

Management Discussion and Analysis

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

REVIEW OF RESULTS

During the year under review, consolidated turnover decreased to HK\$205.8 million (2002: HK\$396.2 million) while net loss after tax was amounted to HK\$69.1 million (2002: net profit after tax HK\$6.0 million). The decrease in turnover is a result of the Group's decision made previously to be cautiously selective in the Hong Kong and Mainland China interior fitting-out market and to focus on overseas markets.

The loss incurred by the Group in the year ended 31 March 2003 has arisen in part from this switch in emphasis by the Group from the Hong Kong and Mainland China interior fitting-out markets into overseas markets, which the Board believes will require a further year or so to build up to satisfactory levels and in part from prudent provisions against amounts owed for work done in the Mainland China market in previous years. Notwithstanding the provisions made, the Group will continue to seek to recover the money in question.

Hong Kong and Mainland China continued to be the principal markets of the Group, accounted for approximately 63% (2002: 86%) of the Group's turnover. Other markets into which the Group has expanded in particular, the USA grew 121%. Since the opening of our office in Atlanta, Georgia, USA in April 2002, the Group has successfully secured various sizable contracts which have contributed to this promising gain in turnover from this particular geographical segment.

During the year under review, the Group undertook and completed projects for fitting-out works and/or supply of furniture for the Kowloon Shangri-la Hotel (Phase I), The Venetian Hotel – Las Vegas, The Marriott Marquis – New York and The Sun Hotel, Tokyo, Japan.

Projects currently in progress include a large residential project in Hong Lok Yuen in Hong Kong, various mock-up rooms in connection with a new hotel project at the International Finance Centre II, Hong Kong, and furniture supply contracts for the Mandarin Oriental Hotel, Washington D.C, USA, the Hard Rock Hotel, Chicago and the Renaissance Hotel, Aruba, Mexico.

下列之意見應與達藝控股有限公司之財務報表及有關之附註一併閱讀。

業績回顧

本年度之綜合營業額較去年同期減少至2.058億港元(二零零二年：3.962億港元)，稅後淨虧損則為6,910萬港元(二零零二年：稅後純利 600萬港元)。綜合營業額較去年同期下降，主要由於本集團對香港及中國內地的室內裝修工程項目保持一貫審慎及選擇性參與的態度。與此同時，亦致力拓展海外市場業務。

截至二零零三年三月三十一日止年度，本集團所錄得之虧損，部份原因來自其室內裝修工程的業務轉移，市場業務逐步由香港及中國內地轉移至其他海外市場，董事會深信仍需一年或以上的時間來達致滿意之水平，並已審慎地為年前已完成工程之欠款作出適當撥備。儘管已作出撥備，本集團仍將努力追討所有應收貨款。

香港及中國內地仍為本集團的主要市場，合共佔集團總營業額約63%(二零零二年：86%)。本集團亦專注拓展多個海外市場，美國市場更增長121%。自二零零二年四月於美國喬治亞州亞特蘭大開設辦事處以來，本集團成功承接若干大規模工程合約訂單，亦為集團於此地域帶來可觀的利潤回報。

於回顧年度內，本集團參與並完成的工程項目包括：九龍香格里拉酒店(第一期)的翻新項目、美國拉斯維加斯的Venetian Hotel、紐約市的Marriott Marquis以及日本東京神田太陽酒店項目。

至於目前仍在進行中的主要工程項目包括：香港康樂園的大型住宅項目、與香港國際金融中心(第二期)聯繫的多個酒店辦房、美國華盛頓的Mandarin Oriental Hotel、美國芝加哥的Hard Rock Hotel及墨西哥的Renaissance Hotel等的傢俬供應合約。

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a conservative financial structure during the year. As at the balance sheet date, total bank borrowings amounted to HK\$56.3 million (2002: HK\$35.3 million), representing approximately 31% (2002: 14%) of the Group's net worth. Finance costs were maintained at a low level of HK\$2.8 million (2002: HK\$2.7 million) representing 1% (2002: 1%) of the Group's turnover. The Board believes that the Group's available banking facilities and its bank balances should provide the Group with sufficient financial resources for its operations and future development.

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
– within one year or on demand	56,305	33,442
– after one year but within two years	–	1,872
	<u>56,305</u>	<u>35,314</u>

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

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

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

GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 31 March 2003, the gearing ratio (total borrowings/net assets) was 0.34 (2002: 0.19). Comparing the net assets of HK\$180.9 million with the total borrowings of HK\$61.9 million, the Board considered that such gearing ratio was still acceptable. As the Group's revenue and expenses were mainly in Hong Kong dollars, Renminbi and US dollars and its cash holding was denominated in Hong Kong dollars, foreign exchange exposure of the Group was minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollars to the US dollars remained in effect. Renminbi's exchange rate remained stable as China also would like to maintain a stable exchange rate between Hong Kong dollars and Renminbi which would be beneficial to Hong Kong's economy.

