

達藝  
DECCA



2007  
interim report

DECCA HOLDINGS LIMITED  
達藝控股有限公司  
(Stock Code : 997)

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# Chairman's Statement

## BUSINESS REVIEW

### Results

The Group's turnover for the six months ending 30 September 2007 increased by 7.5% to HK\$349.2 million from HK\$324.8 million for the same period in 2006. However, gross margin decreased from 39.6% to 37.7%. This was expected because the 2006/2007 results were heavily influenced by the completion of the Mandarin Oriental Hotel - Hong Kong.

Furniture sales increased to 92.4% of turnover to HK\$322.6 million compared to the same period of the previous year when it was 77.9% of total revenue. Sales of furniture to the United States increased to 71.4% of all sales and sales to Europe increased to 11.1% of sales. Previously, the combined U.S. and European furniture sales were 69.1% of turnover.

Net profit before tax was lower than the previous period by 31.3% or HK\$32.4 million compared to HK\$47.2 million for the first half of 2006/2007. The reduction was primarily due to increased distribution and administrative costs of 39.3% from HK\$72.1 million to HK\$100.4 million. A large portion of the increase was due to increased headcount in Europe and at Decca Classic Upholstery, LLC. Also, higher salaries for existing staff and higher sales commissions connected to the increased sales in the U.S. and Europe was a factor. Of the HK\$28.3 million increase in distribution and administrative costs, approximately HK\$5.0 million is non-recurring because it was associated with the opening of the Group's new showrooms in Paris and London.

The Group's top four clients changed from the previous year. Kerzner International Development Co. accounted for HK\$35.0 million in turnover which represented 10.0% of the group's revenue. This contract is associated with the Atlantis Resort in the Bahamas which includes loose furniture, architectural fixtures and woodwork and other built-in furniture. The next three clients by revenue during the period from April thru September 2007 include projects for Hotel Interior Design – 7.9% of turnover, Ritz Carlton Guangzhou – 5.1% of revenue and Hilton Anatole Hotel – 4.2% of turnover.

Projects currently in process include various Ritz Carlton Hotels – HK\$30.2 million, the Tokyo Baycourt Hotel – HK\$15.9 million, various Louis Vuitton Stores – HK\$13.3 million and the Scrub Island Resort – HK\$13.1 million.

### Outlook

The Group completed the purchase of assets from Classic Gallery Inc. – High Point. Decca Classic Upholstery, LLC commenced operations in June and will have a positive effect on the Group's turnover in the second half of 2007/2008. In addition, subsequent to 30 September 2007, the Group completed the purchase of assets from Paraworld Furniture Co. Ltd. in Thailand. These assets were injected into Decca MFG (Thailand) Ltd. (the "DMTL") of which the Group holds 80% of the shares with the balance held by the Group's Thai partner. DMTL will commence operations in March 2008 under rules established by the Thailand Board of Investments. We expect DMTL to add significant capacity to the Group. It will provide a lower cost manufacturing base outside China that will be used to produce bedroom furniture for contracts in the United States signed by the Group's subsidiaries; Decca Hospitality Furnishings, LLC and Bolier & Co., LLC. Product produced in Thailand does not attract duty from the U.S., as does bedroom furniture produced in China.

## Chairman's Statement

The Group had orders on hand of approximately HK\$303.7 million at 30th September 2007 and expects the full year's revenue to be around HK\$700.0 million. Non-recurring start-up expenses at DMTL and the higher level of distribution & administrative expenses will slightly affect net profit. Higher returns should occur in subsequent years after all start-up costs have been absorbed.

During the first half of 2007/2008, the Group broke ground on an extension to the existing manufacturing facility in Dongguan that will be devoted to expanded production of office/contract furniture. Also under construction near the Dongguan facility is a new "purpose-built" climate controlled storage warehouse for wood, veneer and other materials. When completed in mid-2008, it will allow the Group to mobilize production of new contracts faster thus increasing the "through-put" of the China factory.

### INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2.5 cents (1/4/2006 to 30/9/2006: HK3.7 cents) per share for the six months ended 30 September 2007 to shareholders whose names appear on the Register of Members of the Company on 10 January 2008. The interim dividend will be paid on or around 15 January 2008.

### APPRECIATION

The Board would like to extend its gratitude to all the Group's customers and bankers for their trust and support and would like to thank all of the staff of the Group for their tireless efforts and contribution to the Group.

