2010/2011

Interim Report

達藝
DECCA

DECCA HOLDINGS LIMITED
達藝控股有限公司

STOCK CODE: 997

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The Group's revenue for six months ended 30 September 2010 decreased by 9.7% to HK$310.8 million from HK$344.1 million for the same period in 2009. The gross margin also decreased from 29.5% to 26.2%.

Total revenue of interior decoration work decreased slightly by 4.2% to HK$105.7 million compared to corresponding period of last year. Furniture sales decreased by 12.3% to HK$205.1 million compared to the same period of the previous year. Sales of furniture to the United States decreased by 58.5% to HK$65.3 million. However, sales to Europe increased substantially by 320.9% to HK$36.9 million compared to the same period of the previous year. Sales to China also increased in a promising manner from HK$105.4 million in the interim period of previous year to HK$132.7 million of the current period under review.

The Group's top five customers for the period ended 30 September 2010 were LVMH Group accounted for HK$112.1 million in revenue which represented 36.1% of the Group' revenue. These contracts were associated with several Louis Vuitton stores in China, Hong Kong and Macau. The next four customers by revenue during the period included Happy Field Limited — 3.8% of revenue, Shanghai Xin Lu Real Estates Limited — 3.6% of revenue, Immobergues SA — 3.1% of revenue and Dolce & Gabbana Hong Kong Limited — 2.7% of revenue.

Projects currently in progress include furniture supply contracts for Four Seasons Hotel — St. Petersburg of Russia, Metropole Corinthia Hotel — London, Capella Hotel — Singapore, interior fitting out contracts in connection with several Louis Vuitton stores in Kumming and Zhengzhou — China and interior fitting out contract for a residence located at Purves Road — Hong Kong.

Outlook

The first half of fiscal 2010/2011 started where the last fiscal year ended. During the first three months, average orders received were less than HK$45 million per month and the Group's monthly revenue for the same period averaged only HK$41 million. However, the second quarter of the current fiscal year showed a substantial improvement. Average monthly revenue from July to September increased to HK$62 million but more importantly, average orders received each month increased to HK$73 million. The orders on hand at 30 September 2010 were approximately HK$263 million, a 23% increase over the closing figure at 31 March 2010.

The source of the increased activity was from the Projects Division which has continued to grow its business with the retail brands and may report record revenue for the full year. The Group's Asia Showroom sales have increased, particularly in China and Hong Kong. The expanded showroom in Beijing and the new showroom in Shanghai have already produced positive results and should continue to impact the Group's profitability. For the first half of the year, European hospitality sales have been very strong. Projects developed by both the Paris and London offices have contributed positively for the period ended 30 September 2010. However, the new concerns in the European financial markets do not bode well for their continued success in the second half of 2010/2011.

The Group continues to emphasize cost reductions. Selling, Distribution and Administrative Expenses continue to decline. A 10% drop was achieved in the first half of 2010/2011. While there will be continued efforts to implement more cost reduction exercises, large cost reduction will probably not be achieved if economic activity continues to increase as it has since July, 2010.

The Group's liquidity and cash position will continue to be managed very carefully over the next six months. Cash in banks was at a record level at 30 September 2010. EBITDA for the last six months was approximately HK$10 million compared to approximately HK$13 million for the entire 2009/2010 fiscal year. This should continue to increase and return to levels prior to 2008/2009.

The Group, like many Chinese companies, has experienced difficulties in finding and hiring skilled labour. It is a concern that as the order book increases, the Group must hire more labour, particularly skilled carpenters, to meet the delivery dates that clients demand. This is made more difficult because the increased orders are coming from the architectural woodworking and retail fixture clients. These projects require a much more skilled labour force than is necessary to build hospitality furniture. The Group has addressed this problem by enacting a number of wage and benefit increases with the result being that many skilled carpenters who had left the company have now returned. The Group will continue to recruit more skilled labour over the coming months. The short-term effect of this effort will be a reduction of the gross margin. However, the Group is confident it will be able to pass on these increase labour costs as new contracts are signed.

Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend to the shareholders of the Company for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

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, 29 November 2010

MANAGEMENT DISCUSSION AND ANALYSIS

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

Review of results

The Group's revenue for six months ended 30 September 2010 decreased by 9.7% to HK$310.8 million from HK$344.1 million for the same period in 2009. The gross margin also decreased from 29.5% to 26.2%.

Total revenue of interior decoration work decreased slightly by 4.2% to HK$105.7 million compared to corresponding period of last year. Furniture sales decreased by 12.3% to HK$205.1 million compared to the same period of the previous year. Sales of furniture to the United States decreased by 58.5% to HK$65.3 million. However, sales to Europe increased substantially by 320.9% to HK$36.9 million compared to the same period of the previous year. Sales to China also increased in a promising manner from HK$105.4 million in the interim period of previous year to HK$132.7 million of the current period under review.

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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 2010, the total bank borrowings amount to HK$121.5 million (31 March 2010: HK$118.5 million), out of which HK$88.2 million (31 March 2010: HK$87.0 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$344.9 million (31 March 2010: HK$355.4 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$2.1 million (2009: HK$2.9 million) representing 0.69% (2009: 0.84%) of the Group's revenue. Net current assets stood at HK$57.1 million (31 March 2010: HK$51.4 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 2010, the gearing ratio (total borrowings divided by net assets was 0.35 (31 March 2010: 0.33). 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

At 30 September 2010, buildings, plant and machinery, motor vehicles and furniture, fixtures and office equipment of the Group with carrying values of approximately HK$27.3 million, HK$11.0 million, HK$0.1 million and HK$3.9 million (31 March 2010: HK$26.6 million, HK$11.2 million, HK$0.1 million and HK$4.2 million) respectively were pledged with a bank to secure the loans granted to the Group.

Employees

As at 30 September 2010, the Group employed 127, 1534, 3, 28, 177, and 10 staff in Hong Kong, Mainland China, Singapore, USA, Thailand, Europe respectively (31 March 2010: 139, 1392, 3, 31, 171 and 12 staff 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

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The source of the increased activity was from the Projects Division which has continued to grow its business with the retail brands and may report record revenue for the full year. The Group's Asia Showroom sales have increased, particularly in China and Hong Kong. The expanded showroom in Beijing and the new showroom in Shanghai have already produced positive results and should continue to impact the Group's profitability. For the first half of the year, European hospitality sales have been very strong. Projects developed by both the Paris and London offices have contributed positively for the period ended 30 September 2010. However, the new concerns in the European financial markets do not bode well for their continued success in the second half of 2010/2011.

The Group continues to emphasize cost reductions. Selling, Distribution and Administrative Expenses continue to decline. A 10% drop was achieved in the first half of 2010/2011. While there will be continued efforts to implement more cost reduction exercises, large cost reduction will probably not be achieved if economic activity continues to increase as it has since July, 2010.

The Group's liquidity and cash position will continue to be managed very carefully over the next six months. Cash in banks was at a record level at 30 September 2010. EBITDA for the last six months was approximately HK$10 million compared to approximately HK$13 million for the entire 2009/2010 fiscal year. This should continue to increase and return to levels prior to 2008/2009.

The Group, like many Chinese companies, has experienced difficulties in finding and hiring skilled labour. It is a concern that as the order book increases, the Group must hire more labour, particularly skilled carpenters, to meet the delivery dates that clients demand. This is made more difficult because the increased orders are coming from the architectural woodworking and retail fixture clients. These projects require a much more skilled labour force than is necessary to build hospitality furniture. The Group has addressed this problem by enacting a number of wage and benefit increases with the result being that many skilled carpenters who had left the company have now returned. The Group will continue to recruit more skilled labour over the coming months. The short-term effect of this effort will be a reduction of the gross margin. However, the Group is confident it will be able to pass on these increase labour costs as new contracts are signed.

