

# Management Discussion and Analysis

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

## REVIEW OF RESULTS

The Group's full year results for 2006/2007 are the best ever achieved in the Group's history. Records were set for total revenue, total profits and return on shareholders' funds. Revenue for the year ended 31 March 2007 was HK\$636.8 million, up 31.4% as compared with the previous year. Net profits were HK\$78.3 million, up 101.9% as compared with the previous year. And, return on shareholders' funds was 26.4% compared to 17.2% for the previous year. These results are gratifying because the furniture industry has not grown significantly over the past year and reinforced the position of Decca as a diversified industry leader.

All sectors of business and geographic areas contributed to these record results. North America continues to be the largest market for the Group accounting for approximately HK\$385.6 million of revenue or 60.6% of the Group's total turnover. Strong results were also achieved by the Projects Department and in Europe.

The Kerzner Inter'l Development Group's Atlantis project was the largest source of revenue in America adding HK\$33.2 million to the Group's turnover. This project is approximately 60% complete and will make a significant contribution to next year's results. The Projects Department's contribution went from HK\$95.6 million in 2006 to HK\$133.2 million for 2007 mainly due to the completion of the Mandarin Oriental Hotel-Hong Kong renovation in February. The results for Europe grew largely due to the completion of furniture packages for the Ritz Carlton - Moscow and the Ritz Carlton - Dublin.

During the year, the Group established regional headquarters for Europe in Copenhagen Denmark. Subsequent to the year-end, a showroom was established in London, another showroom will be established in Paris soon. With this network in place, we feel that the Group's European business will grow significantly over the next three years.

Subsequent to the year-end, the Group completed the purchase of assets from Classic Gallery, Inc. (an independent third party) located in High Point, NC. The new company, Decca Classic Upholstery, LLC is positioned to expand the Group's activities in the North American market by enabling the three U.S. divisions to supply a complete range of upholstery to the residential, hospitality and office contract markets.

## 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。

### 業績回顧

本集團二零零六／二零零七年度的全年業績是歷來最好的，總收入、總溢利及股東回報均創記錄。截至二零零七年三月三十一日止年度收入為6.368億港元，較去年增加31.4%，純利為7,830萬港元，較去年增加101.9%。股東回報為26.4%，去年則為17.2%。其實去年傢私行業並無顯著增長，上述業績使人欣慰，亦強化達藝在此多變行業的領導地位。

所有業務及地區對此破紀錄的業績均有貢獻。北美洲繼續為本集團的最大市場，佔本集團總營業額60.6%，約為收入3.856億港元，工程部及歐洲亦有良好業績。

美洲最大收入來自The Kerzner Inter'l Development Group's Atlantis 工程，為本集團帶來3,320萬港元的營業額。因本工程只完成60%，將會為明年的業績帶來重大貢獻。工程部營業額由二零零六年的9,560萬港元增至二零零七年的1.332億港元，主要來自於二月份完成翻新的香港文華東方酒店。歐洲業績的增長主要來自完成莫斯科Ritz Carlton及都柏林Ritz Carlton 的傢私供應。

於本年度，本集團於丹麥哥本哈根設立歐洲地區總部。於本年度結束後，倫敦的陳列室已成立，另巴黎的陳列室亦快將成立。藉此網絡，深信本集團的歐洲業務於未來三年會有顯著增長。

在本年度結束後，本集團已完成收購位於北卡羅萊納州High Point的Clasic Gallery, Inc. (獨立第三者)的資產。新公司Decca Classic Upholstery, LLC 的成立將使本集團在北美洲市場的業務擴大，讓三個美國部門可以供應一個完整的布藝系列給住宅、酒店及辦公室市場。

# Management Discussion and Analysis

## 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 2007, the total bank borrowings amounting to HK\$52.4 million (2006: HK\$52.0 million), out of which HK\$28.0 million (2006: HK\$25.0 million) would mature in one year or on demand. The borrowings including bank loans and overdrafts are mainly in Hong Kong dollars which will be matched by the inflow of funds from the Group's projects in Hong Kong. Having taken into account of the Group's net worth of HK\$296.5 million (2006: HK\$226.1 million), such borrowing level is considered as prudent. Finance costs were maintained at a low level of HK\$3.8 million (2006: HK\$3.8 million) representing 0.6% (2006: 0.8%) of the Group's revenue. Net current assets stood at HK\$161.1 million (2006: HK\$130.6 million).