### TSANG CHI HUNG

*Chairman*

Hong Kong, 10 December 2007

# Management Discussion and Analysis

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

## REVIEW OF RESULTS

The Group's turnover for the six months ending 30 September 2007 increased by 7.5% to HK\$349.2 million from HK\$324.8 million for the same period in 2006. However, gross margin decreased from 39.6% to 37.7%. This was expected because the 2006/2007 results were heavily influenced by the completion of the Mandarin Oriental Hotel — Hong Kong.

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Net profit before tax was lower than the previous period by 31.3% or HK\$32.4 million compared to HK\$47.2 million for the first half of 2006/2007. The reduction was primarily due to increased distribution and administrative costs of 39.3% from HK\$72.1 million to HK\$100.4 million. A large portion of the increase was due to increased headcount in Europe and at Decca Classic Upholstery, LLC. Also, higher salaries for existing staff and higher sales commissions connected to the increased sales in the U.S. and Europe was a factor. Of the HK\$28.3 million increase in distribution and administrative costs, approximately HK\$5.0 million is non-recurring because it was associated with the opening of the Group's new showrooms in Paris and London.

The Group's top four clients changed from the previous year. Kerzner International Development Co. accounted for HK\$35.0 million in turnover which represented 10.0% of the group's revenue. This contract is associated with the Atlantis Resort in the Bahamas which includes loose furniture, architectural fixtures and woodwork and other built-in furniture. The next three clients by revenue during the period from April thru September 2007 include projects for Hotel Interior Design — 7.9% of turnover, Ritz Carlton Guangzhou — 5.1% of revenue and Hilton Anatole Hotel — 4.2% of turnover.

Projects currently in process include various Ritz Carlton Hotels — HK\$30.2 million, the Tokyo Baycourt Hotel — HK\$15.9 million, various Louis Vuitton Stores — HK\$13.3 million and the Scrub Island Resort — HK\$13.1 million.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to exercise a conservative policy towards its financial structure. As at 30 September 2007, total bank borrowings amounted to HK\$95.8 million (31 March 2007: HK\$52.4 million), out of which HK\$57.7 million (31 March 2007: HK\$28.0 million) would be due within one year. Finance costs were at a relatively low level of HK\$2.5 million (2006: HK\$1.8 million), representing 0.7% (2006: 0.6%) 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 operation and future development.

# Management Discussion and Analysis

The borrowing including bank loans and overdrafts are mainly in Hong Kong dollars and United States dollars which will be matched by the inflow of funds from the Group's projects and contracts in Hong Kong and the United States. Having taken into account of the Group's net worth of HK\$310.6 million (31 March 2007: HK\$296.5 million), such borrowing level is still sound. Net current assets stood at HK\$137.1 million (31 March 2007: HK\$161.1 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.

## GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 30 September 2007, the gearing ratio (total borrowings divided by net assets) was 0.31 (31 March 2007: 0.18). 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 is relatively stable as Mainland China would also like to maintain a stable exchange between Hong Kong dollars and Renminbi which would be beneficial to Hong Kong's economy.

## CHARGE ON ASSETS AND CONTINGENT LIABILITIES

At 30 September 2007, buildings, plant and machinery, and motor vehicles of the Group with net book value of approximately HK\$19.8 million, HK\$12.4 million and HK\$0.4 million (31 March 2007: nil, HK\$11.2 million and HK\$0.5 million) respectively were pledged with a bank to secure a loan granted to the Group.

As at 30 September 2007, there were contingent liabilities in respect of joint guarantee with a third party to secure the finance leases granted to an associate. As at 30 September 2007, the obligations under finance leases in the books and records of the associate amounted to approximately HK\$0.4 million (31 March 2007: HK\$0.9 million). There was no significant investments or disposals of subsidiaries in the period under review.

## EMPLOYEES

As at 30 September 2007, the Group employed 137, 2605, 4, 36 and 2 staff in Hong Kong, Mainland China, Singapore, USA, Thailand respectively (31 March 2007: 134, 2314, 3, 27 and 2 respectively). The Group remunerated its employees based on their performance, working experience and 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.

