Annual Report 2011

達藝

DECCA

DECCA HOLDINGS LIMITED

達藝控股有限公司

STOCK CODE: 997

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	HSBC Securities Services (Bermuda) Limited 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	DLP Piper Hong Kong Guangzhou Guang Xin Lawyers

FINANCIAL CALENDAR

Interim Results	Announced on Monday, 29 November 2010
Interim Dividend	Nil
Final Results	Announced on Thursday, 30 June 2011
Annual Report	Sent to Shareholders on Friday, 15 July 2011
Register of Members	To be closed from Tuesday, 16 August 2011 to Friday, 19 August 2011, both days inclusive
Annual General Meeting ("AGM")	To be held on Friday, 19 August 2011

CHAIRMAN'S STATEMENT

RESULTS

During the year under review, the consolidated revenue increased to HK$634.6 million (2010: HK$592.8 million), while net loss after tax was amounted to HK$12.8 million (2010: net loss after tax: HK$28.6 million). The increase in revenue is a result of the increase in furniture and fixtures contracts in China as well as showroom sales which had accounted for 40% of the Group's revenue in total. Although the United States of America ("US") economy is gearing towards a slow recovery, the Group had continued to experience the effects of the US economic downturn, revenue from the US decreased by 39.1% from HK$218.1 million to HK$132.8 million. The gross margin increased slightly from 27.7% to 28.9%. The increase in profitability was mainly due to the Group's effort in exercising more stringent cost control.

The Group's cost of sales increased by 5.2%. The total for this year was HK$451.2 million (71.1% of the revenue) compared to last year's HK$428.8 million (72.3% of the revenue). There was an allowance of bad and doubtful debts and also a write back of bad debt of HK$3.3 million and HK$2.9 million respectively. The increase in the allowance of bad and doubtful debts was mainly attributed to the difficulty in collecting receivables in various subsidiaries of the Group. Notwithstanding to the provisions made, the Group will seek to recover the receivables in question.

BUSINESS REVIEW

The China market became the principal market of the Group accounted for 34.1% of the Group's revenue. Revenue in Europe increased modestly by 124.1% from HK$35.7 million to HK$80.0 million. Revenue in the Hong Kong and Macau markets reduced by 17.4% from HK$174.9 million to HK$144.5 million. The retail store fixtures business experienced an increase in revenue of 17.4%. Revenue in the US markets decreased by 39.1% to HK$132.8 million compare with the previous year of HK$218.1 million.

The guestroom of a 5-star hotel in London completed by the Group's hospitality furniture team
本集團之酒店傢私團隊完成位於
倫敦一間五星級酒店之客房

The Group's top five customers for the year ended 31 March 2011 were LVMH Group for several stores in Hong Kong and China accounted for HK$180.3 million in revenue which represented 28.4% of the Group's revenue, Sanfield Building Contractors Ltd. - 5.5% of revenue, Imperial Woodworking Group - 5.2% of revenue, Woodmont Investments Ltd. - 3.4% of revenue and Ardmore Construction Ltd-2.1% of revenue.

Projects currently in progress include furniture supply contracts for Four Seasons Hotel - Aviara, Four Seasons Hotel - Baku, The One Aldwych Hotel - London, Apple Computer stores in Hong Kong and Shanghai, interior fitting out and retail fixtures supply contract for a Louis Vuitton store in Hangzhou

CHAIRMAN'S STATEMENT

PROSPECTS

The Group's operating profit before taxes and discontinued operations has now been positive for the last three quarters. In particular, the second half results for 2010/2011 is very encouraging for the coming year. This has occurred despite the fact that the US hospitality industry remains depressed and has not contributed to the Group's recovery. Although quotation requests from the US hospitality sector have increased, we do not expect any substantial increase in revenue from this sector until the fourth quarter of 2011 and possibly not until the first quarter of 2012.

The Group's orders on hand as at 31 March 2011 increased by 32% to approximately HK$282 million. What is particularly encouraging about the increase is that it is broad-based with over HK$80 million in smaller contracts compared with only $40 million in small contracts at last years' year-end. The outstanding orders continue to be concentrated in Asia, particularly China. In order for the Group to return to the revenue levels of 2009, we need to see increased activity in both Europe and the US With the current uncertainties in the economies of Europe and the US this may still be several years away.

