伊利諾州的奧尼頓酒店，以及加拿大Whistler四季酒店。本集團現為一國際級名店—Salvatore Ferragamo位於香港太古廣場及中國上海分店提供店舖傢俬裝置供應。此外，集團亦夥拍其美國合夥人—Imperial Woodworking Company為拉斯維加斯的Bellagio酒店新翼、芝加哥凱悅中心及美國波士頓會議中心提供建築用之木工裝飾製品。

至於目前仍在進行的工程項目包括：香港淺水灣道住宅項目、名牌Hermes於香港中環開設的旗艦店。傢俱合約工程主要包括：三藩市希爾頓酒店、克曼群島的麗嘉酒店、佛羅里達州的梵登堡希爾頓酒店。另外，本集團現為芝加哥大學商學院、美國伊利諾州的魯爾癌症研究中心提供建築用之木工裝飾製品；並為Louis Vuitton位於中國西安的店舖提供店舖傢俬裝置供應。

於二零零四年四月，集團於美國德克薩斯州達拉斯開設辦事處，以增加美國市場之合約傢俱業務。集團深信於美國境內所推廣一系列的合約傢俱會吸引顧客，因美國市場並無高質量、低價格的傢俱。

### 流動資金、財務資源及資本結構

本集團的財務狀況繼續秉承一貫穩健、審慎理財的哲學，期末銀行貸款總額為2,700萬港元（二零零三年：5,630萬港元），相當於本集團資產淨值的15%（二零零三年：32%），財務成本維持在240萬港元（二零零三年：280萬港元）的較低水平，相當於集團營業額的0.9%（二零零三年：1.4%）。董事會相信本集團充裕的銀行備用信貸額度及持有的現金，足以為集團的營運及將來發展提供足夠的財政資源。

## Management Discussion and Analysis

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

There is no seasonality borrowing requirements. The Group's funding requirements to certain extent depend on the value of the contracts awarded to the Group by its customers. The borrowings include bank loans and overdrafts. The maturity profile of bank loans and overdrafts is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
- within one year or on demand	<b>27,013</b>	56,305

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in Hong Kong. Subsidiaries in Mainland China also obtain short-term credit facilities from banks in Mainland China for working capital purpose.

The borrowings are mainly in Hong Kong dollars and Renminbi which will be matched by the inflow of funds from the Group's projects in Hong Kong and Mainland China. The Group's cash holding is mainly denominated in Hong Kong dollars.

The interest rates of the Group's borrowings are usually floating in nature.

### GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 31 March 2004, the gearing ratio (total borrowings/net assets) was 0.16 (2003: 0.35). Comparing the net assets of HK\$180.1 million with the total borrowings of HK\$29.4 million, the Board considered that such gearing ratio was still acceptable. As the Group's revenue and expenses were mainly in Hong Kong dollars, Renminbi and US dollars and its cash holding was denominated in Hong Kong dollars, foreign exchange exposure of the Group was minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollars to the US dollars remained in effect. Renminbi's exchange rate remained stable as China also would like to maintain a stable exchange rate between Hong Kong dollars and Renminbi which would be beneficial to Hong Kong's economy.

### CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2004, the land and buildings owned by the Group and situated in Mainland China had a net book value of HK\$7.2 million (2003: HK\$7.7 million) and were pledged to a bank to secure a loan granted to the Group. The Group had no contingent liabilities at 31 March 2004. At 31 March 2003, there were contingent liabilities in respect of counter-guarantees, amounting to HK\$7.0 million which was given by a subsidiary in favour of certain banks and insurance companies against any liabilities of these parties arising from non-compliance of terms of interior building works being undertaken by a subsidiary.

**流動資金、財務資源及資本結構(續)**

本集團並無季節性的貸款要求。本集團所需之資金在某程度上乃按本集團從客戶所接獲之工程的價格而定。貸款包括銀行貸款及透支。銀行貸款及透支到期日如下：

	本集團	
	二零零四年 千港元	二零零三年 千港元
一年內或即時通知	<b>27,013</b>	56,305

本集團一般透過內部資金與香港銀行給予之信貸融資提供其業務運作所需資金。位於中國內地之附屬公司從中國內地之銀行取得短期信貸融資作為營運資金用途。

貸款以港元及人民幣為主，本集團以香港及中國內地之工程所得的資金收入相配。本集團所持有之現金主要以港元為基礎。

本集團大部份貸款之息率通常是浮動的。

**資產負債比率及外匯風險**

截至二零零四年三月三十一日止，資產負債比率(總借貸額／資產淨值)為0.16(二零零三年：0.35)。如以資產淨值1.801億港元與總借貸額2,940萬港元比較，董事會認為此資產負債比率仍可接受。本集團主要以港元，人民幣及美元賺取收益及支付費用，所持有的現金主要以港元為基礎。鑑於香港特區政府仍然實施港元與美元掛鈎之政策，故此本集團之外匯風險甚低。人民幣滙率保持穩定，此乃中國希望維持港元與人民幣之間的穩定滙率，使香港的經濟得益。

