達藝
DECCA

DECCA HOLDINGS LIMITED
達藝控股有限公司
STOCK CODE: 997

2008
Annual Report

Contents

Corporate Information & Financial Calendar

Corporate Information

Executive Directors	Mr. Tsang Chi Hung, *Chairman and Managing Director* Mr. Liu Hoo Kuen, *Vice Chairman* 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. Cheng Woon Kam Mr. Pak Wai Tun, Wallace
Company Secretary	Mr. Kwan Kam Ming
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	2/F, Decca Industrial Centre 21 Cheung Lee Street Chai Wan Hong Kong
Principal Bankers	Wing Hang Bank, Limited Standard Chartered Bank (Hong Kong) Limited DBS Bank (Hong Kong) Limited
Principal Share Registrar and Transfer Office	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants*
Legal Advisers	Dibb Lupton Alsop, Solicitors Guangzhou Guang Xin Lawyers

Financial Calendar

Interim Results	Announced on Monday, 10 December 2007
Interim Dividend	HK2.5 cents per share — paid on Tuesday, 15 January 2008
Final Results	Announced on Monday, 14 July 2008
Annual Report	Sent to Shareholders on Friday, 25 July 2008
Register of Members	To be closed from Tuesday, 26 August 2008 to Friday, 29 August 2008, both days inclusive
Annual General Meeting ("AGM")	To be held on Friday, 29 August 2008
Final Dividend (proposed)	HK7.2 cents per share payable on Thursday, 11 September 2008 subject to the approval of shareholders of the Company in AGM.

Results

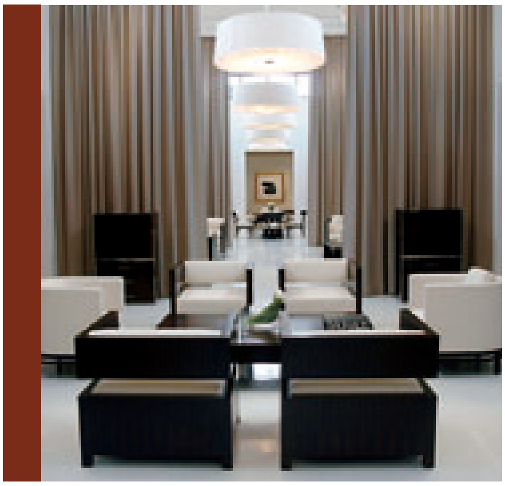
The year under review was a very challenging one for the Group. Although turnover rose to a record level of HK$813.7 million, a 27.8% increase over the previous years' HK$636.8 million, net profit declined 18.2% from HK$78.3 million to HK$64.1 million. The gross margin declined from 41.1% to 36.6%. The decline in profitability was mainly owing to an increase in labour cost in Mainland China, the appreciation of China Renminbi, an increase in transportation cost and the acquisition of assets in U.S.A. and Thailand.

There was also a significant increase of 35% in the Group's selling and distribution costs and administrative expenses. The total for this year was HK$210.5 million (25.9% of turnover) compared to last year's HK$155.9 million (24.5% of turnover). As the Hong Kong economy grew stronger in 2007, it became increasingly difficult to recruit and retain middle management staff. This led to a substantial increase in salaries & wages for the Group which accounted for a large portion of the increase.

Business Review

All business and geographic sectors grew over the past year. Significant growth occurred in the Hong Kong & Mainland China market for hospitality furniture. During the year under review, the Group completed furniture supply contracts for Hilton Anatole Hotel, Dallas, Grand Hyatt Hotel, Guangzhou, Ritz Carlton Hotel, Dublin. Architectural woodwork was supplied to MGM Grand at Foxwoods and Shakespeare Theatre in Washington DC. Shop fixtures were supplied to various Louis Vuitton stores in Japan, Mainland China and Hong Kong.

Projects currently in progress include interior fitting-out project for a Hermes store in Hong Kong, furniture supply contracts for Park Hyatt Hotel, Beijing, Hilton Waikoloa Kingsland in Hawaii, Renaissance Beijing Fuli and several shop fixtures projects for Louis Vuitton in Mainland China and Macau.



The Domicile Series of the Group's Bolier & Co. furniture line
本集團之Bolier & Co. 傢私產品中之Domicile系列

The hospitality sector continued to be the Group's largest market contributing 60% of the Group's turnover. Residential sales, office/contract sales and architectural woodwork/retail fixture sales all accounted for about 12% or more each of the Group's turnover.

The Group's purchase of a manufacturing facility in Thailand, Decca MFG (Thailand) Ltd. has solved the Group's problems related to the anti-dumping duties on bedroom furniture orders for the U.S.A. Over the last six months, new production machinery has been ordered. Woodworking machinery is currently being commissioned. A new finishing line will be commissioned by the end of July. Cross-training of key Thai production people will begin in August with approximately 15 Thai workers being trained at Decca's facility in Dongguan. The result will not only be the elimination of duties, but also the development of an alternate manufacturing site for the Group to take advantage of the new competitiveness of Thai labour.

Prospects

The Rottet Collection of the Group's Decca Contract furniture line
本集團之Decca Contract傢私產品中之Rottet系列

The Group enters the coming year better than the industry in general. The orders on hand as of 31 March 2008 were approximately HK$336 million, the highest level the Group has ever achieved. We expect a surge in orders from Europe where the Group has three office/showrooms and the current exchange rate with the Euro makes the Group's pricing very attractive. We also expect office/contract business to continue to grow at a rate better than the average as more architects & designers become aware of Decca's flexibility and quality level.

The Group's management is also determined to improve the results over the coming year. The Group's goals are to achieve a net profit margin around 10% and a return on shareholder's funds around 20%. This will be achieved by placing greater emphasis on cost control, increasing productivity and reducing defect/rework costs. In addition, with the Group's factories operating at near capacity levels, the Group will also continue to analyze all of its business and carefully screen contracts that do not meet the Group's long term profit goals.

Appreciation

The Board would like to extend its gratitude to all the Group's customers for their continued support. It would like to extend its appreciation to its bankers and financial advisors for maintaining their belief in the Group over the past years. And, the Board would like to thank all of the employees of the Group around the world for the contributions they have made and their tireless effort. Without this effort, the results we are announcing would not have been possible.

By Order of the Board

Tsang Chi Hung
Chairman

Hong Kong, 14 July 2008

Financial Summary

For the financial year (in HK$'000)	2008	2007	2006	2005	2004
Revenue	**813,726**	636,848	484,674	357,386	268,232
Gross profit	**297,591**	261,935	185,049	133,161	80,872
Profit (loss) before taxation	**82,909**	96,405	46,739	18,379	5,087
Taxation (charge) credit	**(18,801)**	(18,074)	(7,941)	(3,603)	(2,728)
Profit (loss) before minority interest	**64,388**	78,331	38,798	14,776	2,359
Minority interest	**(280)**	—	—	—	4
Net profit (loss) for the year	**64,108**	78,331	38,798	14,776	2,363
Dividends paid	**21,000**	15,100	6,800	1,600	—
Basic earnings (loss) per share (HK$)	**0.32**	0.39	0.19	0.07	0.01

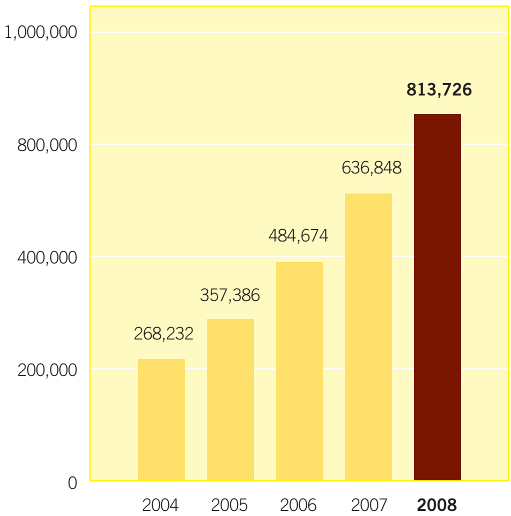
At (in HK$'000)	31 March 2008	31 March 2007	31 March 2006	31 March 2005 (restated)	31 March 2004 (restated)
Non-current Assets	**324,843**	162,355	129,318	100,025	100,926
Current Assets	**467,338**	327,076	270,487	218,590	159,451
Bank Balances and Cash	**64,514**	68,338	55,092	28,524	31,835
Current Liabilities	**382,440**	165,958	139,840	115,577	73,566
Net Current Assets	**84,898**	161,118	130,647	103,013	85,885
Non-current Liabilities	**47,175**	26,950	33,897	9,721	6,670
Net Assets	**362,566**	296,523	226,068	193,317	180,141

Note: Certain figures set out above are restated due to the adoption of a number of new and revised accounting policies.

