達藝
DECCA

DECCA HOLDINGS LIMITED
達藝控股有限公司

STOCK CODE: 997

2008/2009 Interim Report

Contents

Chairman's Statement

Business Review

Results

The Group completed the first six months of the 2008/2009 fiscal year with record turnover. However, the gross margin for the six months ended 30 September 2008 declined to 33.5% compared to 37.7% for the same period in 2007. The major causes for the erosion of the gross margin were:

- The changes in the labour laws in Mainland China that required the Group to begin making provisions for redundancy payments for employees of the Mainland China factory.
- The increase in import taxes on foreign materials needed in the Group's production.
- The appreciation of the Renminbi that increased the Group's cost of production.

In addition, the Group experienced increased difficulty in collecting certain receivables, particularly in the United States of America ("U.S."). Based on current sentiments, the Group elected to create additional provisions of approximately HK$9.7 million.

Furniture sales decreased to 86.2% of turnover to HK$426.9 million compared to the same period of the previous year when it was 92.4%. Sales of furniture to the U.S. decreased to 56.8% of all sales. Sales to Europe remained relatively stable at 11.1% compared to the same period of previous year where the same figure was recorded.

Net profit before tax increased by 38.0% to HK$44.8 million compared to HK$32.4 million for the first half of 2007/2008. The increase was primarily due to the increase in turnover for both Hong Kong and Mainland China markets. Turnover for Hong Kong market increased from 9.5% to 12% whereas the turnover of Mainland China market increased from 7.5% to 18.3%.

The Group's top five customers for the period ended 30 September 2008 were Hilton Supply Management Limited, accounted for HK$31.7 million in turnover which represented 6.4% of the Group's revenue. These contracts were associated with the Hilton Waikoloa Kingsland, Hilton San Diego, Hilton Waikikian, Hilton Amsterdam which include loose furniture and other built-in furniture. The next four customers by revenue during the period include LVMH Group for several Louis Vuitton stores in Hong Kong, Mainland China and Macau — 6.2% of turnover , Hermes Asia Pacific Limited — 3.6% of turnover, Pangu Hotel, Beijing — 3.3% of turnover and the Park Hyatt Hotel, Beijing — 3.3% of turnover.

Projects currently in progress include Mandarin Oriental Hotel — Las Vegas, Four Seasons Hotel — Houston, Waldorf Astoria Hotel — Bonnet Creek, various Salvatore Ferragamo stores in Mainland China, Jumeirah Hotel — Shanghai and Capella Hotel — Singapore.

Outlook

The Group's orders on hand at September 30, 2008 were approximately HK$389 million. We expect that more contracts will be signed that will be invoiced before the end of this fiscal year and expect the full year's turnover to be around HK$900 million. The net profit after tax level will be dependent on the collection of accounts receivables. While we do not anticipate any further significant charges over the provisions already charged, should the global recession deepen, we can expect longer collection periods and the possible need for more provisions.

The global recession that appears to be developing will challenge the Group's management. The Group's business plan has emphasized diversity in both products manufactured and the geographical location of the Group's sales. We feel there will be a reduction of hospitality sales in 2009/2010. We also anticipate that residential and contract sales will remain flat. However, one area that we expect to expand is activities in Mainland China, India and the Middle East, particularly the expansion of the luxury brand requirements for store fixtures and fit-out contracts. The Group hopes to increase substantially its turnover in this sector thereby partially or completely reducing the effect of the downturn of business in the hospitality sector in the U.S. and Europe.

In July, the Group completed the purchase of the remaining 20% of shares it did not already own in Decca MFG (Thailand) Limited. This was done because of the death of that company's original partner in January of this year. During the first half of 2008/2009, a new finishing line was commissioned at the Thailand facility that now gives the Group the capacity to produce more than 5,000 pieces per month. This is more than enough production capacity to handle all of the bedroom requirements of the Group. Component production is now starting but we do not anticipate that this department will be in a position to supply the bulk of the requirements of the assembly and finishing department for, at least, 12 months. Until such time as the department is fully on stream, we will continue to ship components from Mainland China to Thailand.