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.

## CONTINGENT LIABILITIES

As at 31 March 2007, there were contingent liabilities in respect of a joint guarantee with a third party to secure finance leases granted to an associate. At 31 March 2007, the obligations under finance leases in the books and records of the associate amounted to approximately HK\$0.9 million (2006: HK\$2.7 million). There was no significant investments or disposals of subsidiaries in the year under review.

## GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 31 March 2007, the gearing ratio (total borrowings divided by net assets) was 0.18 (2006: 0.25). As the Group's revenue and expenses were mainly in Hong Kong dollars, Renminbi and United States dollars and its cash holding was mainly 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 United States 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 2007, the Group employed 134, 2314, 3, 27 and 2 staff in Hong Kong, Mainland China, Singapore, United States of America ("U.S.") and Thailand respectively (2006: 130, 1792, 4, 24 and 2 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

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。截至二零零七年三月三十一日止，集團之銀行借款總額為5,240萬港元（二零零六年：5,200萬港元）其中2,800萬港元（二零零六年：2,500萬港元）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，主要以港元為主，並以香港之工程所得的資金收入相配。如以本集團資產淨值2.965億港元（二零零六年：2.261億港元）比較，此貸款水平屬於穩健。財務成本維持在380萬港元（二零零六年：380萬港元）的較低水平，相當於集團收入約0.6%（二零零六年：0.8%）。流動資產淨值為1.611億港元（二零零六年：1.306億港元）。

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。本集團一股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。

## 或然負債

截至二零零七年三月三十一日止，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。於二零零七年三月三十一日，聯營公司賬目及記錄內的租購合約承擔約為90萬港元（二零零六年：270萬港元）。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

截至二零零七年三月三十一日止，資產負債比率（總借貸額／資產淨值）為0.18（二零零六年：0.25）。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。

## 僱員

於二零零七年三月三十一日，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134, 2314, 3, 27及2人（二零零六年：130, 1792, 4, 24及2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 2007 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 2007 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is summarised below:

### Balance Sheet of Vielie

at 31 March 2007

	HK\$'000
Non-current assets	11,506
Current assets	26,874
Current liabilities	(29,333)
Non-current liabilities	(143)
Net assets	<u>8,904</u>
Issued capital	10,000
Translation reserve	1,493
Accumulated losses	(2,589)
	<u>8,904</u>

As at 31 March 2007, the attributable interest of the Group in Vielie amounted to loss of HK\$1,294,000 approximately.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 21 August 2007 to Friday, 24 August 2007, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged 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, 20 August 2007.

# 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，本公司在截至二零零七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二零零七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

於二零零七年三月三十一日

	千港元
非流動資產	11,506
流動資產	26,874
流動負債	(29,333)
非流動負債	(143)
資產淨值	<u>8,904</u>
發行資本	10,000
兌換儲備	1,493
累積虧損	<u>(2,589)</u>
	<u>8,904</u>

於二零零七年三月三十一日，集團於維埃里之應佔權益約為虧損1,294,000港元。

## 暫停辦理股份過戶登記

本公司將於二零零七年八月二十一日(星期二)至八月二十四日(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。為符合獲派建議末期股息之資格，股東須將所有過戶文件連同有關股票於二零零七年八月二十日(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。

# Management Discussion and Analysis

## PROSPECTS

Once again, the Group enters the next year with a record backlog. Orders totaling over HK\$303.3 million were already signed as of March 31, 2007. The overall number of inquiries from Europe and the continued interest generated in the U.S. hospitality sector lead us to believe that the Group should continue to enjoy double-digit growth in both revenue and profits.

Besides the new U.S. upholstery operation, the Group is investigating the possibility of establishing a second manufacturing base outside China. We feel this would be a prudent development given the continued uncertainties surrounding possible trade sanctions and/or duties on China-made goods exported to the U.S.