Financial Summary

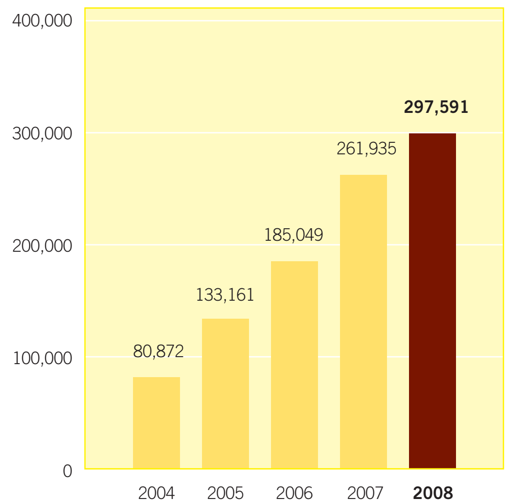
Revenue

HK$'000



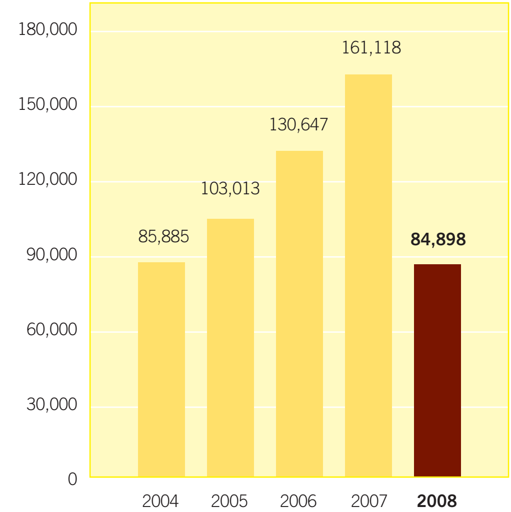
Gross Profit

HK$'000



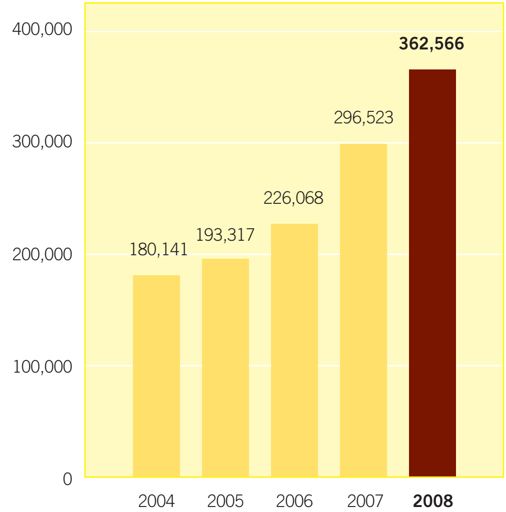
Net Current Assets

HK$'000



Net Assets

HK$'000



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 year under review was a very challenging one for the Group. Although turnover rose to a record level of HK$813.7 million, a 27.8% increase over the previous years' HK$636.8 million, net profit declined 18.2% from HK$78.3 million to HK$64.1 million. The gross margin declined from 41.1% to 36.6%. There were several reasons for this decline in profitability:—

1. There was an increase in the Mainland China Government's minimum wage rate. Although many Decca employees are paid higher than the minimum, this benchmark required the Group to give general increases to all workers.

2. The China Renminbi appreciated more than 10% over the year. Since most of the Group's business is denominated in U.S. Dollars, the appreciation of the currency represented an additional increase in all factory costs except for imported raw materials.

3. Higher transportation costs increased the cost of all imported raw materials. Efforts were made to pass on these costs to our customers. However, not all costs could be covered.

4. The acquisition and consolidation of Decca Classic Upholstery, LLC and Decca MFG (Thailand) Ltd. contributed to the overall reduction in the Group's gross margin. Both companies should make a positive contribution during the current fiscal year.

There was also a significant increase of 35% in the Group's selling and distribution costs and administrative expenses. The total for this year was HK$210.5 million (25.9% of turnover) compared to last year's HK$155.9 million (24.5% of turnover). As the Hong Kong economy grew stronger in 2007, it became increasingly difficult to recruit and retain middle management staff. This led to a substantial increase in salaries & wages for the Group which accounted for a large portion of the increase.

All business and geographic sectors grew over the past year. Significant growth occurred in the Hong Kong & Mainland China market for hospitality furniture. During the year under review, the Group completed furniture supply contracts for Hilton Anatole Hotel, Dallas, Grand Hyatt Hotel, Guangzhou, Ritz Carlton Hotel, Dublin. Architectural woodwork was supplied to MGM Grand at Foxwoods and Shakespeare Theatre in Washington DC. Shop fixtures were supplied to various Louis Vuitton stores in Japan, Mainland China and Hong Kong.

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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 2008, the total bank borrowings amounting to HK$143.6 million (2007: HK$52.4 million), out of which HK$96.9 million (2007: HK$28.0 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$362.6 million (2007: HK$296.5 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$6.7 million (2007: HK$3.8 million) representing 0.8% (2007: 0.6%) of the Group's revenue. Net current assets stood at HK$84.9 million (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.

Contingent Liabilities

At 31 March 2007, the Group has contingent liabilities in respect of a jointly guarantee with the major shareholder of an associate to secure the finance leases granted to an associate. The obligation under finance leases in the books and records of the associate amounted to approximately HK$0.9 million. The finance leases of the associate have been fully repaid during the year ended 31 March 2008.

Gearing Ratio and Foreign Exchange Exposure

As at 31 March 2008, the gearing ratio (total borrowings divided by net assets) was 0.40 (2007: 0.18). 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 2008, the Group employed 150, 3213, 3, 47 and 204 staff in Hong Kong, Mainland China, Singapore, United States of America ("U.S.") and Thailand respectively (2007: 134, 2314, 3, 27 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.

Corporate Governance

Saved for disclosed in the Corporate Governance Report, the Company has complied throughout the year ended 31 March 2008 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 2008 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 2008

	HK$'000
Non-current assets	**10,928**
Current assets	**31,326**
Current liabilities	**(29,537)**
Non-current liabilities	**(280)**
Net assets	**12,437**
Issued capital	**10,000**
Translation reserve	**3,580**
Accumulated losses	**(1,143)**
	12,437

As at 31 March 2008, the attributable interest of the Group in Vielie amounted to loss of HK$572,000 approximately.

Closure of Register of Members

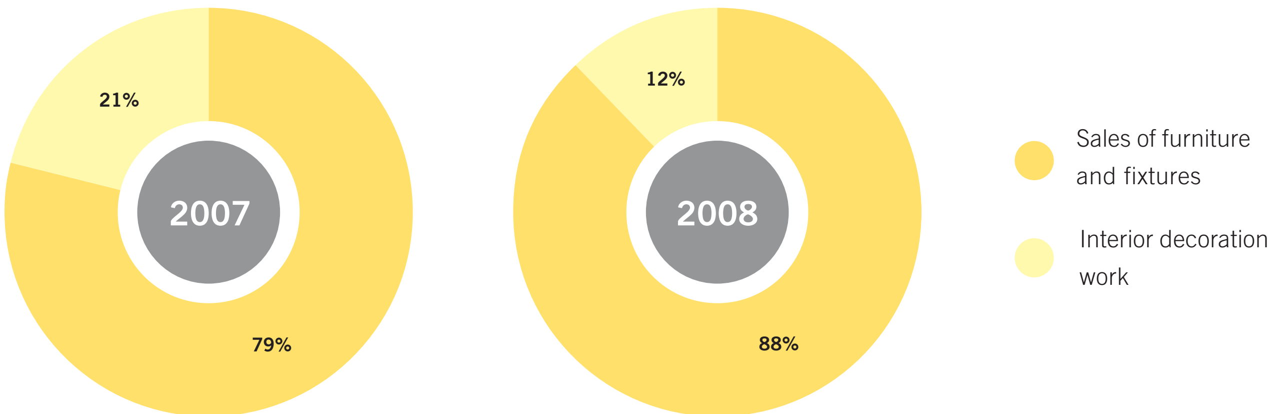
The Register of Members of the Company will be closed from Tuesday, 26 August 2008 to Friday, 29 August 2008, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Standard Limited on 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 25 August 2008.

Prospects

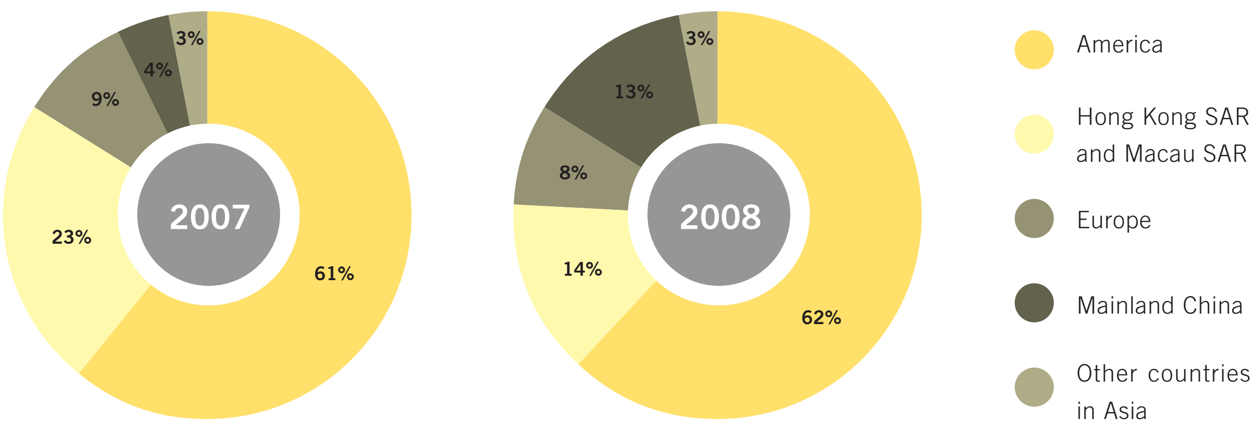
The Group enters the coming year better than the industry in general. The orders on hand as of 31 March 2008 were approximately HK$336 million, the highest level the Group has ever achieved. We expect a surge in orders from Europe where the Group has three office/showrooms and the current exchange rate with the Euro makes the Group's pricing very attractive. We also expect office/contract business to continue to grow at a rate better than the average as more architects & designers become aware of Decca's flexibility and quality level.

