

Notes to the Consolidated Financial Statements

1. GENERAL

The Company is incorporated in Bermuda as an exempted limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Peasedow Enterprises Limited, incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are manufacturing, trading of furniture and decoration materials, and interior decoration works.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payment" ("HKFRS 2") which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. HKFRS 2 is effective for option granted on or after 7 November 2002 and not yet vested at 1 April 2005. As all share options are granted before 7 November 2002, therefore, the change in accounting policy has had no effect on the results for the current or prior periods.

綜合財務報表附註

1. 緒言

本公司乃百慕達成立的有限責任公司，其股份在香港聯合交易所有限公司上市。最終控股公司乃於英屬處女群島成立之Peasedow Enterprises Limited。本公司註冊辦事處及主要營業地點的地址已於本年報之「公司資料」內披露。

本綜合財務報表以港元編製，即本公司的主要貨幣。

本集團的主要業務為傢私及裝飾材料的生產和買賣，及室內裝飾工程。

2. 採納香港財務報告準則／會計政策變動

在本年度，本集團首次應用香港會計師公會新頒佈之若干香港財務報告準則、香港會計準則及詮釋（在下文統稱「新香港財務報告準則」），該等準則適用於二零零五年一月一日或之後開始之會計期間。應用新香港財務報告準則導致綜合收益表、綜合資產負債表、綜合現金流量表及綜合權益變動表的呈列方法有所改變，該等呈列方法的改變已追溯應用。採用新香港財務報告準則導致本集團會計政策在以下幾方面有所改變，影響本年及以往會計年度之業績編製及呈列：

股權支付

於本年度，本集團應用香港財務報告準則第2條「股權支付」，規定本集團以股份或享有股份的權利交換購買的貨品或獲取的服務（「權益結算交易」）或用以交換價值相當於指定數目的股份或享有股份的權利（「現金結算交易」）須確認為支出入賬。香港財務報告準則第2條對於本集團的主要影響乃關乎授予本公司董事及僱員購股權於授出日期釐定的公平值，須於歸屬期內列支。於應用香港財務報告準則第2條以前，本集團僅於購股權行使後始確認其財務影響。香港財務報告準則第2條之生效只影響於二零零二年十一月七日或之後授出但於二零零五年四月一日仍未歸屬之購股權。全部購股權均於二零零二年十一月七日之前授出。因此，會計政策變動對本年度或以前年度業績並無影響。

Notes to the Consolidated Financial Statements

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a leasehold land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs on the balance sheet as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	Adjustments	As at 31 March 2005 (restated) and 1 April 2005
	HK\$'000	HK\$'000	HK\$'000
Balance sheet items			
Impact on HKAS 17			
Property, plant and equipment	100,200	(2,786)	97,414
Prepaid lease payments	–	2,786	2,786
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綜合財務報表附註

2. 採納香港財務報告準則／會計政策變動(續)

業主自用的土地租賃權益

在以往年度，業主自用租賃土地及樓宇歸入物業、機器及設備，按成本計算。在本年度，本集團應用香港會計準則第17條「租賃」。根據此會計準則，土地及樓宇租賃內之土地及樓宇應視乎租賃類別獨立入賬，除非有關租賃款項未能可靠地分配為土地或樓宇部份，在此情況下則一概視為租購合約。若能就租賃款項可靠地分配為土地或樓宇部份，於土地的租賃權益應重新分類為經營租賃下之預付租賃款項，以成本入賬並按租賃期作直線攤銷。此項會計政策變動已追溯應用(其對財務狀況之影響見下列附註3)。

3. 會計政策改變的影響摘要

於二零零五年三月三十一日及二零零六年四月一日之資產負債表，就應用新香港財務報告準則之影響概括如下：

	於二零零五年 三月三十一日 (原列) 千港元	調整 千港元	於二零零五年 三月三十一日 (重列)及 二零零六年 四月一日 千港元
資產負債表項目			
香港會計準則第17條之影響			
物業、廠房及設備	100,200	(2,786)	97,414
預付租賃款項	—	2,786	2,786
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Notes to the Consolidated Financial Statements

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective as at 31 March 2006 (the “New Standards”).

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment ³
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁵
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁶

1 Effective for accounting periods beginning on or after 1 January 2007.

2 Effective for accounting periods beginning on or after 1 January 2006.

3 Effective for accounting periods beginning on or after 1 December 2005.

4 Effective for accounting periods beginning on or after 1 March 2006.

5 Effective for accounting periods beginning on or after 1 May 2006.

6 Effective for accounting periods beginning on or after 1 June 2006.

The Group has commenced considering the potential impact of the New Standards, and determined that except for HKAS 39 and HKFRS 4 (Amendments) “Financial guarantee contracts”, the management anticipates the application of the New Standards will have no material impact on the Group’s financial statements.

HKAS 39 and HKFRS 4 (Amendments) require financial guarantee contract which is within the scope of HKAS 39 to be measured at fair value on initial recognition. The management determined that it is not yet in a position to reasonably ascertain how the amendment may affect the results of operations and financial position of the Group.

綜合財務報表附註

3. 會計政策改變的影響摘要(續)

於二零零六年三月三十一日，本集團並無提早應用下列已頒佈但未生效之新準則修訂或詮釋。(「新準則」)。

香港會計準則第1條(修訂本)	資本披露 ¹
香港會計準則第19條(修訂本)	精算損益、集團計劃及披露 ²
香港會計準則第39條(修訂本)	預測集團內部交易之現金流量對沖會計處理法 ²
香港會計準則第39條(修訂本)	期權之公平價值 ²
香港會計準則第39條及 香港財務報告準則第4條(修訂本)	財務擔保合約 ²
香港財務報告準則第6條	礦物資源之勘探及評估 ²
香港財務報告準則第7條	金融工具：披露 ¹
香港(IFRIC)－詮釋第4條	釐定安排是否包括租賃 ²
香港(IFRIC)－詮釋第5條	解除運作、復原及環境修復基金所產生權益之權利 ²
香港(IFRIC)－詮釋第6條	參與特定市場所產生之負債－廢棄的電力及電子設備 ³
香港(IFRIC)－詮釋第7條	根據香港會計準則第29條惡性通貨膨脹經濟中之財務報告採用重述法 ⁴
香港(IFRIC)－詮釋第8條	香港財務報告準則第2條之範圍 ⁵
香港(IFRIC)－詮釋第9條	重估嵌入衍生工具 ⁶

1 於二零零七年一月一日或其後開始之年度期間生效。

2 於二零零六年一月一日或其後開始之年度期間生效。

3 於二零零五年十二月一日或其後開始之年度期間生效。

4 於二零零六年三月一日或其後開始之年度期間生效。

5 於二零零六年五月一日或其後開始之年度期間生效。

6 於二零零六年六月一日或其後開始之年度期間生效。

本集團曾考慮新準則之潛在影響，決定除香港會計準則第39條及財務報告準則第4條(「修訂本」)「財務擔保合約」外，管理層預期應用新準則將不會對本集團財務報表造成任何重大影響。

香港會計準則第39條及財務報告準則第4條(修訂本)指財務擔保合約於最初確認時以公平值計量。管理層決定現非適合時期，合理地確定修訂本對集團現時營運及財務狀況構成之影響。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 consolidation.

Interest in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

綜合財務報表附註

4. 主要會計政策

本綜合財務報表是按歷史成本為基礎及根據香港會計師公會頒佈的香港財務報告準則編製。此外，本綜合財務報表也包括香港聯合交易所有限公司證券上市規則和香港公司法的要求作出相關披露。

編製綜合賬目之基準

綜合財務報表包括本公司及其所有附屬公司的財務報表。

是年收購或出售之附屬公司的業績，由收購日期起或至出售日期止已包括在綜合收益表內。

如有需要，會調整附屬公司的財務報表使其會計政策與本集團其他成員看齊。

編製綜合賬時，所有集團之對內交易、結餘、收益及支出會對銷。

聯營公司權益

聯營公司之業績、資產及負債以權益法包括在財務報表中。根據權益法，聯營公司投資以成本並調整收購後集團有關損益之分擔及聯營公司權益之變動，減去可確認之減值計入綜合資產負債表外，當集團從聯營公司所分擔的虧損等於或超過其擁有聯營公司權益，集團會停止確認其他虧損之分擔。除非集團有法律或實質的責任或已代聯營公司付款，才會分擔虧損及確認責任。

當集團實體與集團之聯營公司交易時，損益會與集團所佔聯營公司之權益對銷。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Other

Sales of goods are recognised when goods are delivered and title has passed.

Rental income under operating leases is recognised on a straight-line basis over the lease terms.

Service fee income is recognised when service is provided.

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.