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，期末銀行貸款總額為5,630萬港元(二零零二年：3,530萬港元)，相當於本集團資產淨值的31%(二零零二年：14%)，財務成本維持在280萬港元(二零零二年：270萬港元)的較低水平，相當於集團營業額的1%(二零零二年：1%)。董事會相信，本集團充裕的銀行備用信貸額度及持有的現金，足以為集團的營運及將來發展提供足夠的財政資源。

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

	本集團	
	二零零三年 千港元	二零零二年 千港元
一年內或即時通知	56,305	33,442
一年後至兩年內	—	1,872
	<u>56,305</u>	<u>35,314</u>

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

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

本集團大部份貸款之息率通常是浮動的。

資產負債比率及外匯風險

截至二零零三年三月三十一日止，資產負債比率(總借貸額／資產淨值)為0.34(二零零二年：0.19)。如以資產淨值18,090萬港元與總借貸額6,190萬港元比較，董事會認為此資產負債比率仍可接受。本集團主要以港元，人民幣及美元賺取收益及支付費用，所持有的現金主要以港元為基礎。鑑於香港特區政府仍然實施港元與美元掛鈎之政策，故此本集團之外匯風險甚低。人民幣匯率保持穩定，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。

Management Discussion and Analysis

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2003, the land and buildings owned by the Group and situated in Mainland China had a net book value of HK\$7.7 million (2002: HK\$8.2 million) and were pledged to a bank to secure a loan granted to the Group. There were contingent liabilities in respect of counter-guarantees, amounting to HK\$7.0 million (2002: HK\$6.9 million) given in favour of certain financial institutions against liabilities of these parties arising from non-compliance of the terms of interior building works being undertaken by the Group.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

EMPLOYEES

As at 31 March 2003, the group employed 103, 835 and 4 staff in Hong Kong, Mainland China and Singapore respectively (2002: 134, 741 and 8 respectively). The Group remunerated its employees based on their performance, working experience and the prevailing market conditions. Bonus may be given to staff of outstanding performance on a discretionary basis. For the primary purpose of retaining high calibre executives and employees, share options may be granted to eligible employees. Other employee benefits include mandatory provident fund and training programs.

CORPORATE GOVERNANCE

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 18 August 2003 to Thursday 21 August 2003, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the attendance at the Annual General Meeting, shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's Share Registrars, Standard Registrars Limited on G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 pm on Friday 15 August 2003.

PROSPECTS

The Board believes that the Hong Kong economy will recover slowly. Therefore, the Group believes that its strategy of diversifying the number of markets which it serves should be the principal priority of the Group in the next few years. More resources will be allocated to expand in overseas markets. The Group will also cautiously consider collaboration with overseas business partners on strategic alliance that will add value to the Group's operations and assist it in achieving its business objectives.

The Group shall continue to expand its distribution network overseas through our operations at our various offices, and strive to increase its market share in each of our markets, continue to promote our brands aggressively and intensify its product development to boost growth in our business.

資產抵押及或然負債

截至二零零三年三月三十一日止，本集團位於中國內地的土地及樓宇之賬面淨值為770萬港元(二零零二年：820萬港元)。該土地及樓宇已抵押給一家銀行，作為給予本集團貸款之抵押。另外有保證之或然負債總額為700萬港元(二零零二年：690萬港元)，此乃本集團給予金融機構，用以承擔如未能依據室內裝飾工程合約條文而引發之責任。

持有重大投資及附屬公司之重大收購及出售

本年內並無重大投資或出售附屬公司。

僱員

截至二零零三年三月三十一日止，本集團於香港、中國內地及新加坡所僱用的員工數目分別為103、835及4人(二零零二年：134、741及8人)。本集團根據僱員之表現，工作經驗及現時市場情況釐定彼等之薪酬。對表現傑出的僱員可酌情發放花紅。購股權主要是為保留優秀行政人員及員工而設立，可授予合資格之僱員。其他僱員福利包括強制性公積金及培訓計劃。

公司管治

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

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

暫停辦理股份過戶登記

本公司將於二零零三年八月十八日(星期一)至八月二十一日(星期四)，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二零零三年八月十五日(星期五)下午四時前遞交香港灣仔告士打道56號東亞銀行港灣中心地下，本公司於香港之股份過戶登記處標準證券登記有限公司辦理過戶登記手續。