# Management Discussion and Analysis

## OUTLOOK

The Group completed the purchase of assets from Classic Gallery Inc. – High Point. Decca Classic Upholstery, LLC commenced operations in June and will have a positive effect on the Group's turnover in the second half of 2007/2008. In addition, subsequent to 30 September 2007, the Group completed the purchase of assets from Paraworld Furniture Co. Ltd. in Thailand. These assets were injected into Decca MFG (Thailand) Ltd. (the "DMTL") of which the Group holds 80% of the shares with the balance held by the Group's Thai partner. DMTL will commence operations in March 2008 under rules established by the Thailand Board of Investments. We expect DMTL to add significant capacity to the Group. It will provide a lower cost manufacturing base outside China that will be used to produce bedroom furniture for contracts in the United States signed by the Group's subsidiaries; Decca Hospitality Furnishings, LLC and Bolier & Co., LLC. Product produced in Thailand does not attract duty from the U.S., as does bedroom furniture produced in China.

The Group had orders on hand of approximately HK\$303.7 million at 30th September 2007 and expects the full year's revenue to be around HK\$700.0 million. Non-recurring start-up expenses at DMTL and the higher level of distribution & administrative expenses will slightly affect net profit. Higher returns should occur in subsequent years after all start-up costs have been absorbed.

During the first half of 2007/2008, the Group broke ground on an extension to the existing manufacturing facility in Dongguan that will be devoted to expanded production of office/contract furniture. Also under construction near the Dongguan facility is a new "purpose-built" climate controlled storage warehouse for wood, veneer and other materials. When completed in mid-2008, it will allow the Group to mobilize production of new contracts faster thus increasing the "through-put" of the China factory.

# Management Report

## DIRECTORS

The directors of the Company during the six months' period and up to the date of this report were:

### Executive directors

Mr. Tsang Chi Hung  
Mr. Liu Hoo Kuen  
Mr. Richard Warren Herbst  
Ms. Kwan Yau Choi  
Ms. Fung Sau Mui  
Mr. Tai Wing Wah  
Mr. Wong Kam Hong

### Independent non-executive directors

Mr. Chu Kwok Man  
Mr. Lok Wai Kiang, Paul (resigned on 31 August 2007)  
Mr. Cheng Woon Kam  
Mr. Pak Wai Tun, Wallace (appointed on 1 September 2007)

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests of the directors and of their associates in the issued share capital and underlying shares of the Company and its associated corporations, as recorded in the register kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code of Securities Transactions by Directors of Listed Companies were as follows:



# Management Report

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### Long position

(a) *Interests in the Company's shares*

Name of director	Number of shares of HK\$0.10 each			Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Tsang Chi Hung	9,920,827	—	112,511,670 (note 1)	122,432,497	61.22% (note 1)
Mr. Liu Hoo Kuen	8,707,481	—	112,511,670 (note 2)	121,219,151	60.61% (note 2)
Mr. Richard Warren Herbst	589,995	—	—	589,995	0.29%
Ms. Kwan Yau Choi	9,920,827	—	112,511,670 (note 1)	122,432,497	61.22% (note 1)
Ms. Fung Sau Mui	750,000	—	—	750,000	0.38%
Mr. Tai Wing Wah	750,000	—	—	750,000	0.38%
Mr. Wong Kam Hong	589,995	—	—	589,995	0.29%

Notes:

1. Mr. Tsang Chi Hung and his wife Ms. Kwan Yau Choi own 348 shares and 347 shares of US\$1 each respectively of Peasedow Enterprises Limited respectively, representing 35% each of the issued share capital of that company, which in turn owns 112,511,670 shares of the Company. Mr. Tsang Chi Hung, Ms. Kwan Yau Choi and Mr. Liu Hoo Kuen in their names and through Peasedow Enterprises Limited own 141,060,805 shares of the Company in aggregate, representing 70.53% of the issued share capital of the Company.
2. Mr. Liu Hoo Kuen own 305 shares of US\$1 each of Peasedow Enterprises Limited, representing 30% of the issued share capital of that company, which in turn owns 112,511,670 shares of the Company. Mr. Tsang Chi Hung, Ms. Kwan Yau Choi and Mr. Liu Hoo Kuen in their names and through Peasedow Enterprises Limited own 141,060,805 shares of the Company in aggregate, representing 70.53% of the issued share capital of the Company.