綜合財務報表附註

4. 主要會計政策(續)

收入確認

收入是以已收報酬或應收報酬之公平值計算，並代表在正常交易中，因提供貨品及服務後，減去折扣的款項。

建造合約

若能可靠地預測建造合約成果時，固定價格之建造合約其收益以該年度已完成工程之價值按完成階段確認入賬內。至於與客戶達成協議之工程後加項、索償及獎勵款項亦可包括在內。

若能可靠地預測建造合約成果時，按成本後增加價格之工程，其確認之收益乃參照該年度可收回之支出另加可賺取之費用，並根據當時已發生成本佔合約之預測總成本之比例計算。

若不能可靠地預測建造合約成果時，確認收益只限於可收回之已發生之成本。

其他

銷售其他貨品於貨品送出及其擁有權轉移後確認。

經營租約下的租金收益會在租賃期內以直線法確認。

服務費用收益於服務提供後確認。

參照剩餘本金及實際利率，從財務資產所得之利息收益以時間基礎計算，該利率即根據財務資產的可用年期，將估計的未來金額收入折算至資產淨賬面值。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and taking into account their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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 income statement in the year in which the item is derecognised.

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 lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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.

綜合財務報表附註

4. 主要會計政策(續)

物業、廠房及設備

物業、廠房及設備，除在建工程外，是按成本減去折舊及減值虧損(如有)入賬。

物業、廠房及設備，除在建工程外，就其估計可使用年期及其估計之剩餘價值計算折舊，以直線法攤分其成本。

租購合約之資產，其折舊與本集團自置之資產以其估計可使用年期之基礎相同。

當物業、廠房及設備被出售或持續使用資產已無將來經濟利益時，該等資產將不需確認，因不需確認資產而引至的利益或虧損(即出售淨價與賬面值的差額)會於該年度包括在收益表內。

租約

租約可分類為租購合約若租約的絕大部份風險及擁有權之利益可轉讓給承租人，其他租約則分類為經營租約。

集團為承租人

租購合約下之資產於租約生效時可以其公平值確認為集團資產，如較低，則以最低的租賃付款的現值計算。其相對的負債以租購合約承擔包括在出租人的資產負債表內、租賃款項按比例分攤為財務支出及租約承擔之遞減以確在餘下之負債有固定的息率。財務支出會計入損益中。

經營租約之租金會按有關之租賃期以直線法計入損益中。若因訂立經營租約而收取或應收取利益作為獎勵，應將此數按租約期限用直線法確認以減低租金支出。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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 period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) 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 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.

Taxation

Taxation 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 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 substantially enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements 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 and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

綜合財務報表附註

4. 主要會計政策(續)

外國貨幣

當預備每個集團個別實體的財務報表時，若交易所用之貨幣並非該實體主要貨幣時(外國貨幣)會用主要貨幣(即該實體所經營的主要經濟環境貨幣)按交易日之匯率入賬。在每個結算日，貨幣項目以外幣為本的會用結算日之匯率再對換。非貨幣項目以外幣歷史成本計算就不需要再對換。

由支付貨幣項目而產生的匯兌差額，與貨幣項目之對換，會於其發生期間於損益中確認，除非由貨幣項目產生的匯兌差額為公司在外國業務的淨投資，則該匯兌差額會於綜合財務報表中之權益內確認。

為要呈報綜合財務報表，集團在外國業務之資產與負債會以公司的呈報貨幣(即港元)以結算日之匯率對換，其收益與支出則以該年之平均匯兌率對換，除非該年度的匯兌率極其波動，則會採用交易日之匯兌率。由此引發之匯兌差額會於權益中分類確認(匯兌儲備)。該匯兌差額會於外國業務結束年度於損益中確認。

稅項

稅項指現時應付稅項及遞延稅項數額。

現時應付稅項乃按年內應課稅盈利計算。應課稅盈利不包括已撥往其他年間的應課稅收入或可扣減開支項目，亦不包括可作免稅或不可作稅項扣減之項目，故與損益表所列溢利不同。本集團之即期稅項負債乃按結算日已實行或大致上已實行之稅率計算。

應付或可收回之遞延稅項乃根據財務報表內資產及負債帳面值與計算應課稅盈利所採用相應稅基之差額，以資產負債表負債法處理。遞延稅項負債一般就所有應課稅暫時差異確認，遞延稅項資產則於可扣減暫時差異有可能用以抵銷應課稅盈利予以確認。如暫時差異由商譽或由初次確認一項不影響應課稅盈利或會計盈利之交易之其他資產及負債(業務合併除外)所產生，有關資產及負債不予確認。

遞延稅項須就投資於附屬公司及聯營公司所產生應課稅暫時差異予以確認，除非本集團可控制暫時差異轉回時間，而此暫時差異在可預見的將來很可能不會轉回。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit 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 the 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period 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 an amount 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 an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

Retirement benefits scheme

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as an expense as they fall due.

綜合財務報表附註

4. 主要會計政策(續)

稅項(續)

遞延稅項資產之帳面值乃於各個結算日進行檢討，並予以相應扣減，直至並無足夠應課稅盈利可供全部或部分遞延稅項資產可予應用為止。

遞延稅項按預期適用於負債清償或資產變現期間之稅率計算。遞延稅項從損益賬扣除或計入，除非遞延稅項關乎直接從權益扣除或直接計入權益之項目，在該情況下遞延稅項亦於權益中處理。

存貨

存貨乃以成本或可變現淨值兩者中之較低者入賬，成本包括直接物料、直接工資及將存貨送至現時地點及狀況所需之經營費(如適用)。成本以加權平均法計算。可變現淨值即賣價估值減去完成之估計成本及推銷，發售及分銷所需之成本。

建造合約

若能可靠地預測建造合約成果時，合約成本乃按於結算日合約活動之完成階段計入於收益表內，並以該年度已完成工程之價值計算。

若不能可靠地預測建造合約成果時，合約成本於其發生之期間獲確認為開支。

在總合約成本有可能超越總合約收入時，預期之虧損須即時確認為開支。

若建造合約之當時所有已發生成本加上已確認溢利扣除已確認虧損超越按進度付款項，則餘額以應收客戶之建造合約款項呈列。若按進度付款項超逾建造合約成本加上已確認溢利扣除已確認虧損，則餘額以應付客戶之建造合約款項呈列。若在有關之工程開始前收到之任何金額，必須在資產負債表內負債項目中之預付款項入賬。若已開發票收取客戶已完成工程款，但客戶仍未付，則有關款項在資產負債表以應收賬項及其他應收賬項入賬。

退休金計劃

到期之強制性公積金與國家管理退休福利計劃供款會以支出入賬。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value 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 are mainly 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 market place. The accounting policies adopted are set out below.

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, loans and receivables (including trade debtors, amounts due from customers for contract work, amount due from an associate and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

綜合財務報表附註

4. 主要會計政策(續)

金融工具

倘集團實體成為財務工具合約條文之訂約方，則於資產負債表中確認財務資產及財務負債。財務資產及財務負債首先按公平值計值。因收購或發行財務資產及財務負債(於損益賬按公平值處理的財務資產及負債除外)而直接產生之交易成本於首次確認時計入財務資產及財務負債(如適用)之公平值或自財務資產及財務負債(如適用)之公平值扣除。就損益賬按公平值處理的財務資產及負債而言，直接產生之交易成本即時於損益表確認。

財務資產

本集團之財務資產主要分為貸款及應收款項。所有財務資產的正常採購或銷售會於交易日確認及不確認。正常採購或銷售乃財務資產的採購與銷售乃根據市場的則定或方式於指定時間內將資產送交。所採納之會計政策載列於下文。

貸款及應收款項

貸款及應收款項乃於現行市場所報之固定或可釐定付款之非衍生金融工具。於初步確認後各結算日，貸款及應收款項(包括應收貿易賬項、應收客戶之建造合約款項、應收聯營公司賬項及銀行存款)均按採用實際利率法計算之已攤銷成本減任何已識別減值虧損入賬。減值虧損乃當實質證明資產減值時於收益表中確認。並按該資產之賬面值與按原先實際利率折讓之估計未來現金流量之現金值間的差額計量。當資產之可收回數額增加乃確實與於確認減值後所引致之事件有關時，則減值虧損會於隨後會計期間予以回撥，惟該資產於減值被回撥日之賬面值不得超過未確認減值時之已攤銷成本。

財務負債及股本權益

由集團實體發行之財務負債及股本權益工具按所訂立之合約安排性質，以及財務負債及股本權益工具之定義而分類。

股本權益工具為帶有集團資產剩餘權益(經扣除其所有負債)之任何合約。就金融負債及股本權益工具而採納之會計政策載列如下。

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities including trade creditors, amounts due to customers for contract work, other creditors and accruals, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted on or after 1 April 2005 is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment losses

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

綜合財務報表附註

4. 主要會計政策(續)

金融工具(續)

財務負債及股本權益(續)

財務負債

財務負債包括應付貿易賬項、應付客戶之建造合約款項、其他應付賬項及應付費用、租購合約承擔及銀行貸款，乃採用實際利率法按攤銷成本計算。

股本權益工具

本公司所發行之股本權益工具乃按已收取之所得款項減直接發行成本記賬。

以股權支付之交易

所獲服務之公平值乃參考購股權於二零零五年四月一日或之後之公平值釐定，並於歸屬期間以直線法支銷，並於股本權益中作相應增加。

購股權獲行使時，過往於購股權儲備中確認之數額將轉移至股票溢價內。當購股權於獲授日後放棄或於屆滿日仍未獲行使，過往於購股權儲備中確認之數額將轉撥至滾存盈利。

減值虧損

本集團於年結日評估其資產之賬面值，以確定該等資產有否減值虧損之跡象。倘若一項資產之可收回值低於其賬面值，則該項資產之賬面值即被減至其可收回值，減損虧損應立即確認為支出。

於回撥減值虧損時，資產之賬面值可調整至重新釐定之可收回值，惟不可高於該資產於過往未減值虧損前之賬面值。撥回之減值虧損可即時被確認為收入。

Notes to the Consolidated Financial Statements

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 4, management has made the following estimation that have significant effect on the amounts recognised in the consolidated financial statements. They key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimation. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and the estimation of the future cash flows discounted at the original effective rate to calculate the present value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade debtors, amounts due from (to) customers for contract work, amount due from an associate, bank balances, trade creditors, other creditors and accruals 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.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk.