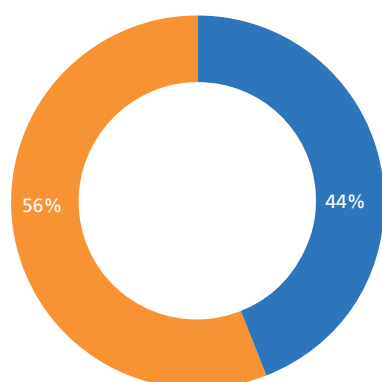
展望

董事會深信，香港經濟將緩慢地復甦，所以集團的策略將以拓展多元化的市場為未來幾年之主要目標。並會投放更多資源拓展海外市場。本集團將謹慎地考慮與海外業務夥伴合作策略性之活動，為集團營運作出貢獻，及幫助實現既定業務目標。

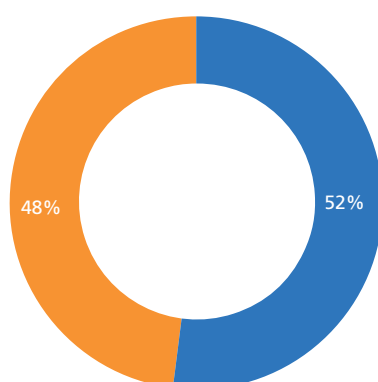
本集團將會透過數個辦事處繼續擴展海外分銷網路、提升市場佔有率、繼續推廣本身品牌以及加強商品發展，以推動業務的增長。

Management Discussion and Analysis

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



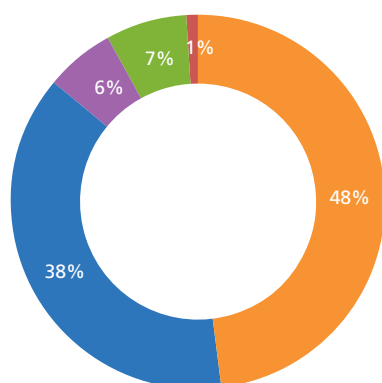
2002



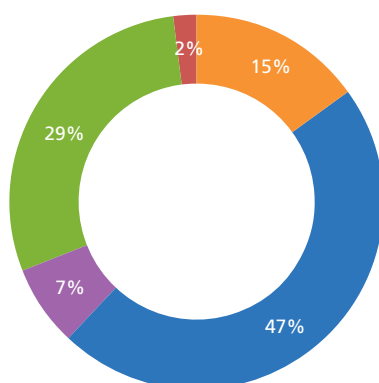
2003

- Interior building works
室內裝飾工程
- Sales of Furniture and fixtures
傢俬及裝置銷售

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



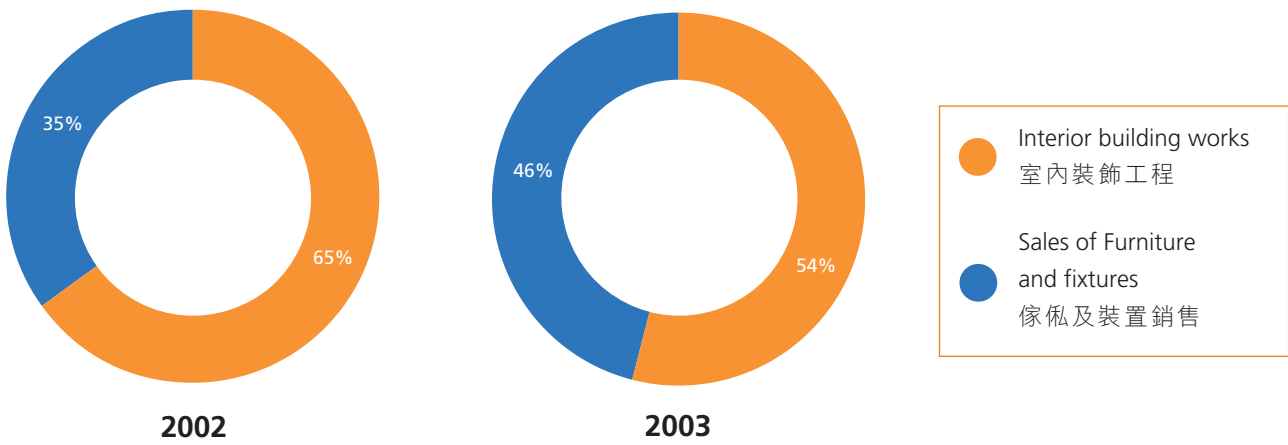
2002



2003

- Mainland China
中國內地
- Hong Kong SAR
香港特別行政區
- Other countries in Asia
亞洲其他國家
- Europe and America
歐洲及美洲
- Others
其他

SEGMENTS ASSETS BY BUSINESS SEGMENTS 按業務劃分的資產劃分



CARRYING AMOUNT OF SEGMENT ASSETS BY GEOGRAPHICAL SEGMENTS 按地域劃分的資產分佈情況

