



## MANAGEMENT DISCUSSION AND ANALYSIS

The following 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 year under review was a challenging year for the Group. For the year ended 31 March 2005, the Group recorded a turnover of HK\$357.4M, up 33.2% as compared with the previous financial year of HK\$268.2M. The satisfactory improvement was mainly attributable to the increase in sales demand for furniture and fixtures products after the improvement of the global economy. The net profit for the year increased by 525% to approximately HK\$14.8M compared with the previous financial year of HK\$2.4M.

United States and Europe continued to be the principal markets of the Group. HK\$240M of the Group's products were sold to USA and Europe, accounting for 67% of the Group's total turnover. During the previous financial year, HK\$140M were sold to USA and Europe. The Group had continued to have the opportunity to participate in a number of sizeable projects during the year in various sectors of the business which had helped increasing the Group's turnover as a whole. Hong Kong and Mainland China markets continued to slow down during the year under review representing only 29% the Group's turnover compared with that of 43% of the previous financial year.

During the year under review, the Group completed interior fitting out projects and/or supply of furniture for a large residence at Repulse Bay Road, Hong Kong, Hilton Hotel, San Francisco, Four Seasons Hotel, Palo Alto, USA and the Langham Hotel, London. Shop fixtures were supplied to several Ermenegildo Zegna stores in Shenzhen, Changchun and Hangzhou. The Group also undertook to supply architectural woodwork for the branch offices of an international law firm in Los Angeles, San Francisco and New York through its partner, Imperial Woodworking Company.

Projects currently in progress include interior fitting-out project for a French Restaurant at the Four Seasons Hotel, Hong Kong, furniture supply contracts for MGM Turnberry, Las Vegas, the Ritz-Carlton Hotel, Moscow, the Grosvenor House Hotel, London, and shop fixtures projects for Hermes Boutique in Hangzhou and Manolo Blahnik Boutique in Central, Hong Kong.

In June 2005, the Group opened a contract furniture showroom at the Merchandise Mart in Chicago, the showroom was well received by architects and designers. The showroom had also won the "2005 Showroom and Booth Competition Award", organized by the International Design Association. This showroom is in addition to the showroom in Dallas, Texas which had been operating since April 2004. Chicago is the centre of office furniture industry. The Group believes that by establishing this showroom, the Group's presence in the contract furniture market in USA is more visible and elevates Decca Contract Furniture ("DCF") to being a "National" supplier.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a conservative financial structure during the year, there is no seasonal borrowing requirements. The Group's funding requirements to a certain extent depend on the value of the contracts awarded to the Group by its customers. As at 31 March 2005, the total bank borrowings amounting to HK\$46.9M (2004: HK\$27.0M) would mature in one year or on demand. 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

本年度是集團極具挑戰的一年。截至二零零五年三月三十一日止，集團錄得之綜合營業額由去年同期之2.682億港元增長33.2%至3.574億港元。此項令人滿意的增長，主要歸因於全球經濟全面復甦，帶動市場對傢俱、裝置供應的需求殷切。純利由去年同期之240萬港元增長525%至1,480萬港元。

美國及歐洲仍為本集團的主要市場。美國及歐洲市場的產品銷售約為2.4億港元，合共佔集團總營業額67%；回顧去年同期，美國及歐洲市場的產品銷售約為1.4億港元。於期內，本集團有機會參與多個大型工程項目，令集團整體營業額有所增加。香港及中國內地市場持續放緩，回顧去年同期，合共佔集團總營業額43%，於本年度只佔總營業額29%。

回顧期內，集團參與並完成的室內裝飾工程項目及／或傢俱供應包括：香港淺水灣道的大型住宅項目、美國三藩市Hilton Hotel、美國帕羅奧多市Four Seasons Hotel及英國倫敦Langham Hotel。集團亦為Ermenegildo Zegna位於中國深圳、長春及杭州的店舖，提供店舖傢俱及裝飾供應。此外，集團與其合作夥伴Imperial Woodworking Company為一國際性律師樓位於美國洛杉磯、三藩市及紐約的分公司，提供建築裝飾木制品。

至於目前仍在進行的主要工程項目包括：香港四季酒店—法國餐廳的室內裝飾工程項目；拉斯維加斯MGM Turnberry、莫斯科Ritz-Carlton Hotel、倫敦Grosvenor House Hotel的傢俱供應項目；Hermes Boutique位於杭州，及香港中環Manolo Blahnik Boutique提供店舖傢俱及裝飾供應。