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

綜合財務報表附註

5. 估計不確定之主要來源

當附註4應用在實體的會計政策時，管理層作出下列評估並在綜合財務報表中確認其重要影響。涉及日後之主要假設及於結算日估計不明朗因素之其他主要來源（彼等均擁有導致下個財政年度之資產及負債之賬面值出現大幅調整之重大風險）亦討論如下。

呆壞賬準備

本集團呆壞賬準備政策以可收回性評估、賬齡分析及管理層判斷為基礎。評估該等應收賬款之最終變現能力需要作出大量判斷，包括客戶之現時信譽及過往收款歷史記錄及估計以原有利率折算的未來現金流以計算現值。倘本集團客戶財務狀況日趨惡化，削弱其付款能力，則須提撥額外準備。

存貨準備

本集團管理層於結算日審核賬齡分析並對確認為不再適合用於生產之過時及滯流存貨進行準備。管理層估計此等製成品及在製品之可變現淨值主要根據最近期之發票價格及目前市況而釐定。本集團於結算日對每種產品進行盤點，並對過時品種作出準備。

6. 財務風險管理目標及政策

本集團之主要財務工具包括應收貿易賬項、應收（應付）客戶之建造合約款項、應收聯營公司賬項、銀行結存、應付貿易賬項、其他應付款項及應計費用及銀行貸款。該等金融工具詳情於各附註披露。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時和有效地採取適當之措施。

貨幣風險

本公司若干附屬公司有以外幣計值之銷售，令本集團有外國貨幣風險。

本集團現時並無外國貨幣對沖政策，管理層會控制外幣匯兌風險並會因應需要考慮主要外國貨幣風險對沖政策。

Notes to the Consolidated Financial Statements

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate on bank balances. The Group's fair value interest rate risk relates primarily to fixed rate borrowings. The Group's cash flow interest rate risk relates to its variable rate borrowings.

The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group 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 debt 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.

The Group's bank balances are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

7. REVENUE

Revenue, which is also the turnover of the Group, represents the sales value of goods supplied to customers and service revenue from interior building works, and is analysed as follows:

	2006	2005
	HK\$'000	HK\$'000
Sales of furniture and fixtures	389,035	299,415
Service revenue from interior building works	95,639	57,971
	484,674	357,386

綜合財務報表附註

6. 財務風險管理目標及政策(續)

利率風險

本集團承受現金流動利率風險乃來自波動市場利率計息之銀行借貸。本集團之公平利率風險主要與固定利率貸款有關。本集團的現金流利率風險則與浮動利率貸款有關。

本集團並無利率對沖政策。管理層會控制利率風險並會因應需要考慮主要利率風險對沖政策。

信貸風險

倘對方於二零零六年三月三十一日未能履行彼等之承擔，則本集團就每類已確認財務資產而須承受之最大信貸風險為已於綜合資產負債表列值之資產之賬面金額反映，為要盡量降低信貸風險，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控措施，以確保採取跟進措施收回逾期未付之債項。此外，於各結算日，本集團評估每項個別貿易應收債項之可收回金額，以確保就不可收回金額所作出之減值虧損已足夠。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

本集團之銀行結存乃存放於多間信譽良好的銀行，而本集團亦對單一財務機構設定可承受之風險上限。

本集團並無集中之信貸風險，有關風險乃分散至多個其他方及客戶。

7. 收入

收入，即本集團之營業額，指售予客戶貨品之銷售價值，以及提供室內裝飾工程之服務收入，分析如下：

	二零零六年 千港元	二零零五年 千港元
傢私及裝置銷售	389,035	299,415
室內裝飾工程之服務收入	95,639	57,971
	<u>484,674</u>	<u>357,386</u>

Notes to the Consolidated Financial Statements

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is mainly engaged in sales of furniture and fixtures and interior building works. This is the basis on which the Group reports its primary segment information.

Business segments

	2006		2005	
	Consolidated turnover HK\$'000	Contribution to operating profit HK\$'000	Consolidated turnover HK\$'000	Contribution to operating profit HK\$'000
Sales of furniture and fixtures	389,035	45,503	299,415	19,577
Interior building works	95,639	5,273	57,971	506
Total	484,674	50,776	357,386	20,083
Other income		924		1,298
Unallocated corporate expenses		(95)		(65)
Write back (allowance) for amount due from an associate		900		(900)
Share of result of an associate		(1,969)		–
Finance costs		(3,797)		(2,037)
Profit before taxation		46,739		18,379
Taxation		(7,941)		(3,603)
Profit for the year		38,798		14,776

綜合財務報表附註

8. 業務及地域劃分資料

本集團主要從事傢私及裝置銷售及室內裝飾工程，本集團亦以此為基本劃分資料報告。

業務劃分

	二零零六年		二零零五年	
	綜合 營業額 千港元	經營業務 溢利 千港元	綜合 營業額 千港元	經營業務 溢利 千港元
傢私及裝置銷售	389,035	45,503	299,415	19,577
室內裝飾工程	95,639	5,273	57,971	506
合計	484,674	50,776	357,386	20,083
其他收益		924		1,298
未分類開支		(95)		(65)
應收聯營公司賬項回撥(準備)		900		(900)
聯營公司業績分擔		(1,969)		—
財務成本		(3,797)		(2,037)
除稅前溢利		46,739		18,379
稅項		(7,941)		(3,603)
本年度溢利		38,798		14,776

Notes to the Consolidated Financial Statements

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Balance sheet

	2006			2005		
	Sales of furniture and fixtures HK\$'000	Interior building works HK\$'000	Consolidated HK\$'000	Sales of furniture and fixtures HK\$'000	Interior building works HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	328,253	59,876	388,129	260,547	46,402	306,949
Investment in an associate			3,134			–
Amount due from an associate			8,046			10,737
Unallocated corporate assets			496			929
Consolidated total assets			399,805			318,615
LIABILITIES						
Segment liabilities	69,238	36,868	106,106	46,796	17,255	64,051
Unallocated corporate liabilities			67,631			61,247
Consolidated total liabilities			173,737			125,298

Other information

	2006		2005	
	Sales of furniture and fixtures HK\$'000	Interior building works HK\$'000	Sales of furniture and fixtures HK\$'000 (restated)	Interior building works HK\$'000 (restated)
Capital additions	41,670	7,661	16,660	3,031
Depreciation and amortisation	15,895	3,484	16,021	2,810
Allowance and write off of bad and doubtful debts	3,969	1,971	3,921	5,915
Allowance for amounts due from customers for contract work	–	–	–	300

綜合財務報表附註

8. 業務及地域劃分資料(續)

業務劃分(續)

資產負債表

	二零零六年			二零零五年		
	傢私及 裝置銷售 千港元	室內裝飾 工程 千港元	綜合 千港元	傢私及 裝置銷售 千港元	室內裝飾 工程 千港元	綜合 千港元
資產						
分類資產	328,253	59,876	388,129	260,547	46,402	306,949
聯營公司投資			3,134			—
應收聯營公司賬項			8,046			10,737
未分類公司資產			496			929
綜合總資產			399,805			318,615
負債						
分類負債	69,238	36,868	106,106	46,796	17,255	64,051
未分類公司負債			67,631			61,247
綜合總負債			173,737			125,298

其他資料

	二零零六年		二零零五年	
	傢私及 裝置銷售 千港元	室內裝飾 工程 千港元	傢私及 裝置銷售 千港元 (重列)	室內裝飾 工程 千港元 (重列)
資產開支	41,670	7,661	16,660	3,031
折舊及攤銷	15,895	3,484	16,021	2,810
呆壞賬準備及撇除	3,969	1,971	3,921	5,915
應收客戶之建造合約款項準備	—	—	—	300

Notes to the Consolidated Financial Statements

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2006 HK\$'000	2005 HK\$'000
America	291,284	208,426
Hong Kong SAR	108,490	79,380
Europe	35,748	31,883
Mainland China	28,538	24,717
Other countries in Asia	20,614	12,980
	484,674	357,386

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (restated)
Mainland China	161,552	151,656	36,833	18,587
Hong Kong SAR	132,272	82,324	3,582	457
America	92,011	72,478	8,892	633
Other countries in Asia	2,790	1,420	24	14
	388,625	307,878	49,331	19,691

綜合財務報表附註

8. 業務及地域劃分資料(續)

地域劃分

下表所載列之分析是根據銷售地域而作出的，並不考慮產品／服務的原產地域：

	按地域劃分的營業收入	
	二零零六年 千港元	二零零五年 千港元
美洲	291,284	208,426
香港特別行政區	108,490	79,380
歐洲	35,748	31,883
中國內地	28,538	24,717
亞洲其他國家	20,614	12,980
	484,674	357,386