**資產抵押及或然負債**

截至二零零四年三月三十一日止，本集團位於中國境內之土地及樓宇之賬面淨值為720萬港元(二零零三年：770萬港元)。該土地及樓宇已抵押給一家銀行，作為給予本集團貸款之抵押。另外，本集團於二零零四年三月三十一日並無或然負債。於二零零三年三月三十一日，有保證之或然負債總額為700萬港元，此乃本集團之附屬公司給予某些銀行及保險公司，用以承擔如未能依據室內裝飾工程合約條文而引發之責任。

## Management Discussion and Analysis

### SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no significant investments or disposals of subsidiaries in the year.

### EMPLOYEES

As at 31 March 2004, the group employed 101, 1065, 4 and 11 staff in Hong Kong, Mainland China, Singapore and USA respectively (2003: 103, 835, 4 and 0 respectively). The Group remunerated its employees based on their performance, working experience and the prevailing market conditions. Bonus may be given to staff of outstanding performance on a discretionary basis. For the primary purpose of retaining high calibre executives and employees, share options may be granted to eligible employees. Other employee benefits include mandatory provident fund and training programs.

### CORPORATE GOVERNANCE

The Audit Committee, which was comprised of the two Independent Non-executive Directors, met twice since the last AGM to review and discuss the Group's interim and annual results and other audit and internal control issues with the external auditors.

In the opinion of the Directors, the Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 18 August 2004 to Monday, 23 August 2004, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the attendance at the Annual General Meeting, shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's Share Registrars, Standard Registrars Limited on G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 17 August 2004.

### PROSPECTS

On 18 June 2004, the International Trade Commission of the United States Department of Commerce handed down a preliminary finding which ruled that Chinese manufacturers were dumping bedroom furniture into the US at below fair market value. They immediately imposed provisional tariffs of 198% on all bedroom furniture produced in China. Certain companies which proved that they were not controlled by the PRC government received preferential treatment and will only pay an average rate of 10.9%. The Group was not included on this list despite having filed with the Department of Commerce proof indicating its status as an independent, publicly-listed Hong Kong company. The Group has retained legal council in Washington and has filed a petition stating that, by law, the United States recognizes Hong Kong as a separate entity from the PRC and that, by law, it must recognize the independent status of the Group from PRC companies. We expect to receive a preliminary finding by the end of August 2004.

In the meantime, the Group has taken the following steps:

1. Broaden its base of retail brand customers in Europe and Asia.
2. Aggressively expand its hospitality clients in Europe.
3. Accelerate the development of its new office furniture range in the US.

Based on the above actions, the Group will continue to diversify into new markets and take advantage of its lower cost structure to attract new business. Expenses will continue to be tightly controlled and reduced where possible. For these reasons, the Board believes the Group's results will continue to improve, although at a slower rate, over the coming year.



### 持有重大投資及附屬公司之重大收購及出售

本年內並無重大投資或出售附屬公司。

### 僱員

人力資源方面，截至二零零四年三月三十一日止，本集團於香港、中國內地、新加坡及美國所僱用的員工數目分別為101、1,065、4及11人（二零零三年：103、835、4及0人）。本集團根據僱員之表現，工作經驗及現時市場情況釐定彼等之薪酬。對表現傑出的僱員可酌情發放花紅。購股權主要是為保留優秀行政人員及員工而設立，可授予合資格之僱員。其他僱員福利包括強制性公積金及培訓計劃。

### 公司管治

由兩位獨立非執行董事組成的審核委員會自上一屆股東週年大會以來，共召開了兩次會議，並與公司獨立核數師討論及審議了集團的中期及年度財務業績，以及內部監控與審核有關事宜。