於二零零五年六月，集團於美國芝加哥Merchandise Mart開設合約傢俱陳列室，並深受建築師及設計師歡迎，更榮獲International Design Association所頒予「2005 Showroom and Booth Competition Award」之獎狀。此陳列室是繼美國德州達拉斯的陳列室自二零零四年四月開始營運之後而設。芝加哥乃辦公室傢俱的工業中心，管理層團深信憑藉其設立的陳列室，定能奠定集團於美國合約傢俱市場的地位，並提升Decca Contract Furniture(「DCF」)為一「全國性」的供應商。

### 流動資金、財務資源及資本結構

本集團的財政狀況繼續秉承一貫穩健、審慎理財的哲學，於期內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。截至二零零五年三月三十一日止，集團銀行借款總額為4,690萬港元(二零零四年：2,700萬港元)乃一年內或即時通知到期的貸款。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)

The borrowings including bank loans and overdrafts 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. Having taken into account of the Group's net worth of HK\$193.3M, such borrowing level is considered as prudent. Finance costs were maintained at a low level of HK\$2.0M (2004: HK\$2.4M) representing 0.6% (2004: 0.9%) of the Group's turnover. Net current assets stood at HK\$102.8M.

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

### GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 31 March 2005, the gearing ratio (total borrowings divided by net assets) was 0.27 (2004: 0.16). 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 Mainland China would also 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

At 31 March 2005, land and building of the Group with net book value of approximately HK\$6.7M (2004: HK\$7.2M) were pledged with a bank to secure a loan granted to the Group.

As at 31 March 2005, there were contingent liabilities of approximately HK\$4.8M in respect of jointly guarantee with a third party to secure finance leases granted to an associate. At 31 March 2005, the obligations under finance leases in the books and records of the associate amounted to approximately HK\$4.8M. There was no significant investments or disposals of subsidiaries in the year under review.

### 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 2005, the Group employed 110, 1471, 4 and 21 staff in Hong Kong, Mainland China, Singapore and USA respectively (2004: 101, 1065, 4 and 11 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 caliber executives and employees, share options may be granted to eligible employees. Other employee benefits include mandatory provident fund and training programs.

### 流動資金、財務資源及資本結構(續)

銀行借款包括銀行貸款及透支，主要以港元及人民幣為主，並以香港及中國內地之工程所得的資金收入相配。如以本集團資產淨值1.933億港元比較，此貸款水平屬於穩健。財務成本維持在200萬港元(二零零四年：240萬港元)的較低水平，相當於集團營業額約0.6%(二零零四年：0.9%)。流動資產淨值為1.028億港元。

本集團所持有之現金主要以港元為基礎，大部份貸款之息率通常是浮動的。本集團一般透過內部資金與香港銀行給予之信貸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。

### 資產負債比率及外匯風險

截至二零零五年三月三十一日止，資產負債比率(總借貸額/資產淨值)為0.27(二零零四年：0.16)。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。人民幣匯率保持穩定，此乃中國希望維持港元與人民幣之間的穩定匯率，使香港的經濟得益。

### 資產抵押及或然負債

截至二零零五年三月三十一日止，本集團的土地及樓宇之賬面淨值約為670萬港元(二零零四年：720萬港元)已抵押給一家銀行，作為給予本集團貸款之抵押。

截至二零零五年三月三十一日止，或然負債總額約為480萬港元，此乃本集團與第三者對聯營公司的租購合約作出聯合擔保。於二零零五年三月三十一日，聯營公司賬目及記錄內的租購合約承擔約為480萬港元。集團於年內並無重大的投資或出售附屬公司。

### 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，截至二零零五年三月三十一日止，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110、1471、4及21人(二零零四年：101、1065、4及11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。

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE GOVERNANCE

The Audit Committee, which was comprised of three 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.

## FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANY

The Group made financial assistance of HK\$11,667,000 and guarantees of HK\$3,425,000 to its associate Vielie Flooring Limited ("Vielie") as at 30 June 2005. These in aggregate represented approximately 15.1% of the consideration ratio of the Group as at 30 June 2005. These pursuant to financial assistance and guarantees to affiliated company under Rule 13.16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (The "Listing Rules") as its consideration ratio exceeded the requirement of 8% of the consideration ratio. The financial assistance was interest free, unsecured and repayable on demand. The financial assistance was funded by the Group's internal resources. The guarantee was given by the Company to banks which provided finance leases to Vielie. The Group has 50% share of interest in Vielie as at 31 March 2005 and the audited balance sheet of Vielie was given below:

### VIELIE FLOORING LIMITED

Balance Sheet as at 31 March 2005

**31.3.2005**  
**(audited)**  
HK\$

#### **Non-current assets**

Investment in subsidiary	10,691,308
Plant and machinery, furniture and fixtures	2,132,832
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	12,824,140
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### 公司管治

由三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務，以及內部監控與審核有關事宜。

### 為聯屬公司提供財務資助及作出擔保

本集團於二零零五年六月三十日向聯營公司維埃里地板有限公司（「維埃里」）提供11,667,000港元之財務資助及3,425,000港元的擔保。此總數約為本集團於二零零五年六月三十日的代價比率的15.1%。根據香港聯合交易所有限公司證券上市規則（「上市規則」）第13.16條規定，有關代價比率已超越8%，將構成為聯屬公司提供財務資助及作出擔保。此財務資助為免息、無抵押及可即時要求償還，財務資助乃由集團的內部資金支付。擔保乃本公司給予某些銀行作為提供租購合約給維埃里之用。本集團於二零零五年三月三十一日擁有維埃里50%的權益，下列為其經審核資產負債表：

#### 維埃里地板有限公司

資產負債表於二零零五年三月三十一日

二零零五年三月三十一日

（經審核）

港元

#### 非流動資產

附屬公司之投資	10,691,308
廠房及設備、傢俬及裝置	2,132,832
	<hr/>
	12,824,140
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# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANY (continued)

### VIELIE FLOORING LIMITED (continued)

Balance Sheet as at 31 March 2005

**31.3.2005**

**(audited)**

HK\$

#### Current assets

Amount due from subsidiary	11,157,553
Inventories	1,030,628
Trade debtors	1,551,762
Bank balances	573,120
	<u>14,313,063</u>

#### Current liabilities

Trade creditors	1,303,947
Other creditors and accruals	608,477
Obligations under finance leases - due within one year	2,169,441
Amounts due to shareholding companies	22,132,727
	<u>26,214,592</u>

#### Net current liabilities

(11,901,529)

#### Total assets less current liabilities

922,611

#### Non-current liabilities

Obligations under finance leases - due after one year	2,647,367
	<u>(1,724,756)</u>

#### CAPITAL AND RESERVES

Issued capital	2
Accumulated losses	(1,724,758)
	<u>(1,724,756)</u>

**為聯屬公司提供財務資助及作出擔保(續)**

**維埃里地板有限公司(續)**

資產負債表於二零零五年三月三十一日

二零零五年三月三十一日

(經審核)

港元

**流動資產**

應收附屬公司賬項	11,157,553
存貨	1,030,628
應收貿易賬項	1,551,762
銀行結存	573,120
	<u>14,313,063</u>

**流動負債**

應付貿易賬項	1,303,947
其他應付賬項及應計費用	608,477
租購合約承擔：一年內須償還	2,169,441
應付持股公司款項	22,132,727
	<u>26,214,592</u>

**流動負債淨值**

(11,901,529)

**總資產減流動負債**

922,611

**非流動負債**

租購合約承擔：一年後須償還	2,647,367
	<u>(1,724,756)</u>

**資本及儲備**

發行資本	2
累積虧損	(1,724,758)
	<u>(1,724,756)</u>





## MANAGEMENT DISCUSSION AND ANALYSIS

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, 17 August 2005 to Monday, 22 August 2005, 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, 16 August 2005.

### PROSPECTS

During the coming year, the Group will focus on expanding its manufacturing base and improving its production efficiency. Currently, a new 360,000ft<sup>2</sup> addition to the present factory premises in Dongguan is under construction. The new facility will include a 60,000ft<sup>2</sup> finishing line that will fully mechanise the finishing operation from green sanding to final assembly and packing. The Group expects this facility to be operational by the fourth quarter of this year. This will then allow the production facilities to be divided into specialist areas so the attention can be paid to improving the profitability of each main business area; hospitality, contract, architectural & retail fixtures and residential furniture.

During the previous year, over HK\$15M, primarily bedroom furniture, was shipped from Thailand. The Group has set up a company called "Decca Furniture (Thailand) Limited" in February 2005 which will continue to expand. The Group expects business to increase over the coming year as a result of the Group targeting hospitality programs in the middle market segment. This business was never actively pursued in the past because of limited production capacity.