下表所載列之分析是按其所在地域劃分的分類資產賬面值及物業、廠房及設備的資產開支：

	分類資產 賬面值		物業、廠房 及設備 的資產開支	
	二零零六年 千港元	二零零五年 千港元	二零零六年 千港元	二零零五年 千港元 (重列)
中國內地	161,552	151,656	36,833	18,587
香港特別行政區	132,272	82,324	3,582	457
美洲	92,011	72,478	8,892	633
亞洲其他國家	2,790	1,420	24	14
	388,625	307,878	49,331	19,691

Notes to the Consolidated Financial Statements

9. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Interest income	362	54
Sundry income	550	712
Rental income	12	532
Long outstanding other payables written back	–	1,046
	<u>924</u>	<u>2,344</u>

10. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,500	1,912
Finance leases	297	125
	<u>3,797</u>	<u>2,037</u>

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of ten (2005: ten) directors were as follows:

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Tsang Chi Hung	–	2,035	63	2,098
Liu Hoo Kuen	–	1,906	63	1,969
Richard Warren Herbst	–	1,929	39	1,968
Kwan Yau Choi	–	2,035	63	2,098
Fung Sau Mui	–	1,343	47	1,390
Tai Wing Wah	–	1,207	43	1,250
Wong Kam Hong	–	1,170	41	1,211
Chu Kwok Man	50	–	–	50
Lok Wai Kiang, Paul	50	–	–	50
Cheng Woon Kam	50	–	–	50
	<u>150</u>	<u>11,625</u>	<u>359</u>	<u>12,134</u>
Total for 2006	<u>150</u>	<u>11,625</u>	<u>359</u>	<u>12,134</u>

綜合財務報表附註

9. 其他收益

	二零零六年 千港元	二零零五年 千港元
利息收益	362	54
其他收益	550	712
租金收益	12	532
過期應付款項回撥	—	1,046
	<u>924</u>	<u>2,344</u>

10. 財務成本

	二零零六年 千港元	二零零五年 千港元
利息：		
於五年內到期償還之銀行貸款	3,500	1,912
租購合約承擔	297	125
	<u>3,797</u>	<u>2,037</u>

11. 董事酬金

已付或應付予10名(二零零五：10)董事的酬金如下：

	董事袍金 千港元	薪金及 其他福利 千港元	退休金 供款 千港元	總額 千港元
曾志雄	—	2,035	63	2,098
廖浩權	—	1,906	63	1,969
Richard Warren Herbst	—	1,929	39	1,968
關有彩	—	2,035	63	2,098
馮秀梅	—	1,343	47	1,390
戴永華	—	1,207	43	1,250
黃錦康	—	1,170	41	1,211
朱國民	50	—	—	50
駱偉強	50	—	—	50
鄭煥錦	50	—	—	50
	<u>150</u>	<u>11,625</u>	<u>359</u>	<u>12,134</u>
二零零六年總額				

Notes to the Consolidated Financial Statements

11. DIRECTORS' EMOLUMENTS (continued)

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Tsang Chi Hung	–	2,014	63	2,077
Liu Hoo Kuen	–	1,971	63	2,034
Richard Warren Herbst	–	1,547	30	1,577
Kwan Yau Choi	–	2,014	63	2,077
Fung Sau Mui	–	1,343	47	1,390
Tai Wing Wah	–	1,207	43	1,250
Wong Kam Hong	–	1,170	41	1,211
Chu Kwok Man	50	–	–	50
Lok Wai Kiang, Paul	50	–	–	50
Cheng Woon Kam	29	–	–	29
	<hr/>	<hr/>	<hr/>	<hr/>
Total for 2005	129	11,266	350	11,745
	<hr/>	<hr/>	<hr/>	<hr/>

During both years, no emoluments were paid by the Group to the directors as compensation for loss of office or as a discretionary bonus or an inducement to join or upon joining the Group. None of the directors has waived any emoluments in both years.

12. EMPLOYEE'S EMOLUMENTS

In 2006, of the five individuals with the highest emoluments in the Group, four were directors of the Company whose emoluments are included in the disclosures in note 11 above. The salaries and other benefits, and contributions to retirement benefits scheme of the remaining one individual amounted to HK\$1,872,000.

The five highest paid individuals in the Group in 2005 are all directors of the Company and details of their emoluments are included in note 11 above.

綜合財務報表附註

11. 董事酬金 (續)

	董事袍金 千港元	薪金及 其他福利 千港元	退休金 供款 千港元	總額 千港元
曾志雄	—	2,014	63	2,077
廖浩權	—	1,971	63	2,034
Richard Warren Herbst	—	1,547	30	1,577
關有彩	—	2,014	63	2,077
馮秀梅	—	1,343	47	1,390
戴永華	—	1,207	43	1,250
黃錦康	—	1,170	41	1,211
朱國民	50	—	—	50
駱偉強	50	—	—	50
鄭煥錦	29	—	—	29
	<u>129</u>	<u>11,266</u>	<u>350</u>	<u>11,745</u>
二零零五年總額	129	11,266	350	11,745

此兩年間，本集團並未向董事因失去職位而作出賠償，或因加入或即將加入本集團而給予特別花紅或獎勵，此兩年間，並無董事放棄酬金。

12. 員工酬金

在二零零六年，本集團五位最高酬金的員工中，其中四位為本公司之董事，其酬金已於上列附註11中披露，其餘一位員工的薪金，其他福利及退休金供款合共1,872,000港元。

在二零零五年，本集團五位最高酬金員工皆為本公司董事，其酬金詳情已包括在上列附註11內。

Notes to the Consolidated Financial Statements

13. TAXATION

	2006 HK\$'000	2005 HK\$'000
Hong Kong Profits Tax		
– current year	(7,310)	(1,810)
– overprovision in prior years	74	7
	<u>(7,236)</u>	<u>(1,803)</u>
Other jurisdictions	(1,724)	–
Other regions in the PRC	(846)	(1,039)
	<u>(9,806)</u>	<u>(2,842)</u>
Deferred taxation (note 26)		
– current year	1,865	(761)
	<u>(7,941)</u>	<u>(3,603)</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years.

Taxation arising in the PRC and other jurisdictions are calculated at the rates prevailing in the respective PRC regions and the relevant jurisdictions respectively.

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

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	<u>46,739</u>	<u>18,379</u>
Taxation at the Hong Kong Profits Tax rate of 17.5%	8,179	3,216
Tax effect of expenses not deductible for tax purposes	118	525
Tax effect of income not taxable for tax purposes	(206)	(119)
Overprovision in respect of prior year	(74)	(7)
Tax effect of deferred tax assets not recognised	460	749
Utilisation of deferred tax assets previously not recognised	(701)	(552)
Tax effect of share of result of associate	345	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(146)	(58)
Others	(34)	(151)
	<u>7,941</u>	<u>3,603</u>
Taxation		

Details of deferred taxation are set out in note 26.

綜合財務報表附註

13. 稅項

	二零零六年 千港元	二零零五年 千港元
香港利得稅		
— 本年度	(7,310)	(1,810)
— 過往年度超額準備	74	7
	(7,236)	(1,803)
其他地區	(1,724)	—
中國人民共和國其他地區	(846)	(1,039)
	(9,806)	(2,842)
遞延稅項(附註26)		
— 本年度	1,865	(761)
	(7,941)	(3,603)

香港利得稅乃根據稅率17.5%就此兩個年度之估計應課稅溢利計算。

於中華人民共和國及其他司法地區之應課稅按中華人民共和國地區及其他有關司法地區之稅率分別計算。

本年度之稅項可與收益表內之稅前溢利對照如下：

	二零零六年 千港元	二零零五年 千港元
稅前溢利	46,739	18,379
按香港利得稅稅率17.5%徵稅	8,179	3,216
支出不可用作扣稅之稅務影響	118	525
收益不用徵稅之稅務影響	(206)	(119)
過往年度的超額準備	(74)	(7)
未確認之遞延稅項資產之稅務影響	460	749
使用先前未確認之遞延稅項資產	(701)	(552)
聯營公司業績分擔之稅務影響	345	—
在其他司法地區經營業務之附屬公司之不同稅率影響	(146)	(58)
其他	(34)	(151)
稅項	7,941	3,603

遞延稅項之詳情列於附註26。

Notes to the Consolidated Financial Statements

14. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2006 HK\$'000	2005 HK\$'000 (restated)
Profit for the year attributable to equity holders of the Company has been arrived at after charging:		
Allowance for slow moving inventories	2,271	2,544
Auditors' remuneration	1,279	1,048
Amortisation of prepaid lease payments (included in administrative expenses)	168	175
Depreciation and amortisation		
Owned assets	17,547	17,430
Assets held under finance leases	1,832	1,401
Staff costs:		
Directors' emoluments (note 11)	12,134	11,745
Salaries and allowances	72,687	63,819
Other retirement benefits scheme contributions	2,519	2,163
	87,340	77,727
Loss on disposals of property, plant and equipment	3,105	1,201
Operating lease rentals paid in respect of rented properties	5,287	4,864
Net foreign exchange loss	843	679
	100,000	92,813

15. DIVIDENDS

	2006 HK\$'000	2005 HK\$'000
Interim dividend paid – HK2.0 cents (2005: HK0.8 cent) per share	4,000	1,600
Final dividend paid – HK1.4 cents (2005: nil) per share	2,800	–
	6,800	1,600

A final dividend of HK3.85 cents (2005: HK1.4 cents) has been proposed at the balance sheet date.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2006 HK\$'000	2005 HK\$'000
Earnings for the year	38,798	14,776
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	200,000	200,000

No diluted earnings per share have been presented because the exercise price of the Company's options was higher than the average market price for shares for both 2006 and 2005.