The Group's management is also determined to improve the results over the coming year. The Group's goals are to achieve a net profit margin around 10% and a return on shareholder's funds around 20%. This will be achieved by placing greater emphasis on cost control, increasing productivity and reducing defect/rework costs. In addition, with the Group's factories operating at near capacity levels, the Group will also continue to analyze all of its business and carefully screen contracts that do not meet the Group's long term profit goals.

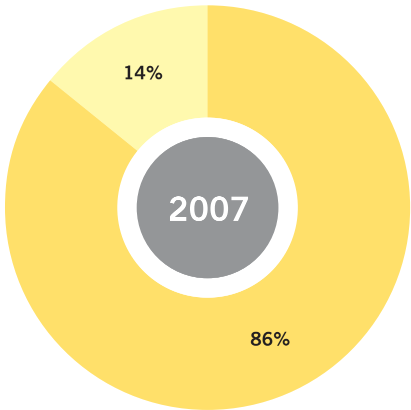
Turnover by Business Segments

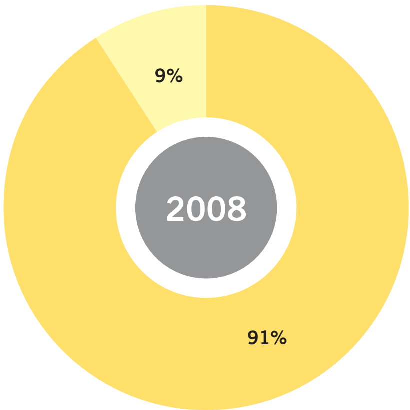


Turnover by Geographical Segments



Segment Assets by Business Segments

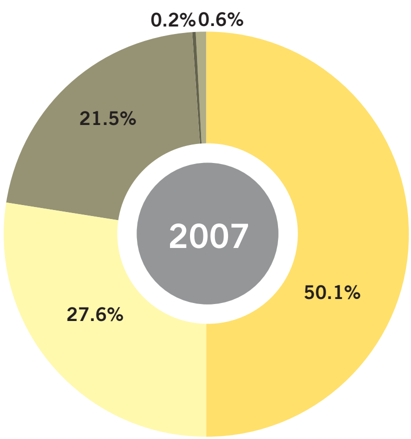


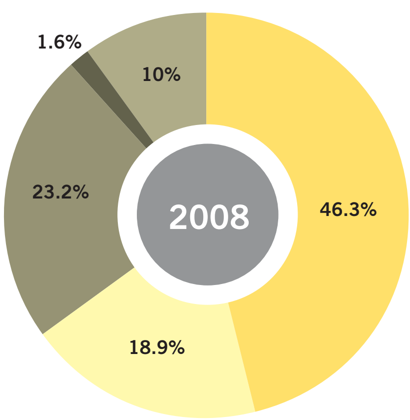


Sales of furniture and fixtures

Interior decoration work

Carrying Amount of Segment Assets by Geographical Segments





Mainland China

Hong Kong SAR and Macau SAR

America

Europe

Other countries in Asia

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (CG Code) contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (Listing Rules) for the year ended 31 March 2008, save for the code provisions on the following:

1) **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.

Board Meetings

The Board meets regularly four times a year, ie. at approximately quarterly intervals. During the year ended 31 March 2008, the Board convened a total of four times and the attendance of the Directors are as follows:

Name	Number of meetings held while being a director	Number of meetings attended
Chairman and Managing Director		
Mr Tsang Chi Hung	4	4
Executive Directors		
Mr Liu Hoo Kuen	4	4
Mr Richard Warren Herbst	4	4
Ms Kwan Yau Choi	4	4
Ms Fung Sau Mui	4	4
Mr Tai Wing Wah	4	4
Mr Wong Kam Hong	4	4
Independent Non-executive Directors		
Mr Chu Kwok Man	4	3
Mr Cheng Woon Kam	4	4
Mr. Pak Wai Tun, Wallace	4	4

Board of Directors

The Company is led and controlled through the Board of Directors, which is constituted by 7 Executive Directors, including the Chairman of the Board, and 3 Independent Non-executive Directors. The 3 Independent Non-executive Directors have all confirmed in writing to the Company that they meet all the guidelines for assessing independence set out in rule 3.13 of the Listing Rules.

The Board oversees the overall management and operations of the Company. Major responsibilities include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving budgets and overseeing the performance of management.

All the independent non-executive directors have service contracts with the Company for a specified period of two years subject to retirement and rotation at the Annual General Meeting of the Company in accordance with the Company's Bye laws.

The Board has adopted the Model Code set out in Appendix 10 of the Listing Rules and the Directors have fully complied with it.

The emolument payable to Directors is determined by the Board with reference to the Directors' duties and responsibilities.

Committees of the Board

The Board has established the following two committees: the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee consists of 3 independent non-executive directors. During the year ended 31 March 2008, the Committee convened two meetings and the attendance of members are as follows:

Name	Number of meetings while being a member	Number of meetings attended
Mr Cheng Woon Kam *(Chairman)*	2	2
Mr Chu Kwok Man	2	1
Mr. Pak Wai Tun, Wallace	2	2

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control. It also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards.

Report of Audit Committee

For the year ended 31 March 2008, the Audit Committee convened two times. It has reviewed the interim and annual reports of the Company.

Auditors' Remuneration

During the year ended 31 March 2008, the audit and non-audit fees payable/paid to external auditors was made up of an audit fee of approximately HK$1,543,000 and a non-audit related service fee of approximately HK$554,000. The latter included taxation service and professional service.

Remuneration Committee

The Remuneration Committee consists of 2 executive directors and 3 independent non-executive directors. During the year ended 31 March 2008, the Committee convened one meeting and the attendance of members are as follows:

Name	Number of meeting while being a member	Number of meeting attended
Mr Liu Hoo Kuen *(Chairman)*	1	1
Mr Tsang Chi Hung	1	1
Mr Chu Kwok Man	1	1
Mr Cheng Woon Kam	1	1
Mr Pak Wai Tun, Wallace	1	1

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management.

The remuneration of Directors is determined by the Board based on the advice of the Remuneration Committee with reference to their responsibilities with the Company.

Nomination of Directors

There is no Nomination Committee. The Board will regularly review its structure, size and composition and to select suitable Board member when necessary.

The selection of individual to become directors is based on assessment of their professional qualifications and experience.

Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has conducted a review of the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures and has delegated to the management the implementation of such systems of internal controls. The management throughout the Group maintains and monitors the internal control system on an ongoing basis.

Directors' Responsibility on the Accounts

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 March 2008, which were prepared in accordance with statutory requirements and applicable accounting standards.

Directors and Senior Management

Executive Directors

Mr. Tsang Chi Hung

Mr. Tsang Chi Hung, aged 68, is one of the founders of the Group and the chairman and managing director of the Company. He is primarily responsible for corporate policy formulation, strategic planning, business development and overall management of the Group. He has over 34 years' experience in the marketing and manufacture of furniture and considerable expertise in the application of automation in woodworking, product development and the interior fitting out and woodworking industries. He was named an Honorary Citizen of Dongguan City, Guangdong in 2001. Mr. Tsang is the husband of Ms. Kwan Yau Choi, another executive director of the Company.

Mr. Liu Hoo Kuen

Mr. Liu Hoo Kuen, aged 56, is one of the founders of the Group and vice chairman and deputy managing director of the Company. He is primarily responsible for overseeing all technical related aspects of fit-out projects, furniture manufacturing and product development. Mr. Liu has over 34 years' experience in product design, project management and quality assurance.

Mr. Richard Warren Herbst

Mr. Richard Warren Herbst, aged 59, joined the Group in 1994 and is an executive director and a deputy managing director of the Company. He is primarily responsible for overseeing sales and marketing of the international operations and new product sourcing and development. Mr. Herbst holds a bachelor's of science degree from Georgia Institute of Technology in the United States. He has over 22 years' experience in furniture manufacturing and sales, and 12 years' experience in corporate banking in Hong Kong, London and the United States.

Ms. Kwan Yau Choi

Ms. Kwan Yau Choi, aged 62, joined the Group in 1973 and is an executive director of the Company and director of domestic marketing operations. She is primarily responsible for overseeing the operation of the design and build division, public relations and quality assurance. Ms. Kwan has over 34 years' experience in sales and marketing of furniture and fit-out project management. She is the wife of Mr. Tsang Chi Hung.

Ms. Fung Sau Mui

Ms. Fung Sau Mui, aged 53, joined the Group in 1976 and is an executive director of the Company, director of finance and administration as well as chief financial officer. She is primarily responsible for overseeing the finance and administration function of the Group. Ms. Fung has over 30 years' experience in financial management, accounting, costing, material sourcing and purchasing, and personnel management.