Maintaining liquidity will continue to be very important to the Group. The Group's cash holding now covers all bank borrowing by more than 1.3 times. The Group's earnings before interest, taxes, depreciation expenses and amortisation expenses (EBITDA) have now increased from approximately HK$13 million at 31 March 2010 to approximately HK$41 million one year later. The Group expects this to continue to improve as full year profitable operations return.

The Group will continue to focus on lowering its selling and distribution costs and its overall administration expenses. A 6.4% reduction was achieved over the past twelve months on top of the 18.9% decrease achieved in the previous year. Unfortunately, a substantial amount of this savings was offset by the rising labor costs in China. The Group does not see any respite from continued increases in labor wages and expects that labor wages will further increase in this coming fiscal year. In addition, both material costs and petroleum prices also continue to increase. And, we expect a steady appreciation of Renminbi to occur. The Group's ability to compete in overseas markets will depend on becoming more efficient in the manufacturing process. This is a daunting challenge for the Group but is possible.

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 their tireless effort and contributions to the Group.

By Order of the Board

Tsang Chi Hung
Chairman

Hong Kong, 30 June 2011

FINANCIAL SUMMARY

For the financial year (in HK$'000)	2011	2010	2009	2008	2007
Revenue	**634,618**	592,796	927,177	813,726	636,848
Gross profit	**183,380**	163,981	310,077	297,591	261,935
(Loss) profit before taxation	**(1,503)**	(33,129)	48,313	82,909	96,405
Income tax (charge) credit	**(11,318)**	4,492	(8,945)	(18,801)	(18,074)
(Loss) profit before non-controlling interests	**(11,197)**	(28,637)	39,724	64,388	78,331
Non-controlling interests	**(1,624)**	–	(356)	(280)	–
(Loss) profit for the year	**(12,821)**	(28,637)	39,368	64,108	78,331
Dividends paid	**Nil**	Nil	21,400	21,000	15,100
Basic (loss) earnings per share (HK$)	**(0.06)**	(0.14)	0.20	0.32	0.39

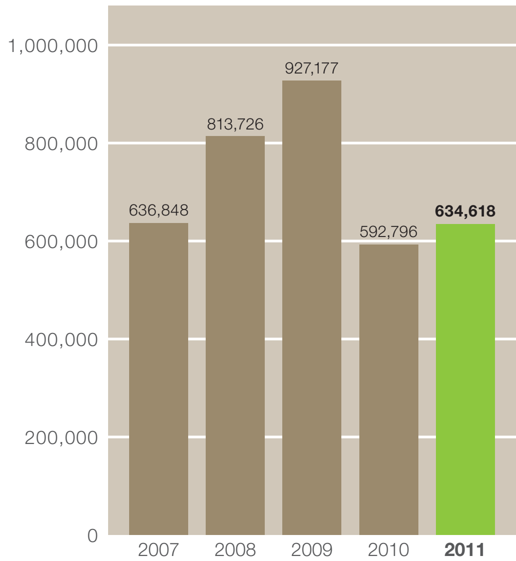
At (in HK$'000)	31 March 2011	31 March 2010 (restated)	31 March 2009 (restated)	31 March 2008	31 March 2007
Non-current Assets	**297,842**	335,762	366,888	324,843	162,355
Current Assets	**325,556**	298,478	380,672	430,661	327,076
Bank Balances and Cash	**113,515**	53,013	42,735	64,514	68,338
Current Liabilities	**266,913**	264,045	340,033	345,763	165,958
Net Current Assets	**58,643**	34,433	40,639	84,898	161,118
Non-current Liabilities	**4,061**	14,837	19,769	47,175	26,950
Net Assets	**352,424**	355,358	387,758	362,566	296,523