綜合財務報表附註

14. 本年度分配給股東之溢利

本年度分配給股東之溢利已扣除下列項目：

	二零零六年 千港元	二零零五年 千港元 (重列)
滯流存貨準備	2,271	2,544
核數師酬金	1,279	1,048
預付租賃款項攤銷(已包括入行政開支內)	168	175
折舊及攤銷		
自置資產	17,547	17,430
按租購合約持有之資產	1,832	1,401
員工成本：		
董事酬金(附註11)	12,134	11,745
薪金及津貼	72,687	63,819
退休金供款	2,519	2,163
	87,340	77,727
出售物業、廠房及設備之虧損	3,105	1,201
承租物業之經營租約費用	5,287	4,864
滙兌淨虧損	843	679

15. 股息

已派中期股息－每股2.0港仙(二零零五年：0.8港仙)
已派發末期股息－每股1.4港仙(二零零五年：無)

	二零零六年 千港元	二零零五年 千港元
已派中期股息	4,000	1,600
已派發末期股息	2,800	—
	6,800	1,600

於結算日建議派發末期股息為3.85港仙(二零零五年：1.4港仙)。

16. 每股盈利

每股基本盈利乃根據以下數據計算：

	二零零六年 千港元	二零零五年 千港元
本年度盈利	38,798	14,776
	千股	千股
股份數量		
用以計算每股基本盈利之加權平均股份數量	200,000	200,000

因公司購股權之行使價較二零零六年及二零零五年之平均市價為高，故未有列出每股之攤薄盈利。

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST								
At 1 April 2004								
- As originally stated	35,383	52,449	113,358	6,020	15,298	5,167	-	227,675
- Reclassified to prepaid lease payments	(3,460)	-	-	-	-	-	-	(3,460)
- As restated	31,923	52,449	113,358	6,020	15,298	5,167	-	224,215
Additions	806	5,232	11,145	683	1,825	-	-	19,691
Disposals	-	-	(2,918)	(60)	(45)	-	-	(3,023)
At 31 March 2005	32,729	57,681	121,585	6,643	17,078	5,167	-	240,883
Additions	-	7,209	8,381	1,094	1,927	2,782	27,938	49,331
Disposals	(1,586)	(1,168)	(2,292)	(2,422)	(196)	(495)	-	(8,159)
Exchange realignment	465	325	388	32	61	23	-	1,294
Transfer	-	-	-	45	(45)	-	-	-
At 31 March 2006	31,608	64,047	128,062	5,392	18,825	7,477	27,938	283,349
DEPRECIATION AND AMORTISATION								
At 1 April 2004								
- As originally stated	11,797	33,812	62,961	5,064	8,441	4,501	-	126,576
- Reclassified to prepaid lease payments	(1,013)	-	-	-	-	-	-	(1,013)
- As restated	10,784	33,812	62,961	5,064	8,441	4,501	-	125,563
Charge for the year	1,496	4,312	10,368	707	1,612	336	-	18,831
Eliminated on disposals	-	-	(880)	-	(45)	-	-	(925)
At 31 March 2005	12,280	38,124	72,449	5,771	10,008	4,837	-	143,469
Charge for the year	1,456	4,635	10,130	645	1,746	767	-	19,379
Eliminated on disposals	(52)	(117)	(766)	(2,417)	(177)	(495)	-	(4,024)
Exchange realignment	163	242	291	29	47	19	-	791
Transfers	-	-	-	44	(44)	-	-	-
At 31 March 2006	13,847	42,884	82,104	4,072	11,580	5,128	-	159,615
CARRYING VALUES								
At 31 March 2006	17,761	21,163	45,958	1,320	7,245	2,349	27,938	123,734
At 31 March 2005	20,449	19,557	49,136	872	7,070	330	-	97,414

綜合財務報表附註

17. 物業、廠房及設備

	樓宇 千港元	租賃物業 裝修 千港元	廠房及 機器 千港元	電腦設備 千港元	傢私及 裝置 千港元	汽車 千港元	在建中 千港元	總額 千港元
成本								
於二零零四年四月一日								
— 原先所列	35,383	52,449	113,358	6,020	15,298	5,167	—	227,675
— 重新分類為預付租賃款項	(3,460)	—	—	—	—	—	—	(3,460)
— 重列	31,923	52,449	113,358	6,020	15,298	5,167	—	224,215
添置	806	5,232	11,145	683	1,825	—	—	19,691
出售	—	—	(2,918)	(60)	(45)	—	—	(3,023)
於二零零五年三月三十一日	32,729	57,681	121,585	6,643	17,078	5,167	—	240,883
添置	—	7,209	8,381	1,094	1,927	2,782	27,938	49,331
出售	(1,586)	(1,168)	(2,292)	(2,422)	(196)	(495)	—	(8,159)
匯兌調整	465	325	388	32	61	23	—	1,294
轉讓	—	—	—	45	(45)	—	—	—
於二零零六年三月三十一日	31,608	64,047	128,062	5,392	18,825	7,477	27,938	283,349
折舊及攤銷								
於二零零四年四月一日								
— 原先所列	11,797	33,812	62,961	5,064	8,441	4,501	—	126,576
— 重新分類為預付租賃款項	(1,013)	—	—	—	—	—	—	(1,013)
— 重列	10,784	33,812	62,961	5,064	8,441	4,501	—	125,563
本年度提備	1,496	4,312	10,368	707	1,612	336	—	18,831
出售時撇銷	—	—	(880)	—	(45)	—	—	(925)
於二零零五年三月三十一日	12,280	38,124	72,449	5,771	10,008	4,837	—	143,469
本年度提備	1,456	4,635	10,130	645	1,746	767	—	19,379
出售時抵銷	(52)	(117)	(766)	(2,417)	(177)	(495)	—	(4,024)
匯兌調整	163	242	291	29	47	19	—	791
轉讓	—	—	—	44	(44)	—	—	—
於二零零六年三月三十一日	13,847	42,884	82,104	4,072	11,580	5,128	—	159,615
賬面值								
於二零零六年三月三十一日	17,761	21,163	45,958	1,320	7,245	2,349	27,938	123,734
於二零零五年三月三十一日	20,449	19,557	49,136	872	7,070	330	—	97,414

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the unexpired terms of the land use rights period
Leasehold improvements	10%
Furniture, fixtures and office equipment	10%
Plant and machinery	10%
Computer equipment	20%
Motor vehicles	20%

All buildings of the Group are located in the PRC under medium-term leases. The Group is granted the right to use the land, including construction of buildings thereon, until 2018.

The carrying value of property, plant and equipment of the Group includes an amount of approximately HK\$7,422,000 (2005: HK\$7,512,000) in respect of assets held under finance leases.

At 31 March 2006, buildings of the Group with carrying value of approximately HK\$6,272,000 (2005: HK\$6,666,000) were pledged with a bank to secure a loan granted to the Group.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

Medium-term leasehold land outside Hong Kong

Analysed for reporting purposes as:

Non-current asset

Current asset

	2006 HK\$'000	2005 HK\$'000 (restated)
Medium-term leasehold land outside Hong Kong	2,618	2,786
Analysed for reporting purposes as:		
Non-current asset	2,450	2,611
Current asset	168	175
	2,618	2,786

綜合財務報表附註

17. 物業、廠房及設備(續)

就以上的物業、廠房及設備是以直線法折舊，所採用之年率如下：

樓宇	按未屆滿之土地使用權年期
租賃物業裝修	10%
傢私及裝置	10%
廠房及機器	10%
電腦設備	20%
汽車	20%

本集團所擁有之樓宇皆在中華人民共和國內，並根據中期租約持有。本集團獲授可使用土地包括於其上興建樓宇之權利，直至二零一八年。

本集團按租購合約方式之物業、廠房及設備之賬面值約為7,422,000港元(二零零五年：7,512,000港元)。

於二零零六年三月三十一日，賬面值約為6,272,000港元(二零零五年：6,666,000港元)之樓宇，已抵押給一間銀行，作為給予本集團貸款之抵押。

18. 預付租賃款項

本集團預付租賃款項包括：

在香港以外的中期租借地

作報告之用的分析如下：

非流動資產

流動資產

二零零六年 千港元	二零零五年 千港元 (重列)
2,618	2,786
2,450	2,611
168	175
2,618	2,786

Notes to the Consolidated Financial Statements

19. INVESTMENT IN AN ASSOCIATE

	2006 HK\$'000	2005 HK\$'000
Cost of investment in an associate, unlisted	5,000	1
Share of post-acquisition losses	(1,969)	(1)
Share of exchange reserve	103	–
	3,134	–

At 31 March 2006, the Group had interests in the following associate:

Name of entity	Form of business structure	Place of incorporation and operations	Class of share held	Proportion of nominal value of issued capital held by the Group %	Nature of business
Vielie Flooring Limited	Incorporated	Hong Kong	Ordinary	50	Manufacturing of wooden flooring

The Group's entitlement to share in the loss of its associate is in proportion to its ownership interest.