The Group has continued its fight against the imposition of duties now in effect for Chinese produced bedroom furniture. A decision is expected on the Group's court case in Washington by mid-August 2005.

The "Decca" brand name continues to develop. In particular, the Group is becoming well known in the European hospitality market and the U.S. contract furniture market. During the coming year:—

1. The Group will utilise its three marketing offices in Europe – London, Paris and Copenhagen to further develop Decca's brand name with hotel operators and designers. The Group is now active in eight European countries and expects its business to increase significantly over the coming year.
2. DCF's new Chicago showroom has pushed the Decca brand to the forefront of executive case goods suppliers. During the recent NeoCon World's Trade Fair, over 200 architects and designers visited the showroom for the first time and have asked for appointments with company sales representatives to discuss potential projects utilising DCF's case goods capabilities. This will lead to a significant increase in business for DCF in the coming year.

Although, there will be challenges in 2005/2006, the Group is well positioned to continue to develop and to improve its overall results in the coming year.

董事會認為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

本公司將於二零零五年八月十七日(星期三)至八月二十二日(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二零零五年八月十六日(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

於來年，集團將專注擴充其製造的基礎和提高生產效率。目前，面積約360,000平方呎位於東莞的新興建廠房仍在建造中。新建的廠房將包括60,000平方呎的油漆生產線，並全力經營各項油漆工序，由初步砂光至最後組合及包裝。集團期望新廠房能於本年度第四季正式投入運作。此舉令集團的生產設備得以劃分成專責小組，從而改善各主要營業市場的盈利：酒店傢俱、合約、建築裝飾和店舖裝置及住宅傢俱。

回顧去年，由泰國出口的貨量已超過1500萬港元，主要為寢室傢俱系列。本集團於二零零五年二月已成立「Decca Furniture (Thailand) Limited」並會繼續擴展業務。由於集團將銳意發展中價酒店傢俱的市場，故管理層預期來年的業務持續增長。過往則因有限的生產力，故未有積極擴充有關之業務。

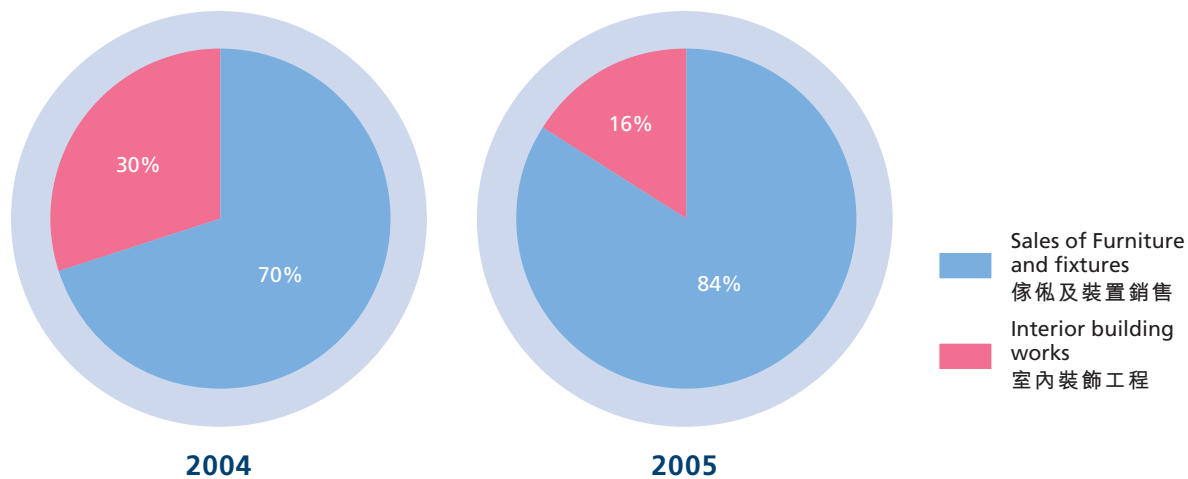
集團現階段仍爭取反對有關徵收內地寢室木製傢俱的高稅率。管理層期待美國華盛頓法院於二零零五年八月中的判決議案。