In summary, the Group's positive trends look set to continue for the foreseeable future. We will continue to diversify our revenue sources and add strategic manufacturing locations in order to maximize the Group's opportunities. And, the Group will continue to invest in new technology to solidify its position as one of the most advanced woodworking companies in the world.

# 管理層討論及分析

## 展望

本集團帶着破紀錄的未完成工程進入下年度。於二零零七年三月三十一日，已簽署的訂單總額超過3.033億港元，總計歐洲的查詢及美國酒店界對本集團持續的興趣，使我們相信本集團會繼續在收入及溢利方面有雙位數的增長。

除在美國新設的布藝生產外，本集團會探討在中國以外建立第二生產基地的可行性。我們相信在持續不明朗因素環繞下之可能性貿易制裁及／或對出口美國的中國制品征收關稅下，此乃穩健發展。

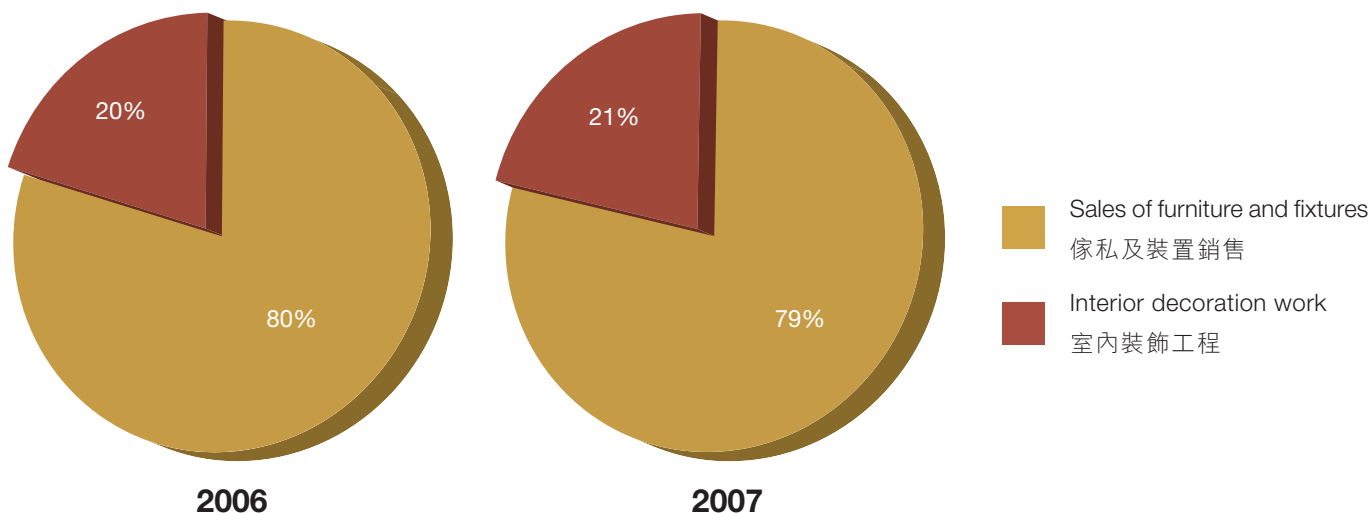
總括而言，本集團在可見將來會繼續此正確方向。我們會繼續分散收入來源及增加策略性的生產地點以擴大本集團的機遇。本集團會繼續投資發展新技術以鞏固在全球最先進木制品公司之一的地位。