Mr. Tai Wing Wah

Mr. Tai Wing Wah, aged 49, joined the Group in 1989 and is an executive director of the Company and director of China operations. He is primarily responsible for overseeing the China operations including factory management, government relationship and local sales. Mr. Tai holds a diploma in business management from The Hong Kong Polytechnic University and a diploma in interior design from Lee Wai Lee Technical Institute in Hong Kong. He is one of the executives involved in the planning and establishment of the Group's operations in China.

Mr. Wong Kam Hong

Mr. Wong Kam Hong, aged 50, joined the Group in 1993 and is an executive director of the Company. He is primarily responsible for institutional furniture sales. Mr. Wong holds a higher diploma in mechanical engineering from The Hong Kong Polytechnic University and an ordinary diploma in mechanical engineering from Kwun Tong Technical Institute in Hong Kong. He has over 23 years' experience in institutional furniture sales and contract management.

Independent Non-executive Directors

Mr. Chu Kwok Man

Mr. Chu Kwok Man, aged 52, is a solicitor practising in the Hong Kong SAR. Mr. Chu holds a bachelor degree in laws from the University of London and a master degree from the City University of Hong Kong. Mr. Chu became an independent non-executive director of the Company in 2000 and a member of the Audit Committee and Remuneration Committee.

Mr. Cheng Woon Kam

Mr. Cheng Woon Kam, aged 55, became an independent non-executive director of the Company in 2004 and a member of the Audit Committee and Remuneration Committee. Mr. Cheng has over 31 years of experience in accounting and finance. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheng is currently a Certified Public Accountant ("CPA") in Hong Kong and practices as CPA in his own name.

Mr. Pak Wai Tun, Wallace

Mr. Pak Wai Tun, Wallace, aged 65, is an independent non-executive director and a member of the audit committee and the remuneration committee of the Company. He has 20 years of working experience in the computer field in systems development and information technology operations. Mr. Pak also has 10 years of working experience in marketing and sales of plastics and chemicals in Great China Region of Dow Chemical Company. He is currently doing consulting work for PMMS Consultants in training and organization.

Senior Management

Mr. Kwan Kam Ming

Mr. Kwan Kam Ming, aged 53, joined the Group in 1993 and is a senior accounting manager and company secretary of the Company. He is primarily responsible for overseeing the Group's accounting and company secretarial matters. Mr. Kwan has over 20 years' experience in accounting, financial management and company secretarial matters. He holds a bachelor degree in social sciences from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tam Shu Pui

Mr. Tam Shu Pui, aged 71, joined the Group in 1977, is a senior technical manager of the Group. He is primarily responsible for technical related aspects of production and fit-out projects. He has over 54 years' experience in wooden furniture production, fit-out project works and technical training.

Mr. Chiu Chi Ming

Mr. Chiu Chi Ming, aged 45, joined the Group in 1998 and is a senior manager in information technology of the Group. He is primarily responsible for overseeing the information technology operations of the Group including system design and analysis, programming and system management. Mr. Chiu holds a bachelor degree in computer science from the University of Saskatchewan, Canada and has over 15 years' experience in system management, analysis and programming.

Report of the Directors

The directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2008.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries and an associate are set out in notes 36 and 19 to the consolidated financial statements respectively.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 8 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 28.

An interim dividend of HK2.5 cents per share was paid to shareholders during the year. The directors recommend the payment of a final dividend of HK7.2 cents per share to the shareholders on the register of members on 29 August 2008, amounting to HK$14,400,000, and the retention of the remaining profit for the year.

Major Customers and Suppliers

Sales and purchases attributable to the Group's five largest customers and suppliers accounted for less than 30% of the total sales and purchases for the year.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Share Capital

Details of movements during the year in the Company's share capital are set out in note 29 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 March 2008 were as follows:

	HK$'000
Contributed surplus	145,867
Surplus	427
	146,294

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors

The directors of the Company during the financial year 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. Cheng Woon Kam
Mr. Pak Wai Tun, Wallace (appointed on 1 September 2007)
Mr. Lok Wai Kiang, Paul (resigned on 31 August 2007)

In accordance with Bye-Law 87, Mr. Tai Wing Wah, Mr. Wong Kam Hong and Mr. Cheng Woon Kam retire from the board by rotation and, being eligible, offer themselves for re-election. In accordance with Bye-Law 86(2), Mr. Pak Wai Tun, Wallace shall retire from the board and, being eligible, offer himself for re-election.

Directors' Service Contracts

Each of the executive directors, Mr. Tsang Chi Hung, Mr. Liu Hoo Kuen, Ms. Kwan Yau Choi, Ms. Fung Sau Mui, Mr. Tai Wing Wah, has entered into a service contract with the Company for an initial term of 3 years commencing from 1 February 2000. No new service contracts were signed upon expiration on 31 January 2003 and each service contract will continue thereafter unless terminated by either party thereto giving to the other at least three months' notice in writing. Two executive directors, Mr. Richard Warren Herbst, and Mr. Wong Kam Hong have entered into service contracts with the Company for a term of 3 years commencing on 1 April 2005 and 1 April 2006 respectively.

For the three independent non-executive directors, Mr. Chu Kwok Man, Mr. Cheng Woon Kam and Mr. Pak Wai Tun, Wallace have entered into service contracts with the Company for a term of 2 years commencing on 1 February 2006, 1 September 2006 and 1 September 2007 respectively.

No director being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests In Shares And Underlying Shares

As at 31 March 2008, 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:

Long position

(a) Interests in the Company's shares

	Number of shares of HK$0.10 each				Percentage of the issued share capital of the Company
Name of director	Personal interests	Family interests	Corporate interests	Total	
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%

Directors' Interests in Shares and Underlying Shares (continued)

Long position (continued)

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

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, 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.

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

Name of director	Exercise price per share option HK$	Number of options held	Number of underlying shares
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

Note: All the options expired on 31 August 2007.

Directors' Interests in Shares and Underlying Shares (continued)

Long position (continued)

(c) Personal interests in shares of Decca (Mgt) Limited ("DML"), a subsidiary of the Company

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

Notes:

1. As at 31 March 2008, 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 HK$1 trillion thereof of 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 HK$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 non-voting 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 31 March 2008 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.

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

Arrangement to Purchase Shares or Debentures

Save for disclosed above in "directors' interests in shares and underlying shares", at no time during the year 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.

Substantial Shareholders

As at 31 March 2008, 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
Peasedow Enterprises Limited	Beneficial owner	112,511,670	56.26%
The Anglo Chinese Investment Company, Limited	Beneficial owner	11,492,000	5.75%

Other than as disclosed above and those holding more than 5% interest in the Company as set out on page 20, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2008.

Connected Transactions

The Group entered into tenancy agreements (the "Agreements") with Golden Life Investment Limited ("Golden Life") on 30 November 2005. The transactions pursuant to the Agreements constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as Mr. Tsang Chi Hung, Mr. Liu Hoo Kuen and Ms. Kwan Yau Choi, directors of the Company, are also directors and shareholders of Golden Life.

Connected Transactions (continued)

Pursuant to the Agreements dated 30 November 2005, the Company leases (1) workshop nos. 1-8, 15-21 on the 2nd floor, together with the rear portion of the flat roof on the 3rd floor and 7 car parking spaces on the ground floor of Decca Industrial Centre, 12 Kut Shing Street, Chai Wan, Hong Kong with an aggregate gross floor area of about 15,958 square feet (excluding the car park and flat roof areas) as its head office, showroom and warehouse at a monthly rental of HK$155,704 and building management fee of HK$21,032; and (2) remaining portion of lot nos. 511 and 512 in Demarcation District No. 109, Kam Tin, Yuen Long, New Territories with an aggregate site area of about 24,237 square feet for warehousing at a monthly rental of HK$20,000 for a period of 3 years from 1 December 2005 to 30 November 2008.

During the year, the Group paid rental and building management fees of approximately HK$2,361,000 to Golden Life pursuant to the Agreements.

The independent non-executive directors have reviewed the transactions pursuant to the Agreements and confirm that these transactions have been entered into:

(i) by the Group in the usual and ordinary course of business;

(ii) on normal commercial terms or on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned; and

(iii) in accordance with the terms of the Agreements.

Directors' Interests in Contracts of Significance

Save for disclosed above in "connected transactions", no contracts 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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Purchase, Sale or Redemption of the Company's Shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Corporate Governance

Save for disclosed in the Corporate Governance Report, the Company has complied throughout the year ended 31 March 2008 with the Code on 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.

Emoluments Policy

The emoluments policy of senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in "share option scheme" disclosed above.