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 2010, 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*

	Number of shares of HK$0.10 each				Percentage of the issued
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**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"), 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 30 September 2010, 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 2010 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 2010, the Group paid rental of approximately HK$1,168,000 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 2010, the amount due to Golden Life was nil.

Apart from the above, no 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, whether directly or indirectly, subsisted at the end of 30 September 2010 or at any time during these six months period.

Share Option Scheme

The Company had adopted a share option scheme but the share options granted expired on 31 August 2007. During the period, the Company did not adopt any new share option scheme.

Arrangement to Purchase Shares or Debentures

Save for disclosed above in "Directors Interest in Shares and Underlying Shares", 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 2010, 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 8, 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 2010.

Related Party Transactions

On 30 November 2008, 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 2010.

Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend to the shareholders of the Company for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

Corporate Governance

During the six months ended 30 September 2010, 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 2010.

Review by Audit Committee and 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 Audit Committee has also reviewed the unaudited interim results for the six months ended 30 September 2010.

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 13 to 26, which comprises the condensed consolidated statement of financial position of Decca Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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

29 November 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Revenue	3	**310,773**	344,090
Cost of sales		**(229,366)**	(242,755)
Gross profit		**81,407**	101,335
Other income, gains and losses		**1,805**	1,909
Selling and distribution costs		**(16,481)**	(21,349)
Administrative expenses		**(72,448)**	(77,318)
(Allowance) write back of bad and doubtful debts, net		**(2,365)**	2,004
Share of loss of an associate		**(1,146)**	(1,095)
Finance costs	4	**(2,146)**	(2,874)
(Loss) profit before taxation	5	**(11,374)**	2,612
Income tax expense	6	**(2,979)**	(2,332)
(Loss) profit for the period attributable to the owners of the Company		**(14,353)**	280
Other comprehensive income			
Exchange difference arising on translation of foreign operations and to presentation currency		**3,676**	(3,603)
Share of translation reserve of an associate		**178**	(191)
Other comprehensive income (expense) for the period		**3,854**	(3,794)
Total comprehensive expenses for the period attributable to the owners of the Company		**(10,499)**	(3,514)
(Loss) earnings per share — Basic	7	**HK(7.18) cents**	HK0.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	30.9.2010 HK$'000 (unaudited)	31.3.2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**298,988**	311,837
Prepaid lease payments		**7,201**	7,334
Investment in an associate		**8,823**	9,791
Deferred tax assets		**6,168**	6,630
Deposits paid for acquisition of property, plant and equipment		**–**	170
		321,180	335,762
Current assets			
Inventories		**114,099**	123,339
Accrued revenue		**23,914**	34,850
Trade receivables	10	**91,213**	54,999
Other deposits and prepayments		**20,606**	19,075
Amount due from an associate	11	**352**	352
Prepaid lease payments		**404**	401
Tax recoverable		**12,408**	12,449
Bank balances and cash		**85,433**	53,013
		348,429	298,478
Current liabilities			
Deferred revenue		**14,947**	5,829
Trade payables	12	**71,491**	48,960
Receipts in advance		**60,759**	50,862
Other payables and accruals		**35,595**	34,284
Provision for warranty		**2,527**	4,143
Tax payable		**17,888**	16,073
Bank borrowings	13	**87,953**	86,968
Bank overdrafts		**208**	–
		291,368	247,119
Net current assets		**57,061**	51,359
Total assets less current liabilities		**378,241**	387,121

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	**30.9.2010 HK$'000 (unaudited)**	31.3.2010 HK$'000 (audited)
Non-current liabilities			
Bank borrowings	13	**33,382**	31,514
Deferred tax liabilities		**–**	249
		33,382	31,763
		344,859	355,358
Capital and reserves			
Share capital	14	**20,000**	20,000
Reserves		**324,859**	335,358
Equity attributable to owners of the Company		**344,859**	355,358

Approved by the Board of Directors on 29 November 2010.