# Management Discussion and Analysis

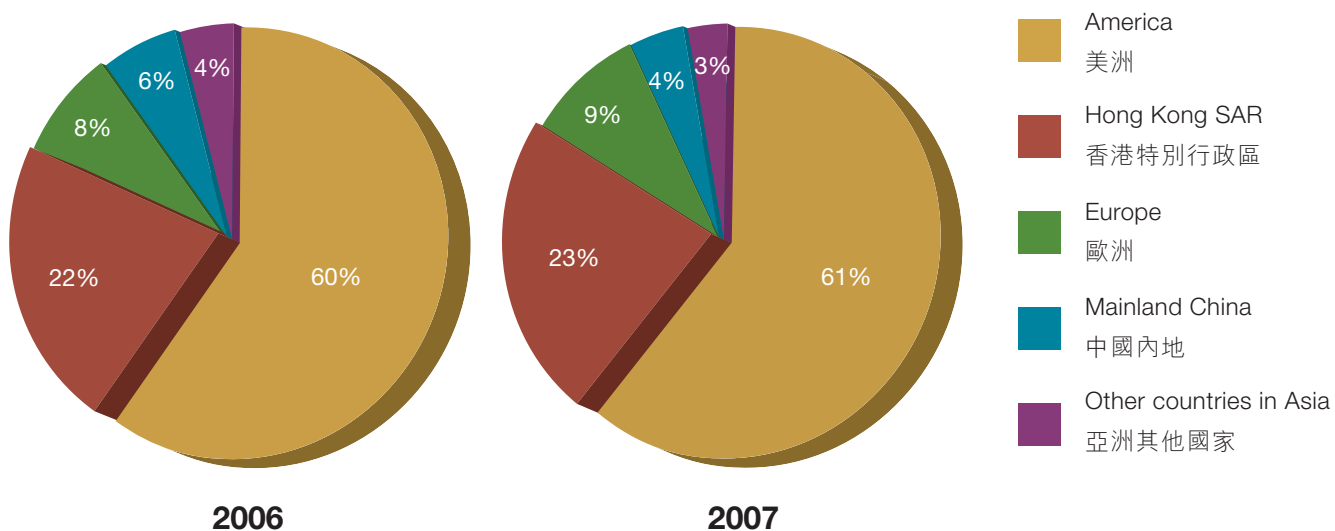
## TURNOVER BY BUSINESS SEGMENTS

按業務劃分的營業額



## TURNOVER BY GEOGRAPHICAL SEGMENTS

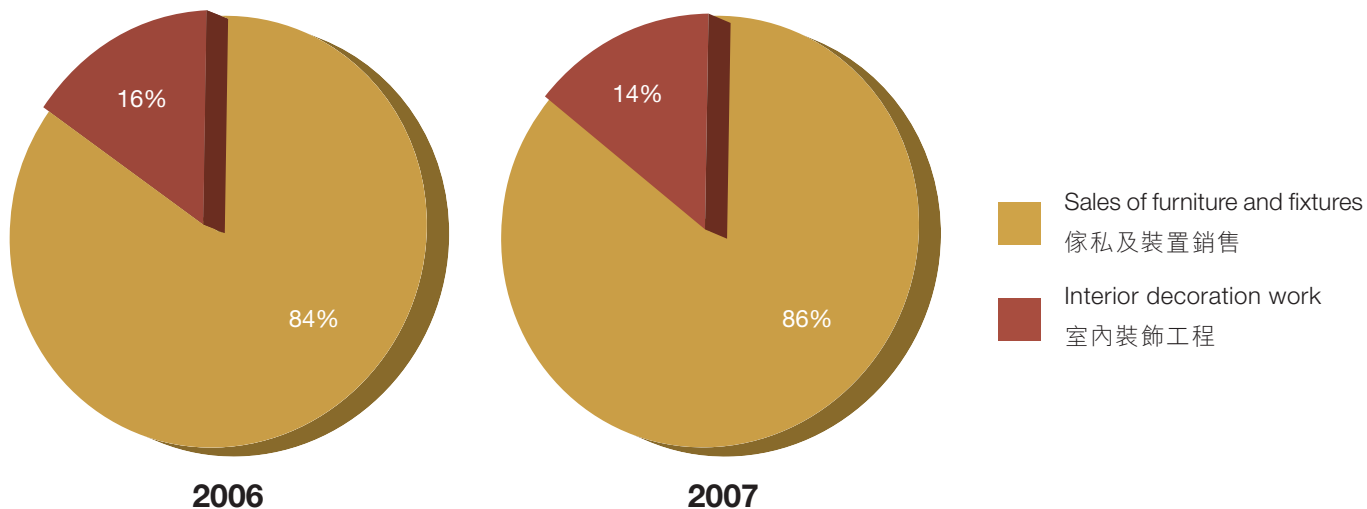
按地域劃分的營業額



## 管理層討論及分析

### 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