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

FINANCIAL SUMMARY

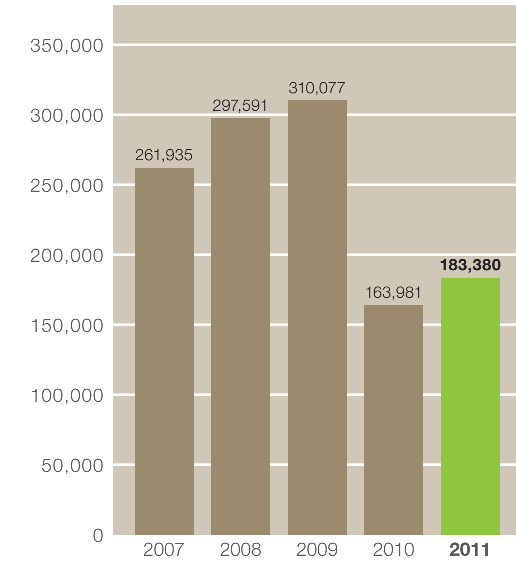
REVENUE

HK$'000



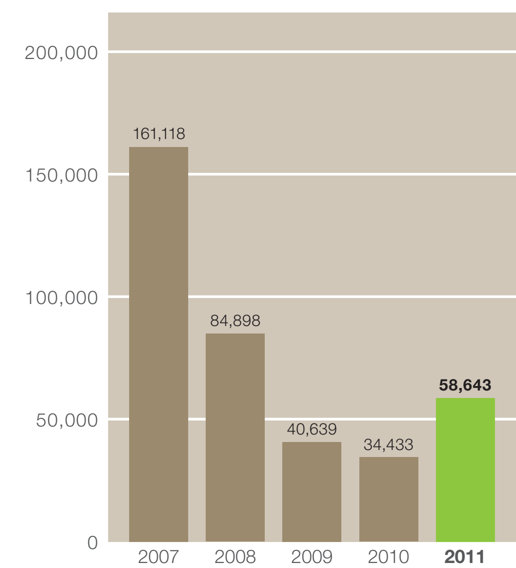
GROSS PROFIT

HK$'000



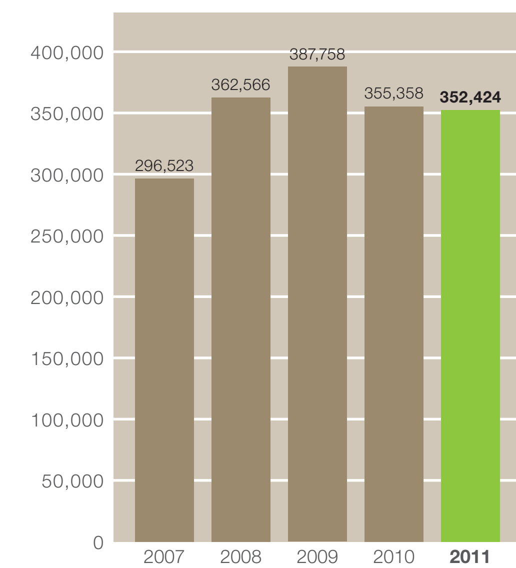
NET CURRENT ASSETS

HK$'000



NET ASSETS

HK$'000



MANAGEMENT DISCUSSION AND ANALYSIS

The public area of a 5-star hotel in London completed by the Group's hospitality furniture team
本集團之酒店傢私團隊完成位於倫敦一間五星級酒店之公眾區域

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

During the year under review, the consolidated revenue increased to HK$634.6 million (2010: HK$592.8 million), while net loss after tax was amounted to HK$12.8 million (2010: net loss after tax: HK$28.6 million). The increase in revenue is a result of the increase in furniture and fixtures contracts in China as well as showroom sales which had accounted for 40% of the Group's revenue in total. Although the United States of America ("US") economy is gearing towards a slow recovery, the Group had continued to experience the effects of the US economic downturn, revenue from the US decreased by 39.1% from HK$218.1 million to HK$132.8 million. The gross margin increased slightly from 27.7% to 28.9%. The increase in profitability was mainly due to the Group's effort in exercising more stringent cost control.