Independent Non-executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Donations

During the year, the Group made donations amounting to approximately HK$261,000.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 March 2008.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Tsang Chi Hung
CHAIRMAN

Hong Kong, 14 July 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF DECCA HOLDINGS LIMITED
達藝控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Decca Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 76, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Auditor's responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

14 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	**813,726**	636,848
Cost of sales		**(516,135)**	(374,913)
Gross profit		**297,591**	261,935
Other income	9	**4,479**	1,286
Selling and distribution costs		**(62,854)**	(40,886)
Administrative expenses		**(147,694)**	(115,061)
Allowance/write back of bad and doubtful debts, net		**(2,645)**	(1,724)
Allowance for amount due from an associate		**—**	(6,000)
Share of result of an associate		**723**	675
Finance costs	10	**(6,691)**	(3,820)
Profit before taxation		**82,909**	96,405
Income tax expense	13	**(18,801)**	(18,074)
Profit for the year	14	**64,108**	78,331
Attributable to:			
Equity holders of the Company		**64,388**	78,331
Minority interests		**(280)**	—
		64,108	78,331
Dividends paid	15	**21,000**	15,100
Earnings per share	16		
Basic		**HK32.19 cents**	HK39.17 cents
Diluted		**HK31.97 cents**	HK38.85 cents

Consolidated Balance Sheet

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**301,955**	155,178
Prepaid lease payments	18	**7,559**	2,725
Investment in an associate	19	**6,219**	4,452
Amount due from an associate	22	**5,000**	—
Deposits paid for acquisition of property, plant and equipment		**4,110**	—
		324,843	162,355
Current assets			
Inventories	20	**156,110**	108,750
Accrued revenue		**21,799**	10,608
Trade receivables	21	**185,994**	112,608
Other deposits and prepayments		**34,306**	19,317
Amount due from an associate	22	**375**	5,468
Prepaid lease payments	18	**387**	245
Tax recoverable		**3,853**	1,742
Bank balances and cash	22	**64,514**	68,338
		467,338	327,076
Current liabilities			
Deferred revenue		**6,273**	5,013
Trade payables	23	**101,451**	48,570
Receipts in advance	24	**116,415**	31,914
Other payables and accruals		**36,470**	27,579
Provision for warranty	25	**12,022**	8,617
Obligations under finance leases — due within one year	26	**742**	1,882
Taxation		**12,190**	14,351
Borrowings	27	**81,738**	27,385
Bank overdraft		**15,139**	647
		382,440	165,958
Net current assets		**84,898**	161,118
Total assets less current liabilities		**409,741**	323,473

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Obligations under finance leases — due after one year	26	**394**	466
Borrowings	27	**46,677**	24,380
Deferred taxation	28	**104**	2,104
		47,175	26,950
		362,566	296,523
Capital and reserves			
Share capital	29	**20,000**	20,000
Reserves		**339,846**	276,523
Equity attributable to equity holders of the Company		**359,846**	296,523
Minority interests		**2,720**	—
		362,566	296,523

The consolidated financial statements on pages 28 to 76 were approved and authorised for issue by the Board of Directors on 14 July 2008 and are signed on its behalf by:

Tsang Chi Hung
CHAIRMAN

Liu Hoo Kuen
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006	20,000	47,640	18,865	8,662	902	129,999	226,068	—	226,068
Exchange difference arising on translation of foreign operation and to presentation currency	—	—	—	—	6,581	—	6,581	—	6,581
Share of changes in equity of associates	—	—	—	—	643	—	643	—	643
Net income recognised directly in equity	—	—	—	—	7,224	—	7,224	—	7,224
Profit for the year	—	—	—	—	—	78,331	78,331	—	78,331
Total recognised income for the year	—	—	—	—	7,224	78,331	85,555	—	85,555
Final dividend paid	—	—	—	—	—	(7,700)	(7,700)	—	(7,700)
Interim dividend paid	—	—	—	—	—	(7,400)	(7,400)	—	(7,400)
At 31 March 2007	20,000	47,640	18,865	8,662	8,126	193,230	296,523	—	296,523
Exchange difference arising on translation of foreign operation and to presentation currency	—	—	—	—	18,891	—	18,891	—	18,891
Share of changes in equity of associates	—	—	—	—	1,044	—	1,044	—	1,044
Net income recognised directly in equity	—	—	—	—	19,935	—	19,935	—	19,935
Profit for the year	—	—	—	—	—	64,388	64,388	(280)	64,108
Total recognised income for the year	—	—	—	—	19,935	64,388	84,323	(280)	84,043
Capital contribution from minority shareholders	—	—	—	—	—	—	—	3,000	3,000
Final dividend paid	—	—	—	—	—	(16,000)	(16,000)	—	(16,000)
Interim dividend paid	—	—	—	—	—	(5,000)	(5,000)	—	(5,000)
At 31 March 2008	20,000	47,640	18,865	8,662	28,061	236,618	359,846	2,720	362,566

The contributed surplus represents the difference between the nominal value of the shares of the subsidiaries and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation.

Capital reserve represents the statutory reserve required by The People's Republic of China (the "PRC") government for the Company's PRC subsidiaries.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**82,909**	96,405
Adjustments for:		
Interest income	**(535)**	(712)
Interest expense	**6,691**	3,820
Depreciation	**30,982**	23,537
Amortisation of prepaid lease payments	**386**	245
Share of result of an associate	**(723)**	(675)
Expected loss on construction contracts	**—**	705
Allowance/write back of bad and doubtful debts, net	**2,645**	1,724
Allowance for slow moving inventories	**1,089**	3,419
Allowance for amount due from an associate	**—**	6,000
(Gain) loss on disposals of property, plant and equipment	**(386)**	229
Provision for warranty recognised	**13,491**	7,470
Operating cash flows before movements in working capital	**136,549**	142,167
Increase in inventories	**(45,213)**	(22,853)
Increase in accrued revenue	**(11,191)**	(2,083)
Increase in trade receivables	**(74,612)**	(14,405)
Increase in other deposits and prepayments	**(13,830)**	(11,105)
Increase (decrease) in deferred revenue	**1,260**	(11,498)
Increase in trade payables	**50,759**	14,520
Increase in receipts in advance	**83,520**	1,254
Increase in other payables and accruals	**7,813**	10,612
Utilisation of provision for warranty	**(10,086)**	(6,771)
Net cash from operations	**124,969**	99,838
Hong Kong Profits Tax paid	**(15,930)**	(8,931)
Overseas Profits Tax paid	**(9,547)**	(4,575)
NET CASH FROM OPERATING ACTIVITIES	**99,492**	86,332
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(166,894)**	(53,133)
Increase in prepaid lease payments	**(5,263)**	(560)
Deposits paid for acquisition of property, plant and equipment	**(4,110)**	—
Interest received	**535**	712
Proceeds from disposals of property, plant and equipment	**487**	27
Decrease (increase) in amount due from an associate	**93**	(3,422)
NET CASH USED IN INVESTING ACTIVITIES	**(175,152)**	(56,376)

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(23,080)**	—
Dividends paid	**(21,000)**	(15,100)
Interest on borrowings	**(6,654)**	(3,577)
Repayment of finance leases	**(1,963)**	(2,619)
Interest on obligations under finance leases	**(37)**	(243)
Increase in borrowings	**99,730**	1,670
Contribution by minority shareholders	**3,000**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**49,996**	(19,869)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(25,664)**	10,087
CASH AND CASH EQUIVALENTS AT 1 APRIL	**67,691**	53,164
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**7,348**	4,440
CASH AND CASH EQUIVALENTS AT 31 MARCH	**49,375**	67,691
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**64,514**	68,338
Bank overdrafts	**(15,139)**	(647)
	49,375	67,691

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 immediate and 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 functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the Company operates. The presentation currency of the consolidated financial statements is Hong Kong dollars ("HK$"). For the convenience of the financial statement users, the results and financial position of the Group are presented in Hong Kong dollars as the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) — INT 8	Scope of HKFRS 2
HK(IFRIC) — INT 9	Reassessment of embedded derivatives
HK(IFRIC) — INT 10	Interim financial reporting and impairment
HK(IFRIC) — INT 11	HKFRS 2 — Group and treasury share transactions

The adoption of these New HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) — INT 12	Service concession arrangements [3]
HK(IFRIC) — INT 13	Customer loyalty programmes [4]
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

[1] Effective for accounting periods beginning on or after 1 January 2009.
[2] Effective for accounting periods beginning on or after 1 July 2009.
[3] Effective for accounting periods beginning on or after 1 January 2008.
[4] Effective for accounting periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards 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 entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

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.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated 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 net assets 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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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.

Revenue recognition

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

Revenue from interior decoration services is recognised on the percentage of completion method unless the contracts involved sale of furniture in which case revenue is recognised when the goods are sold. Revenue is measured by reference to the value of work certified during the year. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

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

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.

Decoration contracts

When the revenue recognised exceeds progress billing based on milestones as set out in the services agreement, the costs incurred but not yet billed, plus recognised profit, is recognised and shown as accrued revenue in the balance sheet. For contracts where progress billings exceed revenue recognised, the amount is shown as deferred revenue.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in production or supply of goods and services, or for administration purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated 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.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant Accounting Policies (continued)

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of cost of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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.

Borrowing cost

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

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.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

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 Group'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 operations are translated into the presentation currency of the Group (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

Income tax expense 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 consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income and expenses 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 recognised on differences between the carrying amount of assets and liabilities in the consolidated 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 as the parent or a venturer is able to control the reversal of the temporary difference and it is probable that the temporary differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax asset 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

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 profit and loss, 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.

Receipts in advance

Receipts in advance are amounts received from customers prior to delivery of goods and will be recognised as revenue upon delivery of goods.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

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.

Financial assets

The Group's financial assets are mainly loans and receivables. The accounting policies adopted are set out below.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

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 receivables, amount due from an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

For all loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of loans and receivables (continued)

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.