The summarised financial information in respect of the Group's associates is set out below:

	2006 HK\$'000	2005 HK\$'000
Total assets	36,227	26,897
Total liabilities	(29,959)	(30,114)
Net assets (liabilities)	6,268	(3,217)
Group's share of net assets of an associate	3,134	–
Revenue	24,396	6,210
Loss for the year	(722)	(2,891)
Group's share of results for the year	(1,969)	–

綜合財務報表附註

19. 聯營公司投資

	二零零六年 千港元	二零零五年 千港元
聯營公司投資成本，非上市	5,000	1
收購後虧損分擔	(1,969)	(1)
匯兌儲備分擔	103	—
	<u>3,134</u>	<u>—</u>

於二零零六年三月三十一日，本集團擁有下列聯營公司權益：

實體名稱	商業結構方式	註冊及 營運地點	擁有 股份類別	本公司 擁有已發行資本 之面值之比例 %	業務形式
維埃里地板有限公司	註冊公司	香港	普通股	50	木製地板生產

本集團應佔聯營公司的虧損與所擁有之權益成正比。

本集團之聯營公司的財務資料概括如下：

	二零零六年 千港元	二零零五年 千港元
總資產	36,227	26,897
總負債	(29,959)	(30,114)
資產(負債)淨值	<u>6,268</u>	<u>(3,217)</u>
本集團應佔聯營公司之資產淨值	<u>3,134</u>	<u>—</u>
收入	<u>24,396</u>	<u>6,210</u>
年度虧損	<u>(722)</u>	<u>(2,891)</u>
本集團應佔年度業績	<u>(1,969)</u>	<u>—</u>

Notes to the Consolidated Financial Statements

19. INVESTMENT IN AN ASSOCIATE (continued)

The Group has discontinued recognition of its share of losses of associate. The amounts of unrecognised share of the associate, extracted from the relevant financial statements of associate, both for the year and cumulatively, are as follows:

	2006 HK\$'000	2005 HK\$'000
Unrecognised share of losses of associate for the year	—	(1,445)
Accumulated unrecognised share of losses of associate	—	(1,608)

20. INVENTORIES

	2006 HK\$'000	2005 HK\$'000
Raw materials	35,333	22,264
Work in progress	34,559	21,024
Finished goods	19,424	29,415
	89,316	72,703

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

	2006 HK\$'000	2005 HK\$'000
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	67,525	130,592
Less: Progress billings	(74,806)	(124,884)
	(7,281)	5,708
Analysed for reporting purpose as:		
Due from customers included in current assets	9,230	8,048
Due to customers included in current liabilities	(16,511)	(2,340)
	(7,281)	5,708

At 31 March 2006, there were HK\$1,931,000 (2005: nil) retention monies held by customers for contract work performed and there were advances of HK\$1,005,000 (2005: HK\$130,000) received from customers for contract work performed.

The directors consider that the fair values of the Group's amounts due from (to) customers for contract work approximate the corresponding carrying amounts.

綜合財務報表附註

19. 聯營公司投資(續)

本集團已停止確認某聯營公司的虧損分擔。從有關聯營公司之財務報表節錄本年及去年度並未確認的分擔如下：

	二零零六年 千港元	二零零五年 千港元
本年度並未確認的聯營公司虧損分擔	—	(1,445)
並未確認的聯營公司累計虧損分擔	—	(1,608)

20. 存貨

	二零零六年 千港元	二零零五年 千港元
原料	35,333	22,264
在製品	34,559	21,024
製成品	19,424	29,415
	89,316	72,703

21. 應收(應付)客戶之建造合約款項

	二零零六年 千港元	二零零五年 千港元
於結算日之在建中合約工程		
合約成本加已確認溢利及減已確認虧損	67,525	130,592
減：按進度付款項	(74,806)	(124,884)
	(7,281)	5,708
作報告之用的分析如下：		
應收客戶款項已包括在流動資產內	9,230	8,048
應付客戶款項已包括在流動負債內	(16,511)	(2,340)
	(7,281)	5,708

於二零零六年三月三十一日，本集團之客戶就合約工程持有保固金1,931,000港元(二零零五年：無)，而本集團從客戶就合約工程而收取預付款項1,005,000港元(二零零五年：130,000港元)。

董事會認為本集團之應收(應付)客戶之建造合約款項之公平值與相應之賬面額相若。

Notes to the Consolidated Financial Statements

22. OTHER CURRENT FINANCIAL ASSETS

	2006 HK\$'000	2005 HK\$'000
Trade debtors	120,387	102,179
Less: Allowances for bad and doubtful debts	(20,460)	(15,810)
	<u>99,927</u>	<u>86,369</u>

The following is an aged analysis of trade debtors at the reporting date:

	2006 HK\$'000	2005 HK\$'000
0 – 30 days	47,183	16,100
31 – 90 days	19,311	41,386
> 90 days	33,433	28,883
	<u>99,927</u>	<u>86,369</u>

The Group's credit terms for its contracting business are negotiated with its customers. The credit terms granted by the Group to other trade debtors are normally 30 days.

Amount due from an associate is unsecured, non-interest-bearing and is repayable on demand.

The directors consider that the fair values of the Group's trade debtors and amount due from an associate at 31 March 2006 approximate the corresponding carrying amounts.

Bank balances and cash comprise cash held by the Group. These balances receive interest at an average rate of 3.0% (2005: 0.03%). The carrying amount of these assets approximates their fair value. Bank balances and cash of approximately HK\$20,342,000 and HK\$5,409,000 (2005: HK\$573,000 and HK\$5,461,000) were denominated in United States dollars and Renminbi respectively.

23. OTHER FINANCIAL LIABILITIES

The following is an aged analysis of trade creditors at the reporting date:

	2006 HK\$'000	2005 HK\$'000
0 – 30 days	23,646	9,468
31 – 90 days	4,170	9,644
> 90 days	6,234	7,126
	<u>34,050</u>	<u>26,238</u>

The directors consider that the fair values of the Group's other financial liabilities approximate the corresponding carrying amounts.

綜合財務報表附註

22. 其他流動財務資產

	二零零六年 千港元	二零零五年 千港元
應收貿易賬項	120,387	102,179
減：呆壞賬準備	(20,460)	(15,810)
	<u>99,927</u>	<u>86,369</u>

於報告日之應收貿易賬項的賬齡分析如下：

	二零零六年 千港元	二零零五年 千港元
零至三十天	47,183	16,100
三十一天至九十天	19,311	41,386
九十天以上	33,433	28,883
	<u>99,927</u>	<u>86,369</u>

集團給予合約業務客戶之信貸數期乃經過協商制定。集團給予其他應收貿易賬項之信貸期一般為三十天。

應收聯營公司賬項為無抵押，免息及可要求即時償還。

董事會認為本集團於二零零六年三月三十一日之應收貿易賬項及應收聯營公司賬項之公平值與相應之賬面金額相若。

本集團所持有之現金包括銀行結存及現金。該等結存有按平均利率3.0厘(二零零五年：0.03厘)之利息收入。該等資產之賬面額與其公平值相若。約有20,342,000港元及5,409,000港元(二零零五年：573,000港元及5,461,000港元)之銀行結存及現金乃分別為美元及人民幣。

23. 其他財務負債

於報告日之應付貿易賬項的賬齡分析如下：

	二零零六年 千港元	二零零五年 千港元
零至三十天	23,646	9,468
三十一天至九十天	4,170	9,644
九十天以上	6,234	7,126
	<u>34,050</u>	<u>26,238</u>

董事會認為本集團之其他財務負債之公平值與相應賬面額相若。

Notes to the Consolidated Financial Statements

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amounts payable under finance leases				
– within one year	2,958	2,661	2,738	2,435
– after one year but within two years	2,340	3,305	2,229	3,185
	5,298	5,966	4,967	5,620
Less: Future finance charges	(331)	(346)	–	–
Present value of lease obligations	4,967	5,620	4,967	5,620
Less: Amount due within one year classified as current liabilities			(2,738)	(2,435)
Amount due after one year			2,229	3,185

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. For the year ended 31 March 2006, the average effective borrowing rate was 6% per annum. Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

25. BANK BORROWINGS

Bank borrowings comprise the following:

	2006 HK\$'000	2005 HK\$'000
Bank loans	50,095	43,443
Bank overdrafts	1,928	3,497
	52,023	46,940
Secured	4,808	9,434
Unsecured	47,215	37,506
	52,023	46,940