# Management Report

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### Long position (continued)

(b) *Personal interests in the Company's share options*

<b>Name of director</b>	<b>Exercise price per share option</b> HK\$	<b>Outstanding at 1.4.2007</b>	<b>Expired during the period</b>	<b>Outstanding at 30.9.2007</b>
Mr. Tsang Chi Hung	0.8	1,000,000	(1,000,000)	—
Mr. Liu Hoo Kuen	0.8	1,000,000	(1,000,000)	—
Mr. Richard Warren Herbst	0.8	500,000	(500,000)	—
Ms. Kwan Yau Choi	0.8	1,000,000	(1,000,000)	—
Ms. Fung Sau Mui	0.8	500,000	(500,000)	—
Mr. Tai Wing Wah	0.8	500,000	(500,000)	—
Mr. Wong Kam Hong	0.8	500,000	(500,000)	—
		5,000,000	(5,000,000)	—

(c) *Personal interests in shares of Decca (Mgt) Limited ("DML")*

<b>Name of director</b>	<b>Non-voting deferred shares of HK\$100 each</b>
Mr. Tsang Chi Hung	48,650
Mr. Liu Hoo Kuen	42,700
Ms. Kwan Yau Choi	48,650

# Management Report

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### Long position (continued)

(c) *Personal interests in shares of Decca (Mgt) Limited ("DML") (continued)*

Notes:

1. As at 30 September 2007, the issued and fully paid share capital in DML comprised of 145,600 non-voting deferred shares and 10 ordinary shares of HK\$100 each.
2. The rights and restrictions attached to the ordinary and non-voting deferred shares of HK\$100 each in DML are as follows:
  - (a) The profits which DML may determine to distribute in respect of any financial year shall be distributed as regards the first \$1 trillion thereof among the holders of ordinary shares of DML according to the amounts paid up on the ordinary shares of DML held by them respectively and one half of the balance of such profits shall be distributed among the holders of the non-voting deferred shares of DML and the other half among the holders of ordinary shares of DML according to the amounts paid up on the shares held by them respectively.
  - (b) On a return of assets on winding up, the assets of DML to be returned shall be distributed as regards the first \$5 billion thereof among the holders of ordinary shares of DML in proportion to the nominal amounts of ordinary shares of DML held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares of DML and the other half among the holders of ordinary shares of DML in proportion to the nominal amounts of the shares held by them respectively.
  - (c) Every holder of ordinary shares of DML shall have one vote for every fully paid up ordinary share of DML held by him but the nonvoting deferred shares of DML shall not entitle the holders thereof to vote at any general meeting of DML.

Save for disclosed above, none of the directors nor their associates held office at 30 September 2007 had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at that date.

## DIRECTORS' INTERESTS IN CONTRACTS

During the six months ended 30 September 2007, the Group paid rental of approximately HK\$1,054,000 to Golden Life Investment Limited ("Golden Life") in respect of the Group's office premises, showrooms and warehouses. Mr. Tsang Chi Hung, Ms Kwan Yau Choi and Mr Liu Hoo Kuen are directors and shareholders of Golden Life. As at 30 September 2007, the amount due to Golden Life was nil.

Apart from the above, no other contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of 30 September 2007 or at any time during these six months period.

# Management Report

## 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.

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 share as, when aggregated with the total number of shares already issued and issuable to him under the Scheme would exceed 25% of the aggregated 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.

All the company's share options were expired during the period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for disclosed above in "share option scheme", at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Management Report

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### Long Positions in Ordinary Shares of the Company

#### Ordinary Shares of HK\$0.10 each of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital
The Anglo Chinese Investment Company, Limited	Beneficial owner	11,492,000	5.75%

Other than as disclosed above in “directors’ interests in shares and underlying shares”, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2007.

## 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 30 September 2007 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

### Balance Sheet of Vielie

as at 30 September 2007

	30.9.2007 (Unaudited) HK\$'000
Non-current assets	10,822
Current assets	29,091
Current liabilities	(29,342)
Non-current liabilities	(143)
Net assets	10,428
Issued capital	10,000
Translation reserve	1,678
Accumulated losses	(1,250)
Capital and reserves	10,428

As at 30 September 2007, the attributable interest of the Group in Vielie approximately amounted to HK\$5,214,000.

# Management Report

## RELATED PARTY TRANSACTIONS

On 30 November 2005, the Group entered into two tenancy agreements with Golden Life. Details of the transactions during the period were set out in “Directors’ Interests in Contracts” above.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2007.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2.5 cents (1/4/2006 to 30/9/2006: HK3.7 cents) per share for the six months ended 30 September 2007 to shareholders whose names appear on the Register of Members of the Company on 10 January 2008. The interim dividend will be paid on or around 15 January 2008.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 8 January 2008 to Thursday, 10 January 2008, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for interim dividend, shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company’s Share Registrars, Tricor Standard Limited on 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 7 January 2008.