「達藝」品牌名稱仍不斷發展。集團已分別於歐洲酒店傢俱及美國合約傢俱市場建立一定的知名度。展望將來：

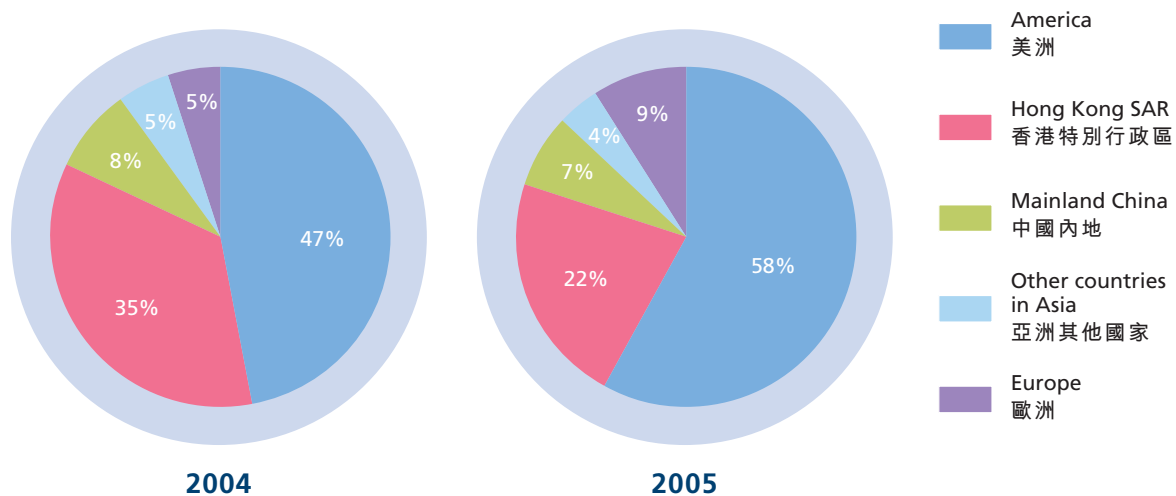
1. 集團將利用其歐洲三個銷售辦事處－倫敦、巴黎及哥本哈根，與酒店業介及設計師保持聯系，以發展「達藝」品牌名稱。集團現正積極於八個歐洲城市拓展業務，並期望來年將有可觀的增長。
2. DCF位於美國芝加哥陳列室進一步推動「達藝」品牌名稱至最前線的傢俱供應商。於最近的NeoCon世界貿易展覽會，超過200名建築師及設計師到場參觀，並要求與集團的銷售代表商談選用DCF傢俱的業務計劃，為DCF來年的業務帶來可觀的增長。

儘管2005/2006年度仍有新挑戰，集團已定下明確的目標繼續發展及改進其整體業績表現。

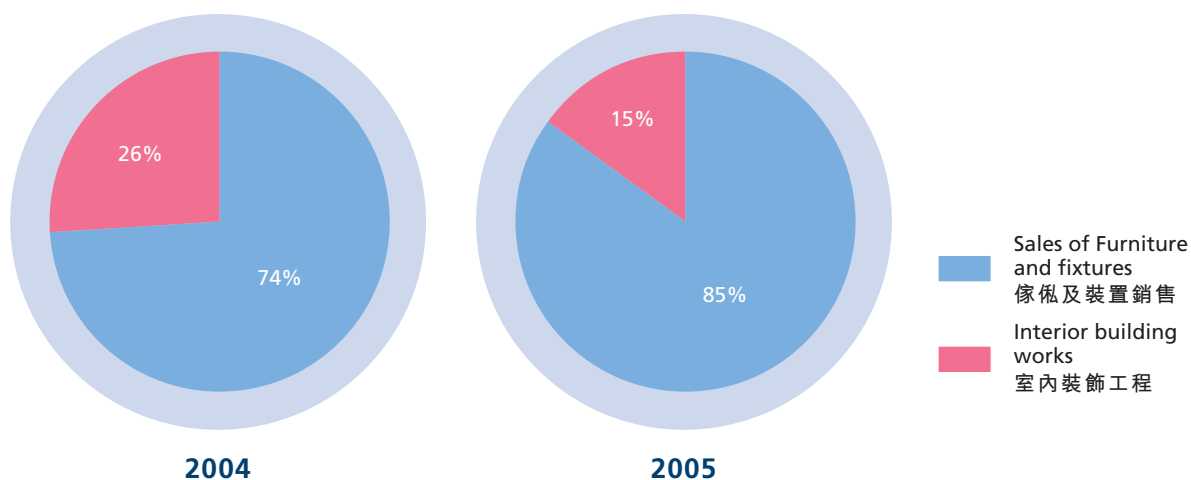
## TURNOVER BY BUSINESS SEGMENTS 按業務劃分的營業額



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



**SEGMENT 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