Tsang Chi Hung
Chairman

Liu Hoo Kuen
Vice Chairman

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	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 equity HK$'000
At 1 April 2010 (audited)	20,000	47,640	18,865	8,662	29,893	230,298	355,358
Loss for the period	–	–	–	–	–	(14,353)	(14,353)
Exchange differences arising on translation of foreign operations and to presentation currency	–	–	–	–	3,676	–	3,676
Share of translation reserve of an associate	–	–	–	–	178	–	178
Other comprehensive income for the period	–	–	–	–	3,854	–	3,854
Total comprehensive income (expense) for the period	–	–	–	–	3,854	(14,353)	(10,499)
At 30 September 2010 (unaudited)	20,000	47,640	18,865	8,662	33,747	215,945	344,859
At 1 April 2009 (audited)	20,000	47,640	18,865	8,662	37,649	254,942	387,758
Profit for the period	–	–	–	–	–	280	280
Exchange differences arising on translation of foreign operations and to presentation currency	–	–	–	–	(3,603)	–	(3,603)
Share of translation reserve of an associate	–	–	–	–	(191)	–	(191)
Other comprehensive expense for the period	–	–	–	–	(3,794)	–	(3,794)
Total comprehensive expense for the period	–	–	–	–	(3,794)	280	(3,514)
At 30 September 2009 (unaudited)	20,000	47,640	18,865	8,662	33,855	255,222	384,244

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Net cash from operating activities	**32,839**	81,770
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(1,239)**	(2,732)
Deposits paid for acquisition of property, plant and equipment	**–**	(6,792)
Proceeds from disposal of property, plant and equipment	**5**	111
Interest income received	**98**	40
	(1,136)	(9,373)
Net cash from (used in) financing activities:		
Repayment of bank borrowings	**(10,647)**	(63,181)
Repayment of finance leases	**–**	(89)
New bank borrowings raised	**13,500**	23,778
Other financing cash flows	**(2,146)**	(2,874)
	707	(42,366)
Net increase in cash and cash equivalents	**32,410**	30,031
Cash and cash equivalents at 1 April	**53,013**	39,774
Effect of foreign exchange rate changes	**(198)**	395
Cash and cash equivalents at 30 September	**85,225**	70,200
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**85,433**	70,458
Bank overdrafts	**(208)**	(258)
	85,225	70,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2010

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 34, ("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 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 7 (Amendment)	Disclosures — transfer of financial assets[5]
HKFRS 9	Financial instruments[4]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity Instruments[2]

1 Effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for accounting periods beginning on or after 1 July 2010.
3 Effective for accounting periods beginning on or after 1 January 2011.
4 Effective for accounting periods beginning on or after 1 January 2013.
5 Effective for accounting periods beginning on or after 1 July 2011.

The directors of the Company anticipate that the application of these 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

The Group's reportable operating segments under HKFRS 8 are as follows:

— Sales of furniture and fixtures
— Interior decoration work

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Six months ended 30.9.2010		Six months ended 30.9.2009	
	Segment revenue HK$'000 (unaudited)	**Segment profit for the period HK$'000 (unaudited)**	Segment revenue HK$'000 (unaudited)	Segment profit for the period HK$'000 (unaudited)
Sales of furniture and fixtures	**205,062**	**17,043**	233,721	24,767
Interior decoration work	**105,711**	**11,434**	110,369	16,081
Total	**310,773**	**28,477**	344,090	40,848
Other income, gains and losses		**1,805**		1,909
Share of loss of an associate		**(1,146)**		(1,095)
Finance costs		**(2,146)**		(2,874)
Unallocated corporate expenses		**(38,364)**		(36,176)
(Loss) profit before taxation		**(11,374)**		2,612

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of loss of an associate, other income and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**2,146**	2,866
Finance leases	**—**	8
	2,146	2,874

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting) the following items:

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	**202**	201
Depreciation of property, plant and equipment	**19,035**	20,440
Allowance for slow moving inventories	**2,811**	1,497
Interest income	**(98)**	(40)
Loss on disposal of property, plant and equipment	**100**	9
Net foreign exchange gain (included in other income, gains and losses)	**(1,195)**	(1,459)

6. INCOME TAX EXPENSE

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**591**	189
The People's Republic of China ("PRC")		
Enterprise Income Tax	**2,026**	1,276
Other jurisdictions	**149**	575
	2,766	2,040
Deferred taxation	**213**	292
	2,979	2,332

Hong Kong Profits Tax and PRC Enterprise Income Tax are calculated at 16.5% and 25% of the estimated assessable profit for the current and prior periods respectively.