The Group's new warehouse/production facility in Dongguan has been completed. All of the solid wood inventory along with twelve kiln dryers and the Rough Mill have been moved to the new building and are now functioning at full capacity. In addition, the Upholstery Department has been consolidated into two floors of the new building from the three locations it occupied previously. This new arrangement should generate cost savings by reducing overall inter-factory handling costs and speed up production time.

Interim Dividend

The Directors have declared an interim dividend of HK3.5 cents (1.4.2007 to 30.9.2007: HK2.5 cents) per share for the six months ended 30 September 2008 to shareholders whose names appear on the Register of Members of the Company on 8 January 2009. The interim dividend will be paid on or around 15 January 2009.

Appreciation

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

TSANG CHI HUNG
Chairman

Hong Kong, 15 December 2008

Management Discussion and Analysis

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

Review of results

The Group completed the first six months of the 2008/2009 fiscal year with record turnover. However, the gross margin for the six months ended 30 September 2008 declined to 33.5% compared to 37.7% for the same period in 2007. The major causes for the erosion of the gross margin were:

- The changes in the labour laws in Mainland China that required the Group to begin making provisions for redundancy payments for employees of the Mainland China factory.
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Net profit before tax increased by 38.0% to HK$44.8 million compared to HK$32.4 million for the first half of 2007/2008. The increase was primarily due to the increase in turnover for both Hong Kong and Mainland China markets. Turnover for Hong Kong market increased from 9.5% to 12% whereas the turnover of Mainland China market increased from 7.5% to 18.3%.

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Projects currently in progress include Mandarin Oriental Hotel — Las Vegas, Four Seasons Hotel — Houston, Waldorf Astoria Hotel — Bonnet Creek, various Salvatore Ferragamo stores in Mainland China, Jumeirah Hotel — Shanghai and Capella Hotel — Singapore.

Liquidity, financial resources and capital structure

The Group continued to maintain a conservative financial structure during the period, 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 30 September 2008, the total bank borrowings amount to HK$161.3 million (31 March 2008: HK$143.6 million), out of which HK$95.6 million (31 March 2008: HK$96.9 million) would be due within one year. The borrowings including bank loans and overdraft facilities 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$389.4 million (31 March 2008: HK$362.6 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$3.5 million (2007: HK$2.5 million) representing 0.72% (2007: 0.73%) of the Group's revenue. Net current assets stood at HK$123.8 million (31 March 2008: HK$84.9 million).

The Group's cash holding is mainly denominated in Hong Kong dollars. The interest rates of the Group's borrowings are usually floating in nature. The Group generally finances its operations with internally generated resources and credit facilities by banks in Hong Kong.

Gearing ratio and foreign exchange exposure

As at 30 September 2008, the gearing ratio (total borrowings divided by net assets was 0.42 (31 March 2008: 0.4). 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 within a range 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.

Charge on assets

As at 30 September 2008, freehold land, buildings, plants and machinery and motor vehicles of the Group with net book value of approximately HK$5.3 million, HK$23.4 million, HK$36.1 million and HK$0.3 million (31 March 2008: nil, nil, HK$42.9 million and HK$0.4 million) respectively were pledged with a bank to secure the loans granted to the Group.

Employees

As at 30 September 2008, the Group employed and 155, 2750, 3, 94, 209 and 14 in Hong Kong, Mainland China, Singapore, USA, Thailand, Europe respectively (31 March 2008: 150, 3213, 3, 98, 204 and 9 respectively) The Group remunerated its employees based on their performance, working experience and prevailing market conditions. Bonus may be given to staff of outstanding performance on a discretionary basis. For the primary course 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.

Outlook

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Management Report

Directors

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

Executive directors

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

Independent non-executive directors

Mr. Chu Kwok Man
Mr. Cheng Woon Kam
Mr. Pak Wai Tun, Wallace

Directors' Interests in Shares and Underlying Shares

As at 30 September 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:

Directors' Interests in Shares and Underlying Shares (continued)

Long position

(a) Interests in the Company's shares

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

Notes:

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

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

Directors' Interests in Shares and Underlying Shares (continued)

Long position (continued)

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

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 30 September 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 $1 trillion thereof among the holders of ordinary shares of DML according to the amounts paid up on the ordinary shares of DML held by them respectively and one half of the balance of such profits shall be distributed among the holders of the non-voting deferred shares of DML and the other half among the holders of ordinary shares of DML according to the amounts paid up on the shares held by them respectively.