## CORPORATE GOVERNANCE

During the six months ended 30 September 2007, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Exchange”) except for the following:

**Code Provision A.2.1** stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and managing director of the Company have been performed by Mr. Tsang Chi Hung. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

# Management Report

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the “Model Code”). Having made specific enquiry of the directors of the Company, all the directors confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2007.

## **AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITORS**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters.

The Group’s external auditors, Deloitte Touche Tohmatsu, have been instructed to review the interim financial report. On the basis of their review, nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

# Report on Review of Interim Financial Information

## TO THE BOARD OF DIRECTORS OF DECCA HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 28, which comprises the condensed consolidated balance sheet of Decca Holdings Limited as of 30 September 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong

10 December 2007



# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2007

	Notes	Six months ended 30 September	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	3	<b>349,220</b>	324,829
Cost of sales		<b>(217,582)</b>	(196,098)
Gross profit		<b>131,638</b>	128,731
Other income		<b>1,416</b>	1,730
Distribution costs		<b>(27,062)</b>	(17,246)
Administrative expenses		<b>(73,313)</b>	(54,819)
Write back (allowance) of bad and doubtful debts		<b>1,288</b>	(2,471)
Allowance for amount due from an associate		<b>—</b>	(6,000)
Share of result of an associate		<b>996</b>	(913)
Finance costs	4	<b>(2,534)</b>	(1,820)
Profit before taxation	5	<b>32,429</b>	47,192
Taxation	6	<b>(7,523)</b>	(10,009)
Profit for the period attributable to equity holders of the Company		<b>24,906</b>	37,183
Dividend paid	7	<b>16,000</b>	7,700
Earnings per share	8		
Basic		<b>HK12.45 cents</b>	HK18.59 cents
Diluted		<b>HK12.24 cents</b>	HK18.54 cents

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED BALANCE SHEET

at 30 September 2007

	Notes	30.9.2007 HK\$'000 (unaudited)	31.3.2007 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	200,673	155,178
Prepaid lease payments		7,381	2,725
Investment in an associate		4,804	4,452
		<b>212,858</b>	162,355
<b>Current assets</b>			
Inventories		139,033	108,750
Amounts due from customers for contract work	10	11,785	10,608
Trade receivables	11	148,924	112,608
Other deposits and prepayments		24,376	19,317
Amount due from an associate	12	5,425	5,468
Prepaid lease payments		374	245
Tax recoverable		2,284	1,742
Bank balances and cash		83,380	68,338
		<b>415,581</b>	327,076
<b>Current liabilities</b>			
Amounts due to customers for contract work	10	3,978	5,013
Trade payables	13	68,677	48,570
Other payables and accruals		129,748	68,110
Obligations under finance leases — due within one year		1,160	1,882
Taxation		17,214	14,351
Bank loans	14	57,717	27,385
Bank overdrafts		—	647
		<b>278,494</b>	165,958
<b>Net current assets</b>		<b>137,087</b>	161,118
		<b>349,945</b>	323,473

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

at 30 September 2007

	Notes	30.9.2007 HK\$'000 (unaudited)	31.3.2007 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Obligations under finance leases — due after one year		94	466
Bank loans	14	38,077	24,380
Deferred taxation		1,161	2,104
		<b>39,332</b>	26,950
		<b>310,613</b>	296,523
<b>Capital and reserves</b>			
Share capital	15	20,000	20,000
Reserves		290,613	276,523
		<b>310,613</b>	296,523

Approved by the Board of Directors on 10 December 2007.