綜合財務報表附註

24. 租購合約承擔

	最低租賃償還額		最低租賃償還額現值	
	二零零六年 千港元	二零零五年 千港元	二零零六年 千港元	二零零五年 千港元
應償還租購合約				
一年內	2,958	2,661	2,738	2,435
一年後至兩年內	2,340	3,305	2,229	3,185
	<u>5,298</u>	<u>5,966</u>	<u>4,967</u>	<u>5,620</u>
減：將來之財務費用	(331)	(346)	—	—
租購合約承擔現值	<u>4,967</u>	<u>5,620</u>	<u>4,967</u>	<u>5,620</u>
減：一年內須償還之款額 分類為流動負債			<u>(2,738)</u>	<u>(2,435)</u>
一年後須償還款額			<u>2,229</u>	<u>3,185</u>

本集團以租購合約形式租賃一些廠房及設備，租賃期平均為三年，在二零零六年三月三十一日止之年度內，平均借貸年息率為6%。息率於租約日期固定。

所有租約有固定還款基礎。集團並無為或然租賃支出作出安排。

25. 銀行貸款

銀行貸款包括以下項目：

	二零零六年 千港元	二零零五年 千港元
銀行貸款	50,095	43,443
銀行透支	1,928	3,497
	<u>52,023</u>	<u>46,940</u>
有抵押	4,808	9,434
無抵押	47,215	37,506
	<u>52,023</u>	<u>46,940</u>

Notes to the Consolidated Financial Statements

25. BANK BORROWINGS (continued)

	2006 HK\$'000	2005 HK\$'000
The maturity profile of the above borrowings is as follows:		
On demand or within one year	25,026	46,940
More than one year, but not exceeding two years	11,005	–
More than two years, but not exceeding five years	15,992	–
	52,023	46,940
Less: Amounts due within one year shown under current liabilities	(25,026)	(46,940)
Amounts due after one year shown under non-current liabilities	26,997	–

The exposure of the Group fixed-rate borrowings and the contractual maturity is as follows:

	2006 HK\$'000	2005 HK\$'000
Fixed rate borrowings:		
Within one year	4,808	9,434

In addition, the Group has variable-rate borrowings which carry interest at floating rate. Interest is repricing every six months.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2006	2005
Effective interest rate:		
Fixed-rate borrowings	6.1%	5.8%
Variable-rate borrowings	3.6% to 8.2%	2% to 5.8%

The Group's borrowings amounting to approximately HK\$45,728,000 (2005: HK\$22,011,000), HK\$4,808,000 (2005: HK\$23,585,000), HK\$1,487,000 (2005: HK\$843,000) and nil (2005: HK\$501,000) were denominated in Hong Kong dollars, Renminbi, United States dollars and Swiss France respectively.

At 31 March 2006, certain bank loans were secured by the Group's buildings with carrying value of HK\$6,272,000 (2005: HK\$6,666,000).

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25. 銀行貸款 (續)

有關以上的貸款到期情況如下：

	二零零六年 千港元	二零零五年 千港元
即時或一年內	25,026	46,940
多於一年，但不超出兩年	11,005	—
多於二年，但不超出五年	15,992	—
	<u>52,023</u>	<u>46,940</u>
減：須一年內還款並顯示在流動負債中	(25,026)	(46,940)
款項還款期多於一年，並顯示在非流動負債中	<u>26,997</u>	<u>—</u>

本集團之固定利率貸款及契約到期日風險如下：

	二零零六年 千港元	二零零五年 千港元
固定利率貸款		
一年以內	<u>4,808</u>	<u>9,434</u>

此外，本集團有非固定利率貸款，其利息以浮動利率計算，每六個月再調整。

本集團貸款的實際息率幅度(即相等於合約性息率)如下：

	二零零六年	二零零五年
實際息率：		
固定利率貸款	6.1%	5.8%
非固定利率貸款	3.6%至8.2%	2%至5.8%

本集團的貸款有港元、人民幣、美元及瑞士法郎，貸款金額分別約為45,728,000港元(二零零五年：22,011,000港元)，4,808,000港元(二零零五年：23,585,000港元)，1,487,000港元(二零零五年：843,000港元)及無(二零零五年：501,000港元)。

於二零零六年三月三十一日，本集團以賬面值6,272,000港元(二零零五年：6,666,000港元)之樓宇作抵押取得銀行貸款。

Notes to the Consolidated Financial Statements

26. DEFERRED TAXATION

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting years:

	Bad and doubtful debts	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	–	7,698	(1,923)	5,775
(Credit) charge to income statement for the year	–	(1,162)	1,923	761
At 31 March 2005	–	6,536	–	6,536
Credit to income statement for the year	(1,076)	(789)	–	(1,865)
At 31 March 2006	(1,076)	5,747	–	4,671

At the balance sheet date, the Group has estimated unused tax losses of HK\$102,317,000 (2005: HK\$103,694,000) available for offset against future profits. No deferred tax asset in respect of the estimated tax losses has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

	2006 & 2005	
	Number of shares	Nominal value HK\$'000
Share capital		
Ordinary shares of HK\$0.10 each:		
Authorised	400,000,000	40,000
Issued and fully paid	200,000,000	20,000

綜合財務報表附註

26. 遞延稅項

於本年度及以往年度重大遞延稅項負債及資產之確認及變動如下：

	呆壞賬 千港元	累計 稅項折舊 千港元	稅項虧損 千港元	總額 千港元
於二零零四年四月一日	—	7,698	(1,923)	5,775
本年度於收益表(入賬)扣除	—	(1,162)	1,923	761
於二零零五年三月三十一日	—	6,536	—	6,536
本年度於收益表入賬	(1,076)	(789)	—	(1,865)
於二零零六年三月三十一日	(1,076)	5,747	—	4,671

於結算日，本集團已評估未使用之稅項虧損102,317,000港元(二零零五年：103,694,000港元)可用來抵消將來溢利。因將來溢利情況未能準確預測，故此並無遞延稅項資產因評估之稅項虧損而確認。評估之稅項虧損可無限期結轉。

27. 股本

股本	二零零六及二零零五年	
	股票數量	面值 千港元
每股面值0.1港元之普通股：		
法定	400,000,000	40,000
已發行及全數繳付	200,000,000	20,000

Notes to the Consolidated Financial Statements

28. MAJOR NON-CASH TRANSACTIONS

- (i) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$2,106,000 (2005: HK\$4,262,000).
- (ii) The increase in investment in an associate of HK\$5,000,000 (2005: nil) was settled by capitalisation of the amount due from the associate with the equivalent amount.

29. CONTINGENT LIABILITIES

At 31 March 2006, there were contingent liabilities in respect of jointly guarantee with a third party to secure the 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\$2,662,000 (2005: HK\$4,817,000).

30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2006	2005
	HK\$'000	HK\$'000
Within one year	5,319	5,208
In the second to fifth year inclusive	6,630	10,871
	<hr/> 11,949 <hr/>	<hr/> 16,079 <hr/>

Leases are negotiated for an average term of three years and rentals are fixed for the lease period.

綜合財務報表附註

28. 重大非現金交易

- (i) 於本年度，本集團為資產安排租購合約，租購開始時之總資本價為2,106,000港元(二零零五年：4,262,000港元)。
- (ii) 於聯營公司增加投資5,000,000港元(二零零五年：無)乃以應收聯營公司賬項之相同金額變為資本形式償付。

29. 或然負債

於二零零六年三月三十一日，存在的或然負債是因第三者給予聯營公司租購合約而承擔之聯合保證。於二零零六年三月三十一日對聯營公司賬目及記錄內的租購合約承擔約為2,662,000港元(二零零五年：4,817,000港元)。

30. 經營租約承擔

於結算日，本集團對於以不能取消之經營租約形式租用之物業，其日後最低償還額到期日表列如下：

	二零零六年 千港元	二零零五年 千港元
一年內	5,319	5,208
二至五年內	6,630	10,871
	11,949	16,079

租約訂定之平均期為三年，租約支出亦於租約期內固定。

Notes to the Consolidated Financial Statements

31. CAPITAL COMMITMENTS

	2006 HK\$'000	2005 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>7,705</u>	<u>1,539</u>
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>8,580</u>	<u>23,500</u>

32. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23 February 2000 for the primary purpose of retaining high calibre executives and employees and the options are exercisable for a period up to 10 years from 23 February 2000. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 March 2006, the number of shares in respect of which options had been granted under the Scheme was 5,000,000, representing 2.5% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed to 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

No option may be granted to any individual which if exercised in full would result in such individual being entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him under the Scheme would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

Options granted on 31 August 2001 must be taken up at any time between 1 September 2002 to 31 August 2007, upon payment of HK\$1 as consideration of the grant. The exercise price is determined by the directors of the Company, and will not be less than 80% of the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant or such other restrictions as stipulated in the Listing Rules.