Tax from other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions respectively.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) earnings for the purposes of basic and diluted earnings per share ((loss) profit for the period attributable to owners of the Company)	**(14,353)**	280

Number of shares

	Six months ended	
	30.9.2010	30.9.2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**200,000**	200,000

There was no diluted (loss) earnings per share presented as there were no potential shares outstanding for both current and prior periods.

8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2010 and 2009. The directors of the Company do not recommend the payment of an interim dividend to the shareholders of the Company.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK$1,409,000 (six months ended 30 September 2009: HK$5,195,000), including the transfer of deposits paid for acquisition of property, plant and equipment of approximately HK$170,000 (six months ended 30 September 2009: HK$2,463,000).

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK$105,000 (six months ended 30 September 2009: HK$120,000) for cash proceeds of approximately HK$5,000 (six months ended 30 September 2009: HK$111,000), resulting in a loss on disposal of approximately HK$100,000 (six months ended 30 September 2009: HK$9,000).

10. TRADE RECEIVABLES

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.

The following is an analysis of trade receivables by age, presented based on the invoice date (net of allowance for bad and doubtful debts):

	30.9.2010 HK$'000 (unaudited)	31.3.2010 HK$'000 (audited)
0-30 days	**52,653**	20,137
31-90 days	**13,883**	17,020
>90 days	**24,677**	17,842
	91,213	54,999

11. AMOUNT DUE FROM AN ASSOCIATE

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

12. TRADE PAYABLES

The following is an aged analysis of trade payables by age, presented based on invoice date:

	30.9.2010 HK$'000 (unaudited)	31.3.2010 HK$'000 (audited)
0-30 days	**36,661**	22,158
31-90 days	**12,988**	9,234
>90 days	**21,842**	17,568
	71,491	48,960

13. BANK BORROWINGS

During the current period, the Group obtained several new bank loans from various banks amounting to approximately HK$13,500,000 (six months ended 30 September 2009: HK$23,778,000) and repaid approximately HK$10,647,000 (six months ended 30 September 2009: HK$63,181,000). The loans carry interest at market rates ranging from 1.86% to 7.01% (six months ended 30 September 2009: 2.65% to 5.38%) per annum and are repayable in installments over a period from 1 month to 4 years (six months ended 30 September 2009: 1 month to 6 years).

14. SHARE CAPITAL

	Number of shares	Nominal value HK$'000 (unaudited)
Ordinary shares of HK$0.10 each:		
Authorised		
At 1 April 2009, 31 March 2010 and 30 September 2010	**400,000,000**	40,000
Issued and fully paid		
At 1 April 2009, 31 March 2010 and 30 September 2010	**200,000,000**	20,000

15. PLEDGE OF ASSETS

At 30 September 2010, buildings, plant and machinery, motor vehicles and furniture, fixtures and office equipment of the Group with carrying values of approximately HK$27,330,000, HK$10,959,000, HK$69,000 and HK$3,938,000 (31 March 2010: HK$26,620,000, HK$11,189,000, HK$136,000 and HK$4,159,000) respectively were pledged with a bank to secure the loans granted to the Group.

16. CAPITAL COMMITMENTS

At 31 March 2010, the Group was committed to capital expenditure of approximately HK$193,000 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$1,168,000 (six months ended 30 September 2009: HK$1,168,000) 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	
	30.9.2010	30.9.2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**5,975**	5,893
Post-employment benefits	**236**	236
	6,211	6,129

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