   (b) On a return of assets on winding up, the assets of DML to be returned shall be distributed as regards the first $5 billion thereof among the holders of ordinary shares of DML in proportion to the nominal amounts of ordinary shares of DML held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares of DML and the other half among the holders of ordinary shares of DML in proportion to the nominal amounts of the shares held by them respectively.

   (c) Every holder of ordinary shares of DML shall have one vote for every fully paid up ordinary share of DML held by him but the nonvoting deferred shares of DML shall not entitle the holders thereof to vote at any general meeting of DML.

Save for disclosed above, none of the directors nor their associates held office at 30 September 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.

Directors' Interests in Contracts

During the six months ended 30 September 2008, the Group paid rental of approximately HK$1,054,000 to Golden Life Investment Limited ("Golden Life") in respect of the Group's office premises, showrooms and warehouses. Mr. Tsang Chi Hung, Ms Kwan Yau Choi and Mr Liu Hoo Kuen are directors and shareholders of Golden Life. As at 30 September 2008, the amount due to Golden Life was nil.

Apart from the above, no other contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of 30 September 2008 or at any time during these six months period.

Share Option Scheme

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

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

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

All the company's share options were expired.

Directors' Rights to Acquire Shares or Debentures

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

Substantial Shareholders

As at 30 September 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 9, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2008.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance and guarantees by the Group to its associate Vielie Flooring Limited ("Vielie"), a balance sheet of Vielie as at 30 September 2008 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Balance Sheet of Vielie
as at 30 September 2008

	30.9.2008 HK$'000 **(unaudited)**
Non-current assets	11,398
Current assets	31,895
Current liabilities	(28,101)
Non-current liabilities	(680)
Net assets	14,512
Issued capital	10,000
Translation reserve	4,685
Accumulated losses	(173)
Capital and reserves	14,512

As at 30 September 2008, the attributable interest of the Group in Vielie approximately amounted to HK$7,256,000.

Related Party Transactions

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

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2008.

Interim Dividend

The Directors have declared an interim dividend of HK3.5 cents (1.4.2007 to 30.9.2007: HK2.5 cents) per share for the six months ended 30 September 2008 to shareholders whose names appear on the Register of Members of the Company on 8 January 2009. The interim dividend will be paid on or around 15 January 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 6 January 2009 to Thursday, 8 January 2009, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for interim dividend, shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's Share Registrars, Tricor Standard Limited on 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 5 January 2009.

Corporate Governance

During the six months ended 30 September 2008, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") except for the following:

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the “Model Code”). Having made specific enquiry of the directors of the Company, all the directors confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2008.

Audit Committee and Independent Review by Independent Auditors

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

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

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF DECCA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 28, which comprises the condensed consolidated balance sheet of Decca Holdings Limited as of 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 December 2008

Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	Six months ended 30 September 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Revenue	3	**495,090**	349,220
Cost of sales		**(329,166)**	(217,582)
Gross profit		**165,924**	131,638
Other income		**6,265**	1,416
Selling and distribution costs		**(28,019)**	(27,062)
Administrative expenses		**(86,687)**	(73,313)
(Allowance) write back of bad and doubtful debts, net		**(9,666)**	1,288
Share of profit of an associate		**485**	996
Finance costs	4	**(3,540)**	(2,534)
Profit before taxation	5	**44,762**	32,429
Taxation	6	**(9,783)**	(7,523)
Profit for the period		**34,979**	24,906
Attributable to:			
Equity holders of the Company		**35,335**	24,906
Minority interests		**(356)**	—
		34,979	24,906
Dividend paid	7	**14,400**	16,000
Earnings per share	8		
Basic		**HK17.67 cents**	HK12.45 cents
Diluted		**N/A**	HK12.24 cents