The following tables disclosed details of the Company's share options granted to directors and movements in such holdings during the year:

Date of grant	Exercise price HK\$	Vesting period	Exercise period	Outstanding at 1.4.2004	Movement during the year	Outstanding at 31.3.2005	Movement during the year	Outstanding at 31.3.2006
31 August 2001	0.80	1.9.2001 to 31.8.2002	1.9.2002 to 31.8.2007	5,000,000	–	5,000,000	–	5,000,000

綜合財務報表附註

31. 資本承擔

	二零零六年 千港元	二零零五年 千港元
已訂約但未於財務報表提撥的資本開支		
— 物業、廠房及設備	7,705	1,539
已批核但未訂約的資本開支		
— 物業、廠房及設備	8,580	23,500

32. 購股權計劃

於二零零零年二月二十三日議決通過採納的本公司之購股權計劃(「股權計劃」)，主要是為保留優秀行政人員及員工而設立的，有關購股權，可於二零零零年二月二十三日起十年內行使。根據股權計劃，董事會可向合資格的員工，包括本公司及其附屬公司的董事，授予認購本公司股份之購股權。

於二零零六年三月三十一日，根據股權計劃而授予的購股權所涉及的股份共為5,000,000股，相當於當天本公司已發行股份的2.5%。根據股權計劃授予之購股權所涉及之股份總額，在未得本公司股東同意前，不得超過本公司當時已發行股份的10%。

若任何員工完全行使授予之購股權而令在股權計劃下發給或可發給該員工之總股數超過在股權計劃下發給或可發給之總股數的25%時，則不可授予購股權給該員工。

於二零零一年八月三十一日所授予之購股權必須於二零零二年九月一日至二零零七年八月三十一日任何時間內被接納，並須繳付港幣一元作為酬金。購股權之行使價由本公司董事會釐定，但不得低於授予購股權當日本公司股份之收市價或之前五個交易日本公司股份收市價之平均值的80%，兩者以較高為準，或上市規則所規定為準。

本公司之購股權授予董事之詳情及本年度內之變動披露如下：

授予購股權之日期	行使價 港元	保留 權益期	於二零零四年		於二零零五年		於二零零六年	
			行使期	未行使之數量	該年度 內變動	三月三十一日 未行使之數量	本年度內 之變動	三月三十一日 未行使之數量
		二零零一年 九月一日至 二零零二年 八月三十一日	二零零二年 九月一日至 二零零七年 八月三十一日					
二零零一年八月三十日	0.80	八月三十一日	八月三十一日	5,000,000	—	5,000,000	—	5,000,000

Notes to the Consolidated Financial Statements

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employer's contributions to the retirement benefits scheme charged to income statement and the forfeited voluntary contributions credited to the income statement amounted to approximately HK\$2,918,000 (2005: HK\$2,594,000) and HK\$40,000 (2005: HK\$81,000) respectively for the year ended 31 March 2006.

34. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate as disclosed in note 22, during the year, the Group paid rentals and building management fee of approximately HK\$2,136,000 (2005: HK\$1,815,000) in respect of the Group's office premises, showrooms and warehouses to a company in which certain shareholders and directors of the Company have beneficial interests.

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2006	2005
	HK\$'000	HK\$'000
Short-term benefits	11,775	11,395
Post-employment benefits	359	350
	12,134	11,745

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

綜合財務報表附註

33. 退休金計劃

本集團對所有合資格之員工提供強制性公積金計劃，計劃中之資產與本集團分開並由受託人管理其基金。本集團將有關員工薪金之5%供入強制性公積金計劃內，員工亦須供相同之款項。

於二零零六年三月三十一日年度止，僱主於退休金計劃之供款在收益表中支付及自願性供款退回之部份計入收益表中的款項分別約為2,918,000港元(二零零五年：2,594,000港元)及40,000港元(二零零五年：81,000港元)。

34. 關連交易

除卻有關應收聯營公司賬項於附註22披露外，於本年內，集團已支付集團之辦公地方，陳列室及貨倉之租金與樓宇管理費約2,136,000港元(二零零五年：1,815,000港元)給某公司，該公司之某些股東及董事乃本公司之股東及董事。

主要管理人員之補償

本年度主要管理人員薪酬表列如下：

	二零零六年 千港元	二零零五年 千港元
短期福利	11,775	11,395
僱用後福利	359	350
	<hr/>	<hr/>
	12,134	11,745
	<hr/>	<hr/>

主要管理人員之薪酬由薪酬委員會按其個人表現及市場趨勢釐定。

Notes to the Consolidated Financial Statements

35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2006 are as follows:

Name of company	Place of incorporation/ establishment and operations	Nominal value of issued/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Decca Investment Limited	British Virgin Islands	10,000 shares of US\$1 each	100%	–	Investment holding
Decca (Mgt) Limited ("DML")	Hong Kong	10 ordinary shares of HK\$100 each 145,600 non-voting deferred shares of HK\$100 each (Note 1)	–	100%	Management services
Decca Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100%	Interior decoration works
Decca (HK) Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100%	Trading of furniture
Decca (China) Limited	Hong Kong	100,000 shares of HK\$1 each	–	100%	Investment holding and provision of subcontracting services to group companies
Decca Furniture Limited	Hong Kong	100,000 shares of HK\$1 each	–	100%	Trading of furniture and investment holding
HBF (HK) Limited	Hong Kong	10,000 shares of HK\$1 each	–	100%	Trading of furniture
Decca Overseas (S) Pte Ltd	Singapore	2 shares of SG\$1 each	–	100%	Trading of furniture

綜合財務報表附註

35. 附屬公司詳情

以下為本公司於二零零六年三月三十一日之附屬公司之詳情：

公司名稱	註冊／成立 及營運地點	已發行／ 註冊資本	本公司應佔已發行／ 註冊資本百分比		主要業務
			直接	間接	
Decca Investment Limited	英屬處女群島	10,000股 每股面值1美元	100%	—	投資控股
達藝室內工程(管理) 有限公司 (「香港達藝」)	香港	10股普通股 每股面值100港元 145,600每股面值 100港元之無投票權 遞延股份(附註1)	—	100%	管理服務
達藝室內工程 有限公司	香港	2股普通股 每股面值1港元	—	100%	提供室內裝飾 工程
達藝(香港)有限公司	香港	2股普通股 每股面值1港元	—	100%	傢私買賣
達藝室內設計工程 (中國)有限公司	香港	100,000股 每股面值1港元	—	100%	投資控股及向集團 公司提供加工服務
達藝傢具有限公司	香港	100,000股 每股面值1港元	—	100%	傢私買賣 及投資控股
HBF (HK) Limited	香港	10,000股 每股面值1港元	—	100%	傢私買賣
Decca Overseas (S) Pte Ltd	新加坡	2股 每股面值1新加坡元	—	100%	傢私買賣

Notes to the Consolidated Financial Statements

35. PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operations	Nominal value of issued/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activity
			Directly	Indirectly	
HBF Showroom Pte Ltd	Singapore	750,000 shares of SG\$1	–	100%	Trading of furniture
Decca Furniture (USA) Inc.	United States of America	10,000 shares of US\$0.01 each	–	100%	Investment holding
Decca Hospitality Furnishings, LLC	State of North Carolina	Capital contribution of US\$154,285.71	–	100%	Trading of furniture
Decca Contract Furniture, LLC	State of North Carolina	Capital contribution of US\$1,000	–	100%	Trading of furniture
Bolier & Company, LLC	State of North Carolina	Capital contribution of US\$1,000	–	55%	Trading of furniture
東莞達藝家私有限公司 (Note 2)	PRC	HK\$50,000,000	–	100%	Manufacture of furniture and decoration materials
東莞益新家私裝飾有限公司 (Note 3)	PRC	HK\$3,600,000	–	100%	Manufacture of furniture and provision of after-sale services
Decca Furniture (Thailand) Limited	Thailand	2,450 shares of Baht 100 each	–	100%	Trading of furniture

Notes:

1. The shareholders of the non-voting deferred shares are only entitled to dividends when the total dividends declared by DML for any financial year exceeding HK\$1 trillion and, in the case of winding up of DML, are only entitled to receive a return of assets when the total value of assets of DML for distribution exceeding HK\$5 billion.
2. A wholly foreign owned enterprise established under the laws of PRC.
3. A co-operative joint venture established under the laws of PRC.

綜合財務報表附註

35. 附屬公司詳情(續)

公司名稱	註冊／成立 及營運地點	已發行／ 註冊資本	本公司應佔已發行／ 註冊資本百分比		主要業務
			直接	間接	
HBF Showroom Pte Ltd	新加坡	750,000股 每股面值1新加坡元	—	100%	傢私買賣
Decca Furniture (USA) Inc.	美國	10,000股 每股面值0.01美元	—	100%	投資控股
Decca Hospitality Furnishings, LLC	北卡羅萊納州	注入資本 154,285.71美元	—	100%	傢私買賣
Decca Contract Furniture, LLC	北卡羅萊納州	注入資本 1,000美元	—	100%	傢私買賣
Bolier & Company, LLC	北卡羅萊納州	注入資本 1,000美元	—	55%	傢私買賣
東莞達藝家私有限公司 (附註2)	中華人民共和國	50,000,000港元	—	100%	傢私及 裝飾材料製造
東莞益新家私裝飾 有限公司(附註3)	中華人民共和國	3,600,000港元	—	100%	傢私製造及提供 銷售後服務
Decca Furniture (Thailand) Limited	泰國	2,450股 每股面值100泰元	—	100%	傢私買賣

附註：

1. 香港達藝無投票權延遞股份之持有人只於香港達藝在某一財政年度宣佈分派之股息超逾10,000億港元時方可獲派股息。如香港達藝清盤，則此等股份之持有人只有在香港達藝之可分派資產值超逾50億港元方可獲得發還資產。
2. 在中華人民共和國法律下成立之外資企業。
3. 在中華人民共和國法律下成立之中外合作經營企業。