The carrying amount is reduced by the impairment loss directly with the exception of trade receivables and amount due from an associate, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables and amount due from an associate are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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 Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals, obligations under finance leases, bank overdraft and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3. Significant Accounting Policies (continued)

Share-based payment transactions

Share options granted to employees on or before 7 November 2002

The financial impact of share options granted before 7 November 2002 is not recorded in the consolidated financial statements until such time as the options were exercised, and no charge is recognised in the consolidated financial statements in respect of the value of options granted. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimations that have significant effect on the amounts recognised in the consolidated financial statements. The 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

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. Key Sources of Estimation Uncertainty (continued)

Allowances for inventories

The management of the Group estimates the net realisable value for finished goods, work in progress and raw materials 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. Where the actual net realisable value are less than expected, a material allowance may arise.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition to new borrowings and the repayment of existing borrowings.

6. Financial Instruments

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, amount due from an associate, bank balances and cash, trade payables, other payables, bank overdraft and borrowings. Details of these financial instruments are disclosed in the 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.

Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Loans and receivables	**258,168**	195,738
Financial liabilities		
Amortised cost	**268,371**	119,914

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk

Currency risk

Several subsidiaries of the Group have foreign currency sales, which expose the Group to foreign currency risk. In addition, certain trade receivables, bank balances, trade payables and borrowings are denominated in foreign currencies other than the functional currency of the respective group entities.

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 arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars ("US$")	**40,839**	33,662	**4,216**	4,892
HK$	**1,404**	2,159	**1,496**	1,469
Euro	**12,208**	13,383	**1,726**	7,881
Pound Sterling ("GBP")	**16,300**	423	**1,847**	1,458
RMB	**82**	3,108	**1,907**	1,715
	70,833	52,735	**11,192**	17,415

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

For certain group entities whose functional currency is either denominated in HK$ or US$, the change in exchange rate of its functional currency against the US$ or the HK$ respectively has not been considered in the below sensitivity analysis as the HK$ is pegged to the US$. In the opinion of the directors, the Group does not expect any significant movements between the exchange rate of the US$ against the HK$.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of each group entity against relevant foreign currencies and all other variables were held constant, translating to the presentation currency, HK$, at the closing rate at the respective balance sheet date. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive number below indicates an increase in profit for the year where the relevant foreign currencies strengthen 5% against the functional currency of each group entity. For a 5% weakening of the relevant foreign currencies against the functional currency of each group entity, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	2008 **HK$'000**	2007 HK$'000
Increase (decrease) in profit for the year		
US$ impact	**342**	—
HK$ impact	**(5)**	35
Euro impact	**524**	275
GBP impact	**723**	(52)
RMB impact	**(91)**	70

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate bank loans. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities at variable rate. Interest bearing financial assets are mainly deposits with banks. Interest bearing financial liabilities are mainly variable rate bank overdraft and bank loans. It is the Group's policy to keep most of its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

The Group currently 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 arise.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the variable rate financial instruments including bank deposits, bank overdraft and loans at the balance sheet date, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$484,000 (2007: HK$398,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits, bank overdraft and bank loans.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of those assets as stated in the consolidated balance sheet at 31 March 2008 and 2007 and financial guarantee issued by the Group as disclosed in note 30 at 31 March 2007. 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.

6. Financial Instruments (continued)

Categories of financial instruments (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank overdraft and bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As at 31 March 2008, the Group has available unutilised short-term bank loan facilities of approximately HK$93,514,000 (2007: HK$95,797,000). Details of the Group's borrowings at 31 March 2008 are set out in note 27.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate % per annum	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 31.3.2008 HK$'000
2008								
Non-derivative financial liabilities								
Trade payables	—	100,734	717	—	—	—	101,451	101,451
Other payables	—	22,158	72	—	—	—	22,230	22,230
Obligations under financial leases	6.40%	234	538	300	138	—	1,210	1,136
Borrowings	5.95%	13,002	81,495	20,180	24,872	8,739	148,288	128,415
Bank overdraft	6.29%	15,218	—	—	—	—	15,218	15,139
		151,346	82,822	20,480	25,010	8,739	288,397	268,371

6. Financial Instruments (continued)

Categories of financial instruments (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate % per annum	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 31.3.2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade payables	—	48,031	539	—	—	—	48,570	48,570
Other payables	—	16,571	13	—	—	—	16,584	16,584
Obligations under financial leases	7.25%	473	1,418	548	—	—	2,439	2,348
Borrowings	6.94%	7,789	22,522	15,517	11,139	—	56,967	51,765
Bank overdraft	7.12%	647	—	—	—	—	647	647
		73,511	24,492	16,065	11,139	—	125,207	119,914

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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 decoration work, and is analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Sales of furniture and fixtures	**712,718**	503,644
Service revenue from interior decoration work	**101,008**	133,204
	813,726	636,848

8. Business and Geographical Segments

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

Business segments

	2008		2007	
	Consolidated turnover HK$'000	**Contribution to profit for the year HK$'000**	Consolidated turnover HK$'000	Contribution to profit for the year HK$'000
Sales of furniture and fixtures	**712,718**	**75,437**	503,644	83,164
Interior decoration work	**101,008**	**8,984**	133,204	21,149
Total	**813,726**	**84,421**	636,848	104,313
Other income		**4,479**		1,286
Unallocated corporate expenses		**(23)**		(49)
Allowance for amount due from an associate		**—**		(6,000)
Share of result of an associate		**723**		675
Finance costs		**(6,691)**		(3,820)
Profit before taxation		**82,909**		96,405
Taxation		**(18,801)**		(18,074)
Profit for the year		**64,108**		78,331

8. Business and Geographical Segments (continued)

Business segments (continued)

Balance sheet

	2008			2007		
	Sales of furniture and fixtures HK$'000	**Interior decoration work HK$'000**	**Consolidated HK$'000**	Sales of furniture and fixtures HK$'000	Interior decoration works HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	**650,915**	**61,305**	**712,220**	351,649	57,782	409,431
Investment in an associate			**6,219**			4,452
Amount due from an associate			**5,375**			5,468
Unallocated corporate assets			**68,367**			70,080
Consolidated total assets			**792,181**			489,431
LIABILITIES						
Segment liabilities	**232,272**	**40,360**	**272,632**	90,155	31,538	121,693
Unallocated corporate liabilities			**158,573**			71,215
Consolidated total liabilities			**431,205**			192,908

Other information

	2008		2007	
	Sales of furniture and fixtures HK$'000	**Interior decoration work HK$'000**	Sales of furniture and fixtures HK$'000	Interior decoration work HK$'000
Capital additions	**157,696**	**9,949**	42,906	10,227
Depreciation	**27,660**	**3,322**	19,111	4,426
Allowance and write off (allowance written back) of bad and doubtful debts	**2,779**	**(134)**	2,654	(930)
Expected loss on construction contracts	**—**	**—**	—	705

8. Business and Geographical Segments (continued)

Geographical segments

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

	Sales revenue by geographical market	
	2008	2007
	HK$'000	HK$'000
America	**503,297**	385,649
Hong Kong SAR and Macau SAR	**111,433**	147,576
Europe	**65,832**	55,577
Mainland China	**107,870**	29,616
Other countries in Asia	**25,294**	18,430
	813,726	636,848

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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**330,037**	205,249	**83,210**	49,498
Hong Kong SAR and Macau SAR	**134,720**	113,020	**1,383**	289
America	**165,554**	88,101	**25,941**	3,046
Other countries in Asia	**70,586**	2,259	**57,111**	300
Europe	**11,323**	802	**—**	—
	712,220	409,431	**167,645**	53,133

9. Other Income

	2008 HK$'000	2007 HK$'000
Interest income	**535**	712
Net foreign exchange gain	**2,691**	—
Sundry income	**1,253**	572
Rental income	**—**	2
	4,479	1,286

10. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank loans and other loans wholly repayable within five years	**5,127**	3,577
Bank loans not wholly repayable within five years	**1,527**	—
Finance leases	**37**	243
	6,691	3,820

11. Directors' Emoluments

The emoluments paid or payable to each of eleven (2007: ten) directors were as follows:

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000 (Note)	Total HK$'000
Tsang Chi Hung	—	2,185	73	—	2,258
Liu Hoo Kuen	—	2,325	73	—	2,398
Richard Warren Herbst	—	2,057	43	1,680	3,780
Kwan Yan Choi	—	1,785	63	—	1,848
Fung Sau Mui	—	1,479	52	—	1,531
Tai Wing Wah	—	1,328	47	—	1,375
Wong Kam Hong	—	1,346	47	—	1,393
Chu Kwok Man	55	—	—	—	55
Lok Wai Kiang, Paul	23	—	—	—	23
Cheng Woon Kam	55	—	—	—	55
Pak Wai Tun, Wallace	32	—	—	—	32
Total for 2008	165	12,505	398	1,680	14,748

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000 (Note)	Total HK$'000
Tsang Chi Hung	—	1,803	63	—	1,866
Liu Hoo Kuen	—	2,050	63	—	2,113
Richard Warren Herbst	—	1,870	36	698	2,604
Kwan Yan Choi	—	1,785	63	—	1,848
Fung Sau Mui	—	1,343	47	—	1,390
Tai Wing Wah	—	1,207	43	—	1,250
Wong Kam Hong	—	1,224	43	—	1,267
Chu Kwok Man	50	—	—	—	50
Lok Wai Kiang, Paul	50	—	—	—	50
Cheng Woon Kam	50	—	—	—	50
Total for 2007	150	11,282	358	698	12,488

Note: The performance related incentive payments are determined having regard to the performance of individuals and market trend.