Condensed Consolidated Balance Sheet

At 30 September 2008

	Notes	30.9.2008 HK$'000 (unaudited)	31.3.2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	311,900	301,955
Prepaid lease payments		8,008	7,559
Investment in an associate		7,257	6,219
Amount due from an associate	11	5,000	5,000
Deposits paid for acquisition of property, plant and equipment		—	4,110
		332,165	324,843
Current assets			
Inventories		172,058	156,110
Accrued revenue		12,328	21,799
Trade receivables	10	197,791	185,994
Deposits and prepayments		54,838	34,306
Amount due from an associate	11	352	375
Prepaid lease payments		404	387
Tax recoverable		5,452	3,853
Bank balances and cash		81,705	64,514
		524,928	467,338
Current liabilities			
Deferred revenue		8,776	6,273
Trade payables	12	106,919	101,451
Receipts in advance		119,243	116,415
Other payables and accruals		39,025	36,470
Provision for warranty		8,441	12,022
Obligations under finance leases — due within one year		208	742
Tax payable		22,908	12,190
Borrowings	13	95,580	81,738
Bank overdraft		—	15,139
		401,100	382,440
Net current assets		123,828	84,898
Total assets less current liabilities		455,993	409,741

Condensed Consolidated Balance Sheet (continued)

At 30 September 2008

	Notes	30.9.2008 HK$'000 (unaudited)	31.3.2008 HK$'000 (audited)
Non-current liabilities			
Obligations under finance leases			
— due after one year		318	394
Borrowings	13	65,675	46,677
Deferred tax liability		595	104
		66,588	47,175
		389,405	362,566
Capital and reserves			
Share capital	14	20,000	20,000
Reserves		369,405	339,846
Equity attributable to equity holders of the Company		389,405	359,846
Minority interests		—	2,720
		389,405	362,566

Approved by the Board of Directors on 15 December 2008.

Tsang Chi Hung
Chairman

Liu Hoo Kuen
Vice Chairman

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Share capital HK$'000 (unaudited)	Share premium HK$'000 (unaudited)	Contributed surplus HK$'000 (unaudited)	Capital reserve HK$'000 (unaudited)	Translation reserve HK$'000 (unaudited)	Retained profits HK$'000 (unaudited)	Total HK$'000 (unaudited)	Minority interests HK$'000 (unaudited)	Total equity HK$'000 (unaudited)
At 1 April 2008	20,000	47,640	18,865	8,662	28,061	236,618	359,846	2,720	362,566
Exchange differences arising on translation of foreign operations	—	—	—	—	8,071	—	8,071	—	8,071
Share of changes in equity of an associate	—	—	—	—	553	—	553	—	553
Total income recognised directly in equity	—	—	—	—	8,624	—	8,624	—	8,624
Profit for the period	—	—	—	—	—	35,335	35,335	(356)	34,979
Total recognised income for the period	—	—	—	—	8,624	35,335	43,959	(356)	43,603
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(2,364)	(2,364)
Dividend paid	—	—	—	—	—	(14,400)	(14,400)	—	(14,400)
At 30 September 2008	20,000	47,640	18,865	8,662	36,685	257,553	389,405	—	389,405
At 1 April 2007	20,000	47,640	18,865	8,662	8,126	193,230	296,523	—	296,523
Exchange differences arising on translation of foreign operations	—	—	—	—	5,019	—	5,019	—	5,019
Share of changes in equity of an associate	—	—	—	—	165	—	165	—	165
Total income recognised directly in equity	—	—	—	—	5,184	—	5,184	—	5,184
Profit for the period	—	—	—	—	—	24,906	24,906	—	24,906
Total recognised income for the period	—	—	—	—	5,184	24,906	30,090	—	30,090
Dividend paid	—	—	—	—	—	(16,000)	(16,000)	—	(16,000)
At 30 September 2007	20,000	47,640	18,865	8,662	13,310	202,136	310,613	—	310,613

