

Management Discussion and Analysis

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

REVIEW OF RESULTS

The year under review was one of the most satisfying in the history of the Group. The business plan formulated and implemented by the management team in 2003 is producing the results that were projected and have positioned the Group to grow geographically across all major product categories.

Revenue for the year ending 31 March 2006 was at a record level of HK\$484.7M, up 35.6% from the previous year's HK\$357.4M. Net profit increased 162.2% from HK\$14.8M to HK\$38.8M. The record revenue was the result of solid growth, particularly in the US hospitality division, the architectural fixtures & projects division and the Asia custom furniture division. The geographical dispersion remained relatively constant with the previous year.

The United States continued to be the Group's largest market accounting for 60% of the total revenue. The increase in US revenue was the result of the continuing development of major relationships with the Hilton Hotel Group, Four Seasons Hotels and Resorts and the completion of a large supply contract to the prestigious "Cloisters Resort" in Sea Island of Georgia, USA. Architectural fixtures and fitting out work increased due to the completion of a French Restaurant in Four Seasons Hotel, Hong Kong. While Asia custom furniture grew due to contracts for Four Seasons Hotel, Hong Kong and more than doubling of the Group's business in Japan.

During the year under review, the Group purchased a permanent showroom in High Point, North Carolina. This is the location of the High Point International Home Furnishing Market, where exhibition occurs twice each year. The Group's subsidiary, Bolier & Company, LLC ("Bolier"), will use this space to show its expanding line of distinctive furniture in a setting befitting to the up-market reputation the company has developed. Bolier utilizes the talents of well-known designers such as Michael Vanderbyl and John Black to reinforce its commitment for making available exceptional design at very attractive price points.

The Group reported in its last interim report that it had won its case against the United States Department of Commerce but was waiting on the judgment to be implemented. This was finalized on 1 May 2006. The Group now enjoys a provisional duty rate of 6.65% on all bedroom items shipped from China to the United States. This rate will be effective until the final rate is announced in the summer of 2007.

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 2006, the total bank borrowings amounting to HK\$52.0M (2005: HK\$46.9M), out of which HK\$25.0M (2005: HK\$46.9M) would mature in one year or on demand. 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\$226.1M (2005: HK\$193.3M), such borrowing level is considered as prudent. Finance costs were maintained at a low level of HK\$3.8M (2005: HK\$2.0M) representing 0.8% (2005: 0.6%) of the Group's revenue. Net current assets stood at HK\$130.7M.

管理層討論及分析

下列之意見應與達藝控股有限公司之綜合財務報表及有關之綜合財務報表附註一併閱讀。

業務回顧

本年度是集團歷年來其中最令人滿意的一年。管理層於二零零三年所製定及執行的業務計劃，已取得預期成果，令集團各主要產品類別於地區業務中獲得增長。

截至二零零六年三月三十一日止年度，集團錄得之收入由去年同期之3.574億港元增加35.6%至4.847億港元。純利由去年同期之1,480萬港元增加162.2%至3,880萬港元。集團紀錄性的收入有實質增長，尤其顯著包括美國的酒店傢俱部，建築裝飾裝置及工程部，和亞洲區訂造傢私部。地區性的分佈與去年相約。

美國仍為本集團最大的市場，佔總收入60%。美國市場的收入增長，主要是由於集團一直與希爾頓酒店集團、Four Seasons Hotels and Resorts保持良好的業務關係及完成與位於美國喬治亞州Sea Island的著名「Cloisters Resort」的大型供應合約。建築裝飾裝置的業務增長，主要是集團於期內參與並完成香港四季酒店內之法國餐廳的工程項目。至於亞洲區訂造傢私的業務增長，則由於香港四季酒店的傢俱合約，及集團於日本市場超過雙倍的業務增長。

回顧年內，集團購入位於美國北卡羅萊納州High Point之固定陳列室。當地有High Point International Home Furnishing Market的展覽場，並每年舉行兩次展覽會。本集團之附屬公司－Bolier & Company, LLC（「Bolier」）將利用該陳列室展示獨特的傢俱品牌系列，拓展其高檔傢俱的市場業務。Bolier亦利用著名設計師如Michael Vanderbyl及John Black的才華，務求製作出既具獨特設計又具合理價格的傢俱。