**Tsang Chi Hung**  
Chairman

**Liu Hoo Kuen**  
Vice Chairman

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2007

	Share capital	Share Contributed premium	Share Contributed surplus	Capital reserve	Translation reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 April 2007	20,000	47,640	18,865	8,662	8,126	193,230	296,523
Exchange differences arising on translation of foreign operations	—	—	—	—	5,019	—	5,019
Share of changes in equity of an associate	—	—	—	—	165	—	165
Total income recognised directly in equity	—	—	—	—	5,184	—	5,184
Profit for the period	—	—	—	—	—	24,906	24,906
Total recognised income for the period	—	—	—	—	5,184	24,906	30,090
Dividend paid	—	—	—	—	—	(16,000)	(16,000)
At 30 September 2007	20,000	47,640	18,865	8,662	13,310	202,136	310,613
At 1 April 2006	20,000	47,640	18,865	8,662	902	129,999	226,068
Exchange differences arising on translation of foreign operations	—	—	—	—	791	—	791
Share of changes in equity of an associate	—	—	—	—	(69)	—	(69)
Net income recognised directly in equity	—	—	—	—	722	—	722
Profit for the period	—	—	—	—	—	37,183	37,183
Total recognised income for the period	—	—	—	—	722	37,183	37,905
Dividend paid	—	—	—	—	—	(7,700)	(7,700)
At 30 September 2006	20,000	47,640	18,865	8,662	1,624	159,482	256,273

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2007

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<b>50,680</b>	51,719
Net cash used in investing activities:		
Purchase of property, plant and equipment	<b>(54,925)</b>	(29,299)
Advance to an associate	<b>—</b>	(3,423)
Proceeds from disposal of property, plant and equipment	<b>41</b>	21
Prepaid lease payments paid	<b>(4,934)</b>	—
	<b>(59,818)</b>	(32,701)
Net cash from (used in) financing activities:		
Dividend paid	<b>(16,000)</b>	(7,700)
Repayment of bank borrowings	<b>(10,451)</b>	(3,203)
Repayment of obligations under finance leases	<b>(1,094)</b>	(1,433)
New bank loan raised	<b>54,480</b>	5,000
Other financing cash flows	<b>(2,534)</b>	(1,820)
	<b>24,401</b>	(9,156)
Net increase in cash and cash equivalents	<b>15,263</b>	9,862
Cash and cash equivalents at the beginning of the period	<b>67,691</b>	53,164
Effect of foreign exchange rate changes	<b>426</b>	481
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>83,380</b>	63,507

# Notes to the Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

### Potential impact arising from the recently issued accounting standards

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) — INT 12	Service concession arrangements <sup>2</sup>
HK(IFRIC) — INT 13	Customer loyalty programmes <sup>3</sup>
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>2</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for accounting periods beginning on or after 1 January 2008.

<sup>3</sup> Effective for accounting periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these new and revised standards and interpretations will have no material impact on the results and financial positions of the Group.

# Notes to the Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION

### Business Segments

	Six months ended 30 September 2007		Six months ended 30 September 2006	
	Consolidated revenue HK\$'000 (unaudited)	Contribution to profit for the period HK\$'000 (unaudited)	Consolidated revenue HK\$'000 (unaudited)	Contribution to profit for the period HK\$'000 (unaudited)
Sales of furniture and fixtures	322,605	32,896	252,916	48,771
Interior building works	26,615	229	71,913	5,753
Total	349,220	33,125	324,829	54,524
Other income		1,416		1,730
Allowance for amount due from an associate		—		(6,000)
Share of result of an associate		996		(913)
Finance costs		(2,534)		(1,820)
Unallocated corporate expenses		(574)		(329)
Profit before taxation		32,429		47,192
Taxation		(7,523)		(10,009)
Profit for the period		24,906		37,183

## 4. FINANCE COSTS

	Six months ended 30 September	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	2,511	1,674
Finance leases	23	146
	2,534	1,820

# Notes to the Condensed Consolidated Financial Statements

## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	<b>187</b>	84
Depreciation	<b>13,112</b>	10,493
Allowance for slow moving inventories	<b>11</b>	1,668
Interest income	<b>(322)</b>	(302)
(Gain)/loss on disposal of property, plant and equipment	<b>(21)</b>	227

## 6. TAXATION

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Current tax:		
Hong Kong Profits Tax	<b>6,021</b>	6,259
Overseas taxation	<b>2,445</b>	4,250
	<b>8,466</b>	10,509
Deferred taxation	<b>(943)</b>	(500)
	<b>7,523</b>	10,009

Hong Kong Profits Tax is calculated at 17.5% (1/4/2006 to 30/9/2006: 17.5%) of the estimated assessable profit for the six months ended 30 September 2007.

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

Hong Kong Profits Tax and taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% and 30.5% (1.4.2006 to 30.9.2006: 17.5% and 30.5%) respectively.