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Six months ended 30 September 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Net cash from operating activities	**36,757**	50,680
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(17,519)**	(54,925)
Proceeds from disposal of property, plant and equipment	**35**	41
Prepaid lease payments paid	**(460)**	(4,934)
Purchase of additional interest in a subsidiary	**(1,750)**	—
Interest income	**146**	—
	(19,548)	(59,818)
Net cash from financing activities:		
Dividend paid	**(14,400)**	(16,000)
Repayment of bank borrowings	**(45,327)**	(10,451)
Repayment of obligations under finance leases	**(610)**	(1,094)
New bank loans raised	**78,167**	54,480
Other financing cash flows	**(3,540)**	(2,534)
	14,290	24,401
Net increase in cash and cash equivalents	**31,499**	15,263
Cash and cash equivalents at 1 April	**49,375**	67,691
Effect of foreign exchange rate changes	**831**	426
Cash and cash equivalents at 30 September	**81,705**	83,380
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**81,705**	83,380

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008 except as explained below.

Acquisition of additional interest in a subsidiary

Acquisition of additional interest in a subsidiary is calculated as the difference between the consideration paid for the additional interests and the net book values of the net assets of the subsidiary attributable to the additional interests acquired. Any excess of the net book values of the net assets of the subsidiary attributable to the additional interest acquired over consideration paid is recognised in profit or loss as discount on acquisition.

In the current interim period, the Group has applied, for the first time, a number of amendment and new 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 2008. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

2. Principal Accounting Policies (continued)

HKFRSs (Amendments)	Improvements to HKFRSs [5]
HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entities or associates [1]
HKFRS 2 (Amendments)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combination [4]
HKFRS 8	Operating segments [1]
HK(IFRIC) — INT 13	Customer loyalty programmes [2]
HK(IFRIC) — INT 15	Agreements for the construction of real estate [1]
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation [4]

1 Effective for accounting periods beginning on or after 1 January 2009.
2 Effective for accounting periods beginning on or after 1 July 2008.
3 Effective for accounting periods beginning on or after 1 July 2009.
4 Effective for accounting periods beginning on or after 1 October 2008.
5 Effective for accounting periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for accounting periods beginning on or after 1 July 2009.

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 and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

Business Segments

	Six months ended 30.9.2008 Consolidated revenue HK$'000 (unaudited)	Six months ended 30.9.2008 Contribution to profit for the period HK$'000 (unaudited)	Six months ended 30.9.2007 Consolidated revenue HK$'000 (unaudited)	Six months ended 30.9.2007 Contribution to profit for the period HK$'000 (unaudited)
Sales of furniture and fixtures	**426,896**	**69,922**	322,605	65,829
Interior decoration works	**68,194**	**13,319**	26,615	3,058
Total	**495,090**	**83,241**	349,220	68,887
Other income		**6,265**		1,416
Share of profit of an associate		**485**		996
Finance costs		**(3,540)**		(2,534)
Unallocated corporate expenses		**(41,689)**		(36,336)
Profit before taxation		**44,762**		32,429
Taxation		**(9,783)**		(7,523)
Profit for the period		**34,979**		24,906

4. Finance Costs

	Six months ended 30.9.2008 HK$'000 (unaudited)	Six months ended 30.9.2007 HK$'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**3,233**	2,511
Finance leases	**307**	23
	3,540	2,534

5. Profit Before Taxation

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

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	**202**	187
Depreciation	**17,413**	13,112
Allowance for slow moving inventories	**2,337**	11
Interest income	**(146)**	(322)
Loss (gain) on disposal of property, plant and equipment	**100**	(21)
Net foreign exchange gain (included in other income)	**(4,417)**	(784)

6. Taxation

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**4,271**	6,021
Other regions in the PRC	**4,775**	1,681
Other jurisdictions	**139**	764
	9,185	8,466
Deferred taxation	**598**	(943)
	9,783	7,523

Hong Kong Profits Tax is calculated at 16.5% (1.4.2007 to 30.9.2007: 17.5%) of the estimated assessable profit for the six months ended 30 September 2008.