於本年度之中期業績報告中，就美國商務部的徵收懲罰性關稅，本集團提及已在此訴訟中獲勝，但仍等待法庭執行其判決。有關之訴訟已於二零零六年五月一日完成判決。本集團由中國運往美國的所有臥室傢俱，現可享有臨時關稅利率6.65%的資格。此利率有效期至二零零七年夏季，屆時將公佈確實的關稅利率。

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，於年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。截至二零零六年三月三十一日止，集團銀行借款總額為5,200萬港元（二零零五年：4,690萬港元），其中2,500萬元（二零零五年：4,690萬港元）乃一年內或即時通知到期的貸款。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2.261億港元（二零零五年：1.933億港元）比較，此貸款水平屬於穩健。財務成本維持在380萬港元（二零零五年：200萬港元）的較低水平，相當於集團收入約0.8%（二零零五年：0.6%）。流動資產淨值為1.307億港元。

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

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.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

At 31 March 2006, buildings of the Group with carrying value of approximately HK\$6.3M (2005: HK\$6.7M) were pledged with a bank to secure a loan granted to the Group.

As at 31 March 2006, there were contingent liabilities in respect of jointly guarantee with a third party to secure finance leases granted to an associate. At 31 March 2006, the obligations under finance leases in the books and records of the associate amounted to approximately HK\$2.7M (2005: HK\$4.8M). There was no significant investments or disposals of subsidiaries in the year under review.

GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 31 March 2006, the gearing ratio (total borrowings divided by net assets) was 0.25 (2005: 0.27). 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.

EMPLOYEES

As at 31 March 2006, the Group employed 130, 1792, 4, 24 and 2 staff in Hong Kong, Mainland China, Singapore, USA and Thailand respectively (2005: 110, 1471, 4, 21 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 caliber executives and employees, share options may be granted to eligible employees. Other employee benefits include mandatory provident fund and training programs.

管理層討論及分析

流動資金，財務資源及資本結構(續)

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。

資產抵押及或然負債

於二零零六年三月三十一日，本集團已將賬面值約630萬港元(二零零五年：670萬港元)之樓宇，抵押給一間銀行，作為給予本集團貸款之抵押。

截至二零零六年三月三十一日止，或然負債乃本集團與第三者對聯營公司的租購合約作出聯合擔保。於二零零六年三月三十一日，聯營公司賬目及記錄內的租購合約承擔約為270萬港元(二零零五年：480萬港元)。集團於年內並無重大的投資或出售附屬公司。

資產負債比率及外匯風險

截至二零零六年三月三十一日止，資產負債比率(總借貸額／資產淨值)為0.25(二零零五年：0.27)。本集團主要以港元、人民幣及美元賺取收入及支付費用，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。

僱員

於二零零六年三月三十一日，本集團於香港、中國內地、新加坡、美國及泰國所僱用的員工數目分別為130, 1792, 4, 24及2人(二零零五年：110, 1471, 4, 21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。

Management Discussion and Analysis

CORPORATE GOVERNANCE

Saved for disclosed in the Corporate Governance Report, the Company has complied throughout the year ended 31 March 2006 with the Code of Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the provision of financial assistance and guarantees by the Group to its associate Vielie Flooring Limited ("Vielie"), a balance sheet of Vielie as at 31 March 2006 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is summarised below:

Balance Sheet of Vielie

as at 31 March 2006

| | 31.3.2006 |
|-------------------------|------------------|
| | HK\$'000 |
| Non-current assets | 12,162 |
| Current assets | 24,065 |
| Current liabilities | (29,059) |
| Non-current liabilities | (900) |
| Net assets | <u>6,268</u> |
| Issued capital | 10,000 |
| Translation reserve | 207 |
| Accumulated losses | <u>(3,939)</u> |
| | <u>6,268</u> |

As at 31 March 2006, the attributable interest of the Group in Vielie amounted to loss of HK\$1,969,000 approximately.