During both years, no emoluments were paid by the Group to the directors as compensation for loss of office 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 2008, of the five individuals with the highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The salaries and other benefits of the remaining one individual amounted to HK$1,872,000 (2007: HK$1,872,000).

13. Income Tax Expense

	2008 **HK$'000**	2007 HK$'000
Current tax:		
Hong Kong	**(8,825)**	(12,471)
Other jurisdictions	**(3,371)**	(6,378)
Other regions in the PRC	**(8,659)**	(1,719)
	(20,855)	(20,568)
(Under) overprovision in prior years		
Hong Kong	**(55)**	16
Other jurisdictions	**109**	(89)
	(20,801)	(20,641)
Deferred taxation (note 28)		
— current year	**2,000**	2,567
	(18,801)	(18,074)

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

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

13. Income Tax Expense (continued)

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	**82,909**	96,405
Taxation at the Hong Kong Profits Tax rate of 17.5%	**14,509**	16,871
Tax effect of expenses not deductible for tax purposes	**572**	2,836
Tax effect of income not taxable for tax purposes	**(358)**	(171)
(Over)underprovision in respect of prior years	**(54)**	73
Tax effect of tax losses not recognised	**1,310**	—
Utilisation of tax losses previously not recognised	**(308)**	(3,903)
Tax effect of share of result of an associate	**(127)**	(118)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,879**	2,456
Others	**(622)**	30
Taxation	**18,801**	18,074

14. Profit for the Year

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Allowance for slow moving inventories	**1,089**	3,419
Auditor's remuneration	**1,543**	1,459
Amortisation of prepaid lease payments (included in administrative expenses)	**386**	245
Depreciation		
Owned assets	**30,181**	22,787
Assets held under finance leases	**801**	750
Provision for warranty	**13,491**	7,470
Staff costs:		
Directors' emoluments (note 11)	**14,748**	12,488
Salaries and allowances	**144,864**	89,110
Retirement benefits scheme contributions	**4,728**	3,119
	164,340	104,717
Cost of inventories recognised as expenses	**436,113**	268,097
Expected loss on construction contracts	**—**	705
(Gain) loss on disposals of property, plant and equipment	**(386)**	229
Operating lease rentals paid in respect of rented properties	**4,332**	6,675
Net foreign exchange (gain) loss	**(2,691)**	3,499

15. Dividends

	2008 HK$'000	2007 HK$'000
Prior year final dividend paid — HK8 cents (2007: HK3.85 cents) per share	**16,000**	7,700
Current year interim dividend paid — HK2.5 cents (2007: HK3.70 cent) per share	**5,000**	7,400
	21,000	15,100

The current year final dividend of HK7.2 cents (2007: HK8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

16. Earnings per Share

The calculation of the basic and diluted earnings per share for the year ended 31 March 2008 attributable to the ordinary equity holders of the Company together with the comparative figures for 2007 is based on the following data:

Earnings

	2008 **HK$'000**	2007 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**64,388**	78,331

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**200,000**	200,000
Effect of dilutive potential ordinary shares assuming exercise of share options	**1,406**	1,607
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**201,406**	201,607

17. Property, Plant and Equipment

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 April 2006	—	31,608	64,047	128,062	5,392	18,825	7,477	27,938	283,349
Additions	—	13,037	3,352	27,270	2,226	3,189	1,077	2,982	53,133
Disposals	—	—	(37)	—	(4)	(841)	(1,560)	—	(2,442)
Exchange realignment	—	987	836	943	98	132	76	824	3,896
Reclassification	—	27,539	1,161	—	—	—	—	(28,700)	—
At 31 March 2007	—	73,171	69,359	156,275	7,712	21,305	7,070	3,044	337,936
Additions	7,096	38,750	5,951	50,984	2,113	7,328	1,877	53,546	167,645
Disposals	—	—	(553)	—	(122)	(39)	(417)	—	(1,131)
Exchange realignment	—	6,424	2,742	5,671	488	571	286	267	16,449
Reclassification	—	10,874	2,177	2,667	—	—	—	(15,718)	—
At 31 March 2008	7,096	129,219	79,676	215,597	10,191	29,165	8,816	41,139	520,899
DEPRECIATION									
At 1 April 2006	—	13,847	42,884	82,104	4,072	11,580	5,128	—	159,615
Charge for the year	—	2,704	5,337	11,921	919	1,815	841	—	23,537
Eliminated on disposals	—	—	(4)	—	(1)	(621)	(1,560)	—	(2,186)
Exchange realignment	—	372	545	652	68	105	50	—	1,792
At 31 March 2007	—	16,923	48,762	94,677	5,058	12,879	4,459	—	182,758
Charge for the year	—	3,485	5,436	17,149	1,340	2,595	977	—	30,982
Eliminated on disposals	—	—	(479)	—	(112)	(22)	(417)	—	(1,030)
Exchange realignment	—	1,299	1,774	2,325	277	379	180	—	6,234
At 31 March 2008	—	21,707	55,493	114,151	6,563	15,831	5,199	—	218,944
CARRYING VALUES									
At 31 March 2008	7,096	107,512	24,183	101,446	3,628	13,334	3,617	41,139	301,955
At 31 March 2007	—	56,248	20,597	61,598	2,654	8,426	2,611	3,044	155,178

17. Property, Plant and Equipment (continued)

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

Freehold land	Nil
Buildings	Over the unexpired lease terms of the land use rights on which the buildings are located
Leasehold improvements	10%
Plant and machinery	10%
Computer equipment	20%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

At 31 March 2008, the freehold land of HK$7,096,000 (2007: nil) is situated outside Hong Kong.

All buildings of the Group are located in the PRC and the United States of America under medium-term leases. For those buildings located in the PRC, the Group has been granted the right to use the land, including construction of buildings thereon, until 2018.

The carrying values of plant and machinery, motor vehicles and construction in progress of the Group include amounts of approximately HK$2,778,000 and HK$1,271,000 and HK$150,000 (2007: HK$2,867,000, HK$1,275,000 and nil), respectively, in respect of assets held under finance leases.

At 31 March 2008, plant and machinery and motor vehicles of the Group with carrying values of approximately HK$42,893,000 and HK$400,000 (2007: HK$11,199,000 and HK$480,000), respectively, were pledged with banks to secure loans granted to the Group.

18. Prepaid Lease Payments

	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land outside Hong Kong	**7,946**	2,970
Analysed for reporting purposes as:		
Non-current asset	**7,559**	2,725
Current asset	**387**	245
	7,946	2,970

19. Investment in an Associate

	2008 HK$'000	2007 HK$'000
Cost of investment in an associate, unlisted	**5,000**	5,000
Share of post-acquisition losses	**(571)**	(1,294)
Share of exchange reserve	**1,790**	746
	6,219	4,452

At 31 March 2008, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	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 summarised financial information in respect of the Group's associate is set out below:

	2008 HK$'000	2007 HK$'000
Total assets	**42,254**	38,380
Total liabilities	**(29,817)**	(29,476)
Net assets	**12,437**	8,904
Group's share of net assets of associates	**6,219**	4,452
Revenue	**40,910**	29,583
Profit for the year	**1,447**	1,350
Group's share of result for the year	**723**	675

20. Inventories

	2008 HK$'000	2007 HK$'000
Raw materials	52,414	36,471
Work in progress	84,939	54,025
Finished goods	18,757	18,254
	156,110	108,750

Included in inventories are raw materials of HK$5,197,000 (2007: HK$3,851,000) which are carried at net realisable value.

21. Trade Receivables

	2008 HK$'000	2007 HK$'000
Trade receivables	204,389	129,529
Less: Allowances for bad and doubtful debts	(18,395)	(16,921)
	185,994	112,608

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

	2008 HK$'000	2007 HK$'000
0 — 30 days	62,973	59,529
31 — 90 days	51,976	26,327
> 90 days	71,045	26,752
	185,994	112,608

The Group's credit terms for its contracting business are negotiated with its customers and are usually 6 months to 1 year. The credit terms granted by the Group to other trade debtors are normally 30 days.

21. Trade Receivables (continued)

Before accepting any new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on geographical basis. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. Included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK$62,973,000 and HK$59,529,000 as at 31 March 2008 and 2007 respectively, which are neither past due nor impaired. At 31 March 2008, the directors considered that trade receivables which are neither past due but not yet impaired are of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$123,021,000 (2007: HK$53,079,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of the receivables is 125 days (2007: 113 days).

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	HK$'000
31 — 90 days	**51,976**	26,327
91 — 365 days	**66,071**	24,985
>365 days	**4,974**	1,767
Total	**123,021**	53,079

In the opinion of the directors, the Group has maintained long term relationships with existing customers who have a strong financial position with continuous subsequent settlements and no historical default of payments by the respective customers. The Group has assessed the recoverability of these customers and consider that there has not been significant change in credit quality. The directors believes that the amounts are still recoverable.

Movement in the allowance for bad and doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**16,921**	20,460
Impairment losses recognised on trade debtors	**5,817**	3,442
Amounts recovered during the year	**(3,172)**	(1,718)
Written off against trade debtors	**(1,171)**	(5,263)
Balance at end of the year	**18,395**	16,921

21. Trade Receivables (continued)

Movement in the allowance for bad and doubtful debts (continued)

At 31 March 2008, allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of HK$18,395,000 (2007: HK$16,921,000) which had been in severe financial difficulties. The Group does not hold any collateral over these balances.