董事會認為，於本年度內，本公司一直遵守聯交所上市規則附錄十四所載之最佳應用守則。

### 暫停辦理股份過戶登記

本公司將於二零零四年八月十八日（星期三）至二零零四年八月二十三日（星期一），首尾兩日包括在內，暫停辦理股份過戶登記手續，期間將不會進行任何股份之過戶登記。為符合出席股東週年大會之資格，股東須將所有過戶文件連同有關股票於二零零四年八月十七日（星期二）下午四時前遞交香港灣仔告士打道56號東亞銀行港灣中心地下本公司於香港之股份過戶登記處標準證券登記有限公司辦理過戶登記手續。

### 展望

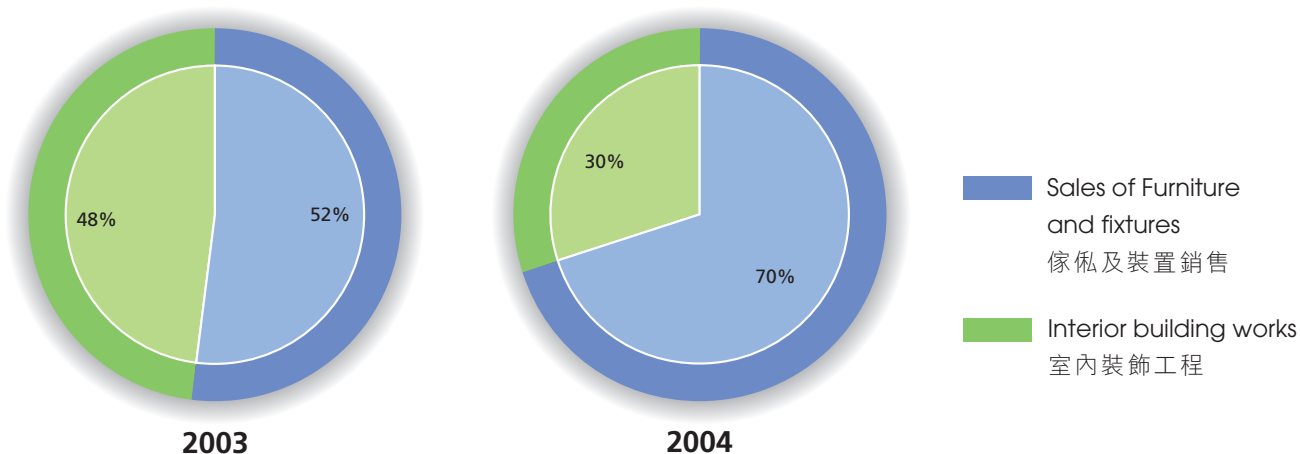
美國商務部之國際貿易處於二零零四年六月十八日就中國製造的臥室傢俱征收關稅作出初步審決，由於中國進口的木製臥室傢俱價值低於美國同類的合理市價，故對中國製造的臥室傢俱征收198%的懲罰性關稅。某些公司因能證明並非受中華人民共和國政府管制之公司，故只需繳付平均10.9%的優惠稅率。雖然本集團已向美國商務部作出聲明證明本集團乃屬於一獨立香港上市公司，但本集團未被美國商務部列入受優惠名單之內。集團已於美國華盛頓聘請法律顧問，並向美國提交上訴書，說明從法律角度而言，美國因確認香港應從中國中分開為一獨立個體，按法律之言，本集團的獨立地位應有別於中國的公司及應被確認。本集團期望於二零零四年八月底能獲得初步的審決。