# Notes to the Condensed Consolidated Financial Statements

## 7. DIVIDEND

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Final dividend paid — HK8 cents (2006: HK3.85 cents) per share	<b>16,000</b>	7,700

The directors have determined that an interim dividend of HK2.5 cents (2006: HK3.7 cents) per share should be paid to the shareholders of the Company whose name appear on the Register of Members on 10 January 2008.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

### Earnings

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purposes of basic and diluted earnings per share	<b>24,906</b>	37,183

### Number of shares

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>200,000</b>	200,000
Effect of dilutive potential ordinary shares assuming exercise of share options	<b>3,483</b>	511
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>203,483</b>	200,511

# Notes to the Condensed Consolidated Financial Statements

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$54,925,000 (1.4.2006 to 30.9.2006: HK\$29,299,000) on additions to property, plant and equipment.

In addition, the Group disposed of certain computer equipment and motor vehicles with an aggregate carrying amount of approximately HK\$20,000 (1.4.2006 to 30.9.2006: HK\$248,000), resulting in a gain on disposal of approximately HK\$21,000 (1.4.2006 to 30.9.2006: loss on disposal of approximately HK\$227,000).

## 10. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	<b>30.9.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2007 HK\$'000 (unaudited)
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	<b>139,059</b>	150,721
Less: Progress billings	<b>(131,252)</b>	(145,126)
	<b>7,807</b>	5,595
Analysed for reporting purposes as:		
Due from customers included in current assets	<b>11,785</b>	10,608
Due to customers included in current liabilities	<b>(3,978)</b>	(5,013)
	<b>7,807</b>	5,595

At 30 September 2007, there were retention monies held by customers for contract work performed of approximately HK\$3,456,000 (31.3.2007: HK\$4,061,000).

# Notes to the Condensed Consolidated Financial Statements

## 11. TRADE RECEIVABLES

The following is an aged analysis of trade receivables (net of allowances for bad and doubtful debts) at the reporting date:

	<b>30.9.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2007 HK\$'000 (unaudited)
0 – 30 days	<b>44,370</b>	58,999
31 – 90 days	<b>55,210</b>	26,327
> 90 days	<b>49,344</b>	27,282
	<b>148,924</b>	112,608

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.

## 12. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, non-interest bearing and is repayable on demand.

## 13. TRADE PAYABLES

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

	<b>30.9.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2007 HK\$'000 (unaudited)
0 – 30 days	<b>34,566</b>	32,217
31 – 90 days	<b>16,395</b>	9,446
> 90 days	<b>17,716</b>	6,907
	<b>68,677</b>	48,570

# Notes to the Condensed Consolidated Financial Statements

## 14. BANK LOANS

During the period, the Group obtained new bank loans amounting to approximately HK\$54,480,000. The loans carry interest at market rates of 5.9% to 7.8% and are repayable by installments over the periods ranged from 1 month to 7 years. The proceeds were used to finance the acquisition of property, plant and equipment.

## 15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised		
At 1 April 2007 and 30 September 2007	400,000,000	40,000
Issued and fully paid		
At 1 April 2007 and 30 September 2007	200,000,000	20,000

## 16. PLEDGE OF ASSETS

At 30 September 2007, buildings, plant and machinery, and motor vehicles of the Group with net book value of approximately HK\$19,827,000, HK\$12,400,000 and HK\$438,000 (31.3.2007: nil, HK\$11,199,000 and HK\$480,000) respectively were pledged with a bank to secure a loan granted to the Group.

## 17. CONTINGENT LIABILITIES

At 30 September 2007, there were contingent liabilities in respect of joint guarantee with a third party to secure the finance leases granted to an associate. At 30 September 2007, the obligations under finance leases in the books and records of the associate amounted to approximately HK\$367,000 (31.3.2007: HK\$901,000).

# Notes to the Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate as disclosed in note 12, during the period, the Group paid rentals of approximately HK\$1,054,000 (1.4.2006 to 30.9.2006: HK\$1,054,000) 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 period was as follows:

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	5,578	4,690
Post-employment benefits	163	179
	<b>5,741</b>	4,869

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

## 19. POST BALANCE SHEET EVENTS

On 11 October 2007, the Group acquired operating assets and properties from an independent third party for a consideration of approximately THB185,000,000 (equivalent to approximately HK\$43,326,000). The assets acquired mainly composed of property, plant and equipment and inventory amounting to HK\$37,471,000 and HK\$5,855,000 respectively.