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

6. Taxation (continued)

Hong Kong Profits Tax and taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008. The estimated average annual tax rate used in respect of Hong Kong Profits Tax and taxation in other jurisdictions is 16.5% and 29.5% (1.4.2007 to 30.9.2007: 17.5% and 30.5%) respectively.

On 16 March 2007, The People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Company's PRC subsidiaries from 1 January 2008.

7. Dividend

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Final dividend paid — HK7.2 cents (2007: HK8 cents) per share	**14,400**	16,000

The directors have determined that an interim dividend of HK3.5 cents (2007: HK2.5 cents) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 8 January 2009.

8. Earnings Per Share

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

Earnings

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purposes of basic and diluted earnings per share	**35,335**	24,906

8. Earnings Per Share (continued)

Number of shares

	Six months ended	
	30.9.2008	30.9.2007
	'000	'000
	(unaudited)	(unaudited)
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 (Note)	**—**	3,483
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**200,000**	203,483

Note: All the share options expired on 31 August 2007.

9. Movements in Property, Plant and Equipment

Total additions to property, plant and equipment were approximately HK$21,629,000 (1.4.2007 to 30.9.2007: HK$54,925,000), including the transfer of deposit paid for acquisition of property, plant and equipment of approximately HK$4,110,000 (1.4.2007 to 30.9.2007: nil).

In addition, the Group disposed of certain computer equipment and motor vehicles with an aggregate carrying amount of approximately HK$135,000 (1.4.2007 to 30.9.2007: HK$20,000), resulting in a loss on disposal of approximately HK$100,000 (1.4.2007 to 30.9.2007: gain on disposal of approximately HK$21,000).

10. Trade Receivables

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

	30.9.2008	31.3.2008
	HK$'000	HK$'000
	(unaudited)	(audited)
0 — 30 days	**51,638**	62,973
31 — 90 days	**56,139**	51,976
> 90 days	**90,014**	71,045
	197,791	185,994

The Group's credit terms for its interior decoration 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.

11. Amount due from an Associate

The amount is unsecured, non-interest bearing and is repayable on demand. During the period, the Group and the associate agreed to capitalise the amount due from the associate to the extent of HK$5,000,000 as paid-up capital of the associate in the next twelve months. Accordingly, such balance is classified as non-current asset.

12. Trade Payables

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

	30.9.2008 HK$'000 (unaudited)	31.3.2008 HK$'000 (audited)
0 — 30 days	**41,261**	40,997
31 — 90 days	**29,943**	28,067
> 90 days	**35,715**	32,387
	106,919	101,451

13. Borrowings

During the period, the Group obtained new bank loans amounting to approximately HK$78,167,000. The loans carry interest at market rates of 2.86% per annum to 5.21% per annum and are repayable by installments over the periods from 1 month to 7 years. The proceeds were used to finance the acquisition of property, plant and equipment and for providing additional working capital to the Group.

14. Share Capital

	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.10 each:		
Authorised		
At 1 April 2008 and 30 September 2008	400,000,000	40,000
Issued and fully paid		
At 1 April 2008 and 30 September 2008	200,000,000	20,000

15. Pledge of Assets

At 30 September 2008, freehold land, buildings, plant and machinery and motor vehicles of the Group with net book values of approximately HK$5,303,000, HK$23,412,000, HK$36,062,000 and HK$300,000 (31.3.2008: nil, nil, HK$42,893,000 and HK$400,000) respectively were pledged with a bank to secure the loans granted to the Group.

16. Capital Commitments

The Group was committed to capital expenditure of approximately HK$20,679,000 (31.3.2008: HK$12,383,000) for the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements.

17. Related Party Transactions

Apart from the amount due from an associate as disclosed in note 11, during the period, the Group paid rentals of approximately HK$1,054,000 (1.4.2007 to 30.9.2007: HK$1,054,000) in respect of the Group's office premises, showrooms and warehouses to a company in which certain shareholders and directors of the Company have beneficial interests.

Compensation of key management personnel

The remunerations of key management personnel in respect of the period are as follows:

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**6,671**	5,578
Post-employment benefits	**231**	163
	6,902	5,741

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