與此同時，本集團作出以下的策略：

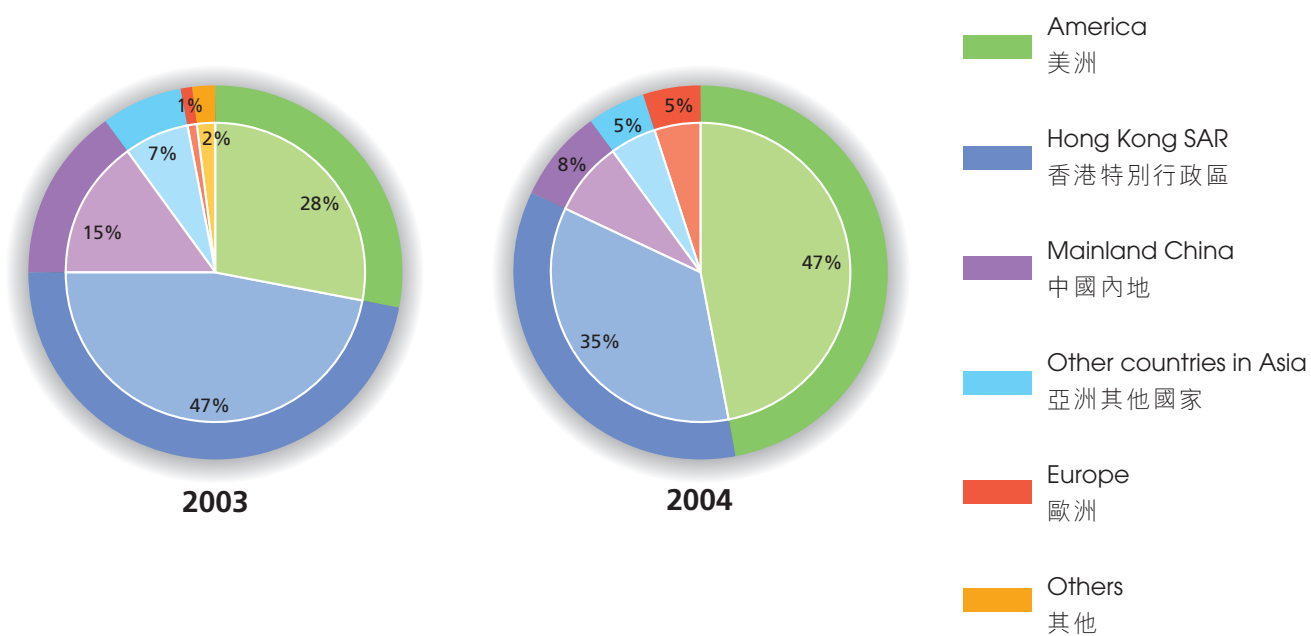
1. 擴大歐洲及亞洲的顧客銷售網絡。
2. 積極擴充歐洲的酒店傢俱市場。
3. 促進發展美國的辦公室傢俱系列。

根據上述策略述，本集團將繼續從事多元化的市場發展，以低成本價以吸引更多業務，並嚴格監控一切生產開支，將成本降至最低。基於以上因素，董事會深信集團之業績於明年將以較慢的速度繼續提升。

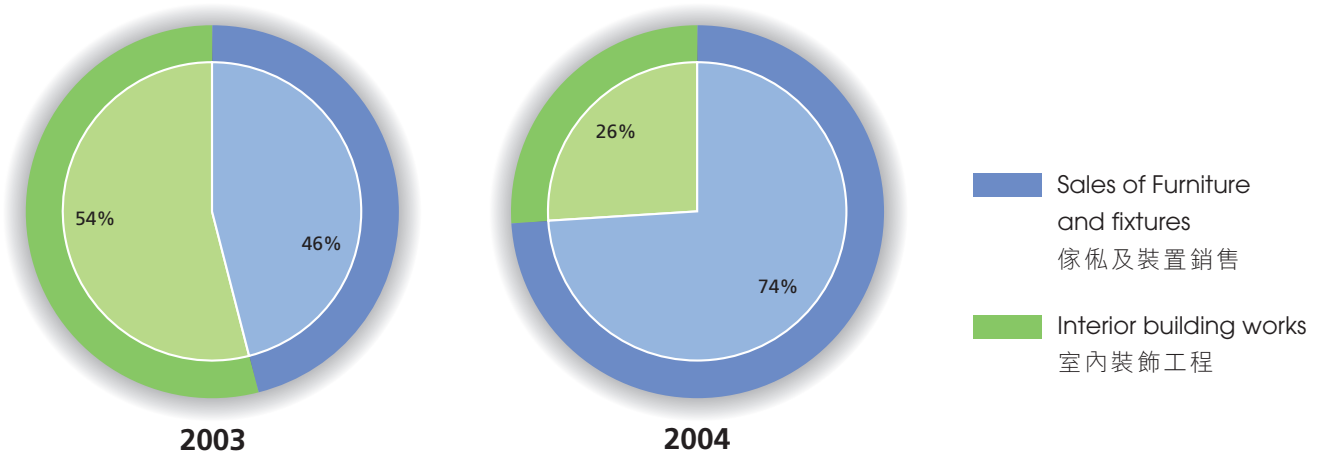
## TURNOVER BY BUSINESS SEGMENTS 按業務劃分的營業額



## TURNOVER BY GEOGRAPHICAL SEGMENTS 按地域劃分的營業額



SEGMENTS ASSETS BY BUSINESS SEGMENTS 按業務劃分的分類資產



CARRYING AMOUNT OF SEGMENT ASSETS BY GEOGRAPHICAL SEGMENTS 按地域劃分的賬面值分類資產