管理層討論及分析

企業管治

除於企業管治報告書披露之事項外，本公司在截至二零零六年三月三十一日止年度內，已遵從香港聯合交易所有限公司證券上市規則附錄14所載之企業管治常規守則。

遵照上市規則第13章第13.22條須予披露之資料

有關本集團給予聯營公司維埃里地板有限公司(「維埃里」)之財務資助及擔保，茲將根據上市規則第13章第13.22條之規定而須披露維埃里於二零零六年三月三十一日之資產負債表概括如下：

維埃里之資產負債表

於二零零六年三月三十一日

| | 二零零六年三月三十一日 千港元 |
|-------|--------------------|
| 非流動資產 | 12,162 |
| 流動資產 | 24,065 |
| 流動負債 | (29,059) |
| 非流動負債 | (900) |
| 資產淨值 | <u>6,268</u> |
| 發行資本 | 10,000 |
| 兌換儲備 | 207 |
| 累積虧損 | <u>(3,939)</u> |
| | <u>6,268</u> |

於二零零六年三月三十一日，集團於維埃里之應佔權益約為虧損1,969,000港元。

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 22 August 2006 to Friday, 25 August 2006, 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 21 August 2006.

PROSPECTS

The Group enters 2006/2007 with its largest backlog of confirmed orders in its history. Based on this backlog and the increase in activity we continue to see in the first quarter of 2006/2007, the Group expects to continue with double-digit growth in both revenue and profits.

The Group's expansion at its DongGuan production facility was topped out in June 2006. Full production should be achieved by the end of the second quarter 2006/2007. This added capacity plus the added efficiency achieved by the production management team will enable the Group to achieve a higher turnover level.

In summary, the Company is positioned to continue positive sales growth in diversified markets, which diminishes the Group's overall risk. The "Decca" brand continues to grow and has become a recognized name for quality products. And, the manufacturing facility continues to improve its efficiency thereby ensuring that the Group will maintain its competitiveness in all of the markets where it participates.

管理層討論及分析

暫停辦理股份過戶登記

本公司將於二零零六年八月二十二日(星期二)至八月二十五日(星期五)，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二零零六年八月二十一日(星期一)下午四時前遞交香港灣仔皇后大道東28號金鐘匯中心26樓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

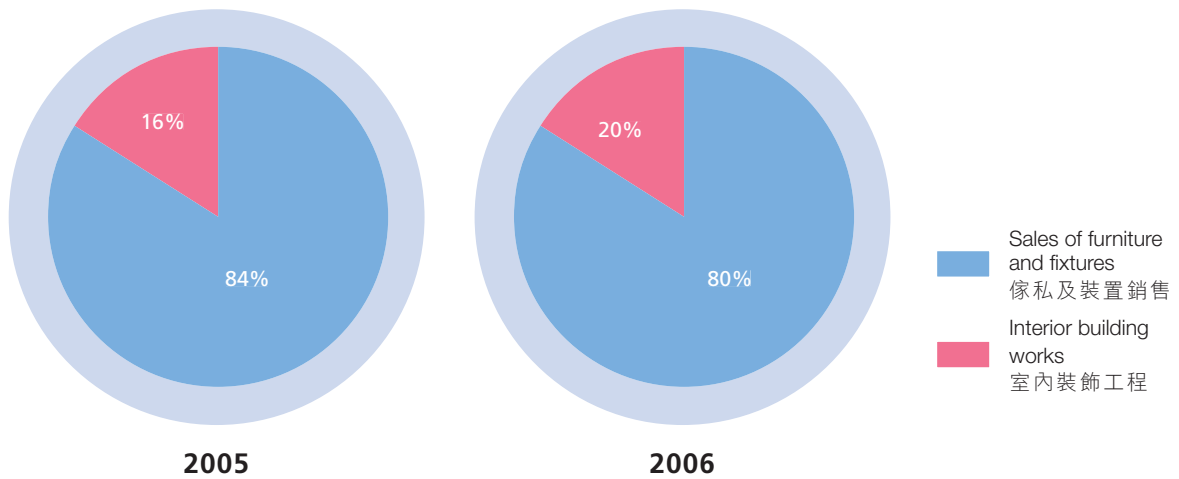
踏入二零零六年／二零零七年，集團積壓歷來最大的已確認訂單。有鑑於已積壓的訂單及二零零六年／二零零七年首季活躍的業務，集團期望收入及溢利持續有雙位數的增長。

集團位於東莞的新興建廠房，已於二零零六年六月完成平頂儀式。新建的廠房將於二零零六年／二零零七年第二季末全面投產。新增的廠房配合生產管理人員效率的提升，將可令集團有更高的營業額。