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MANAGEMENT DISCUSSION AND ANALYSIS

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Projects currently in progress include furniture supply contracts for Four Seasons Hotel - Aviara, Four Seasons Hotel - Baku, The One Aldwych Hotel - London, Apple Computer stores in Hong Kong and Shanghai, interior fitting out and retail fixtures supply contract for a Louis Vuitton store in Hangzhou.

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 2011, the total bank borrowing amounting to HK$86.2 million (2010: HK$118.5 million), out of which HK$82.1 million (2010: HK$103.9 million) would mature in one year or on demand. The borrowings include bank loans 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$352.4 million (2010: HK$355.4 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$4.0 million (2010: HK$5.0 million) representing 0.6% (2010: 0.8%) of the Group's revenue. Net current assets stood at HK$58.6 million (2010: HK$34.4 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 with internally generated resources and credit facilities by banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO AND FOREIGN EXCHANGE EXPOSURE

As at 31 March 2011, the gearing ratio (total borrowings divided by net assets) was 0.24 (2010: 0.33). As the Group's revenue and expenses are mainly in Hong Kong dollars. Renminbi and United States dollars and its cash holding was mainly denominated in Hong Kong dollars, foreign exposure of the Group was minimal as long as the policy of the Government of the 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 the Hong Kong economy.

EMPLOYEES

As at 31 March 2011, the Group employed 127, 1502, 3, 30, 151 and 12 staff in Hong Kong, Mainland China, Singapore, US, Thailand and Europe respectively (2010: 139, 1392, 3, 31, 171 and 12 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 2011 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 August 2011 to Friday, 19 August 2011, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the attendance and voting at the forthcoming Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Standard Limited on 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 15 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group's operating profit before taxes and discontinued operations has now been positive for the last three quarters. In particular, the second half results for 2010/2011 is very encouraging for the coming year. This has occurred despite the fact that the US hospitality industry remains depressed and has not contributed to the Group's recovery. Although quotation requests from the US hospitality sector have increased, we do not expect any substantial increase in revenue from this sector until the fourth quarter of 2011 and possibly not until the first quarter of 2012.

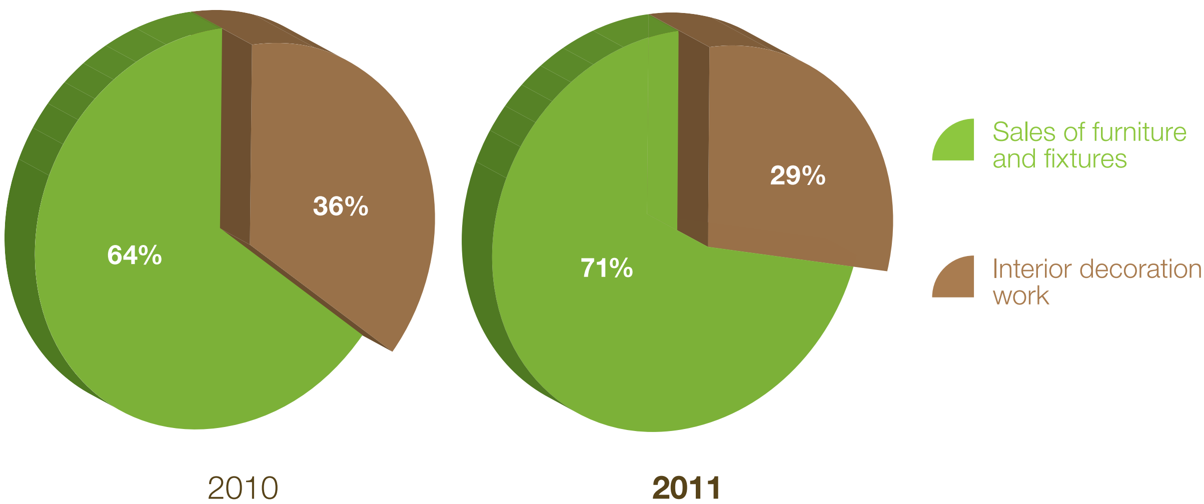
The Group's orders on hand as at 31 March 2011 increased by 32% to approximately HK$282