At 31 March 2008, the carrying amount of the trade receivables, which have been pledged as security for the borrowings, is HK$72,304,000 (2007: nil).

22. Other Financial Assets

Amount due from an associate is unsecured, non-interest bearing and is repayable on demand. Subsequent to 31 March 2008, the Group and the associate agreed to settle part of balance amounting to HK$5,000,000 as additional capital injection to the associate in the next twelve months. Accordingly, such balance is classified as non-current asset.

Bank balances held by the Group comprised of bank deposits which carry interest at an average rate of 3.0% (2007: 3.0%).

Bank balances and cash of approximately HK$1,773,000 (2007: HK$12,606,000) was denominated in US$ (foreign currency of the relevant group entities) and approximately HK$2,279,000 (2007: HK$2,826,000) was denominated in Euro (foreign currency of the relevant group entities). An amount of approximately HK$24,115,000 (2007: HK$10,219,000) was denominated in RMB (functional currency of the relevant group entities) which may not be freely convertible into other currencies.

23. Trade Payables

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

	2008 **HK$'000**	2007 HK$'000
0 — 30 days	**40,997**	32,217
31 — 90 days	**28,067**	9,446
> 90 days	**32,387**	6,907
	101,451	48,570

24. Receipts in Advance

Receipts in advance represent prepayments received from customers for sales of furniture prior to delivery.

25. Provision for Warranty

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**8,617**	7,918
Additional provision in the year	**13,491**	7,470
Utilisation of provision	**(10,086)**	(6,771)
Balance at end of the year	**12,022**	8,617

The warranty provision represents management's best estimate of the Group's liability under warranty granted for defects of furniture and fixtures. The warranty is usually for one year and is estimated based on prior experience and industry norm.

26. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Amounts payable under finance leases				
— within one year	**770**	1,967	**742**	1,882
— after one year but within two years	**440**	472	**394**	466
	1,210	2,439	**1,136**	2,348
Less: Future finance charges	**(74)**	(91)	**—**	—
Present value of lease obligations	**1,136**	2,348	**1,136**	2,348
Less: Amount due within one year classified as current liabilities			**(742)**	(1,882)
Amount due after one year			**394**	466

26. Obligations Under Finance Leases (continued)

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 2008, the average effective borrowing rate was 6.4% (2007: 7.3%) 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.

27. Borrowings

Borrowings comprise the following:

	2008 HK$'000	2007 HK$'000
Bank loans	**125,523**	51,765
Other loan	**2,892**	—
	128,415	51,765
Secured	**80,221**	11,833
Unsecured	**48,194**	39,932
	128,415	51,765

	2008 HK$'000	2007 HK$'000
The maturity profile of the above loans is as follows:		
On demand or within one year	**81,738**	27,385
More than one year, but not exceeding two years	**17,709**	13,939
More than two years, but not exceeding five years	**20,869**	10,441
More than five years	**8,099**	—
	128,415	51,765
Less: Amounts due within one year shown under current liabilities	**(81,738)**	(27,385)
Amounts due after one year shown under non-current liabilities	**46,677**	24,380

27. Borrowings (continued)

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

	2008 HK$'000	2007 HK$'000
Fixed rate borrowings:		
Within one year	7,892	—

In addition, the variable-rate borrowings carry interest rate, which are repriced every six months as follows:

	2008 HK$'000	2007 HK$'000
Hong Kong Interbank Offered Rate plus 1.7% to 3.25%	31,881	39,487
Prime Lending Rate (Hong Kong)	15,574	11,182
Prime Lending Rate (Hong Kong) minus 1% to 2.5%	6,902	1,096
Wall Street Journal LIBOR plus 2.5% to 2.75%	36,957	—
Minimum Lending Rate (Thailand) minus 0.25%	29,209	—
	120,523	51,765

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

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	6.1%	6.1%
Variable-rate borrowings	3.0% to 7.8%	6.5% to 7.8%

At 31 March 2008, certain bank loans were secured by the Group's property, plant and equipment and trade receivables with carrying values of HK$43,293,000 and HK$72,304,000 (2007: HK$11,679,000 and nil) respectively.

28. Deferred Taxation

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

	Bad and doubtful debts HK$'000	Tax loss HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2006	(1,076)	—	5,747	4,671
Charge (credit) to income statement for the year	86	(2,067)	(586)	(2,567)
At 31 March 2007	(990)	(2,067)	5,161	2,104
(Credit) charge to income statement for the year	(71)	(1,934)	5	(2,000)
At 31 March 2008	(1,061)	(4,001)	5,166	104

At the balance sheet date, the Group had estimated unused tax losses of approximately HK$97,507,000 (2007: HK$86,096,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$11,768,000 (2007: HK$6,079,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$85,739,000 (2007: HK$80,017,000) due to unpredictability of future profit streams. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$25,601,000 (2007: HK$25,291,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Starting from 1 January 2008, the Tax Law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits amounting to approximately HK$18,154,000 as the Group is able to control the timing of the reversal of the temporary differences and hence it is probable that the temporary differences will not reverse in the foreseeable future.

29. Share Capital

	2008 & 2007	
	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.10 each:		
Authorised	400,000,000	40,000
Issued and fully paid	200,000,000	20,000

30. Contingent Liabilities

At 31 March 2007, the Group has contingent liabilities in respect of a jointly guarantee with the majority shareholder of an associate to secure the finance leases granted to the associate. The obligation under finance leases in the books and records of the associate amounted to approximately HK$901,000. The finance leases of the associate have been fully repaid during the year ended 31 March 2008.

31. 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:

	2008 HK$'000	2007 HK$'000
Within one year	**6,992**	5,665
In the second to fifth year inclusive	**2,839**	6,917
	9,831	12,582

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

32. Capital Commitments

	2008 **HK$'000**	2007 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**12,383**	7,946
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	—	23,400

33. 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 2007, 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. During the year, the exercise period lapsed. There was no outstanding share option at 31 March 2008 and no share options were granted or exercised during the year.

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.

33. Share Option Scheme (continued)

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

Date of grant	Exercise price HK$	Vesting period	Exercise period	Outstanding at 1.4.2006	Movement during the year	Outstanding at 31.3.2007	Lapsed during the year	Outstanding at 31.3.2008
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)	—

All the share options were expired on 31 August 2007.

34. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. 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 in Hong Kong, which contribution is matched by employees.

The employees of the Company's subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute certain percentages of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to the retired staff.

There are defined contribution retirement plans established in the United States of America for all domestic employees who meet certain eligibility requirements as to age and length of service.

The employer's contributions to the retirement benefits scheme charged to consolidated income statement and the forfeited voluntary contributions credited to the consolidated income statement amounted to approximately HK$5,138,000 (2007: HK$3,509,000) and HK$12,000 (2007: HK$32,000) respectively for the year ended 31 March 2008.

35. 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$2,361,000 (2007: HK$2,361,000) in respect of the Group's office premises, showrooms and warehouses to a company in which certain shareholders and directors of the Company have significant beneficial interests.

Compensation of key management personnel

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

	2008 **HK$'000**	2007 HK$'000
Short-term employee benefits	**14,350**	12,130
Post-employment benefits	**398**	358
	14,748	12,488

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

36. Particulars of Subsidiaries

Details of the Company's subsidiaries at 31 March 2008 and 2007 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 a)	—	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.	Republic of Singapore	2 shares of SG$1 each	—	100%	Trading of furniture

36. 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 Directly	Indirectly	Principal activity
HBF Showroom Pte. Ltd.	Republic of 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	United States of America	Capital contribution of US$154,286	—	100%	Trading of furniture
Decca Contract Furniture, LLC	United States of America	Capital contribution of US$1,000	—	100%	Trading of furniture
Bolier & Company, LLC	United States of America	Capital contribution of US$1,000	—	55%	Trading of furniture
Decca Classic Upholstery, LLC (Note d)	United States of America	Capital contribution of US$1,000	—	100%	Trading of furniture
東莞達藝家私有限公司 (Note b)	PRC	RMB50,000,000	—	100%	Manufacture of furniture and decoration materials
東莞益新家私裝飾有限公司 (Note c)	PRC	RMB3,600,000	—	100%	Manufacture of furniture and provision of after-sale services
Decca Furniture (Thailand) Limited	Thailand	2,450 ordinary shares of Baht 100 each	—	100%	Trading of furniture

36. 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	
Decca MFG (Thailand) Limited (Note d)	Thailand	600,000 shares of Baht 100 each	—	80%	Manufacture and trading of furniture
Decca Furniture Europe Aps	Denmark	125,000 shares of Denmark Kroner 1 each	—	100%	Trading of furniture
Decca (Macau) Company Limited (Note d)	Macau SAR	2 ordinary shares of Macau Pataca 15,000 each	—	100%	Interior decoration work

Notes:

(a) The holders of the non-voting deferred shares are only entitled to dividends when the total dividends declared by DML for any financial year exceed 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 exceeds HK$5 billion.

(b) A wholly foreign owned enterprise established under the laws of the PRC.

(c) A co-operative joint venture established under the laws of the PRC.

(d) The companies were set up during the year ended 31 March 2008.

None of the subsidiaries had issued any debt securities during the year or at 31 March 2008.