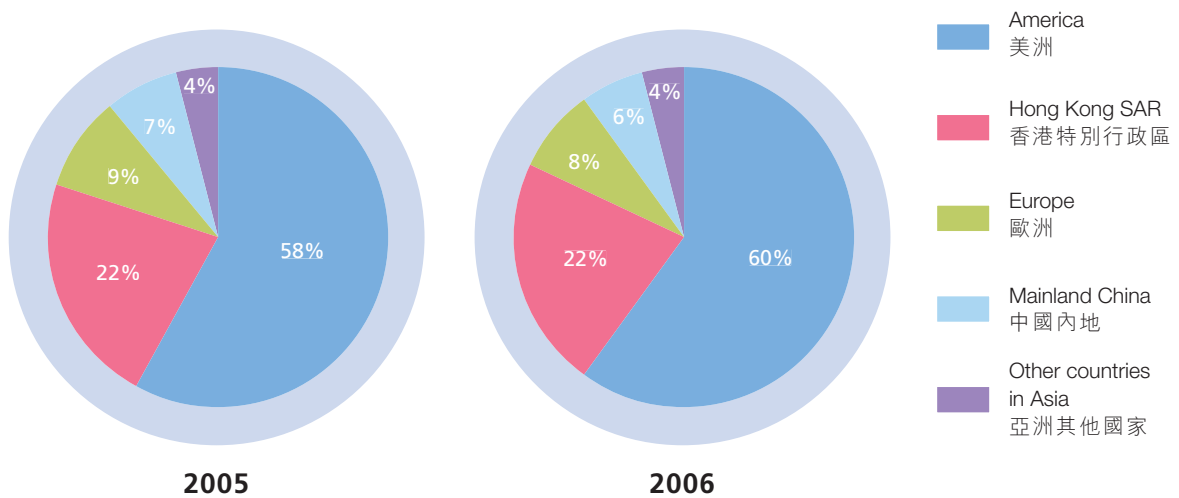
總括而言，本公司乃處於優越位置，於多個市場持續其正面的業務增長，以降低整體業務風險。「達藝」品牌持續發展，已被確認為優質品牌。此外，集團會不斷提升生產製造設備的效率，以維持集團於各市場的競爭能力。

Management Discussion and Analysis

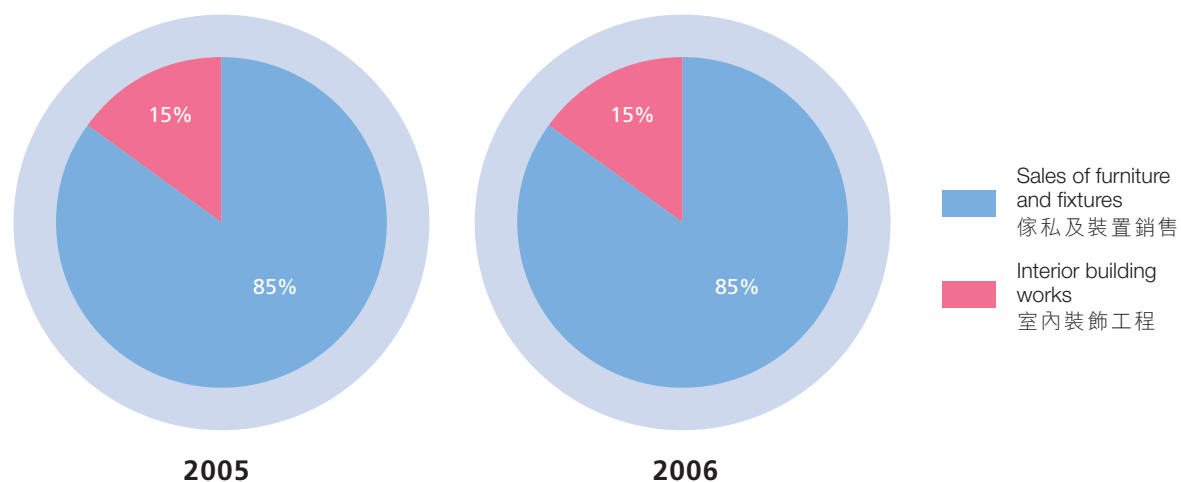
TURNOVER BY BUSINESS SEGMENTS 按業務劃分的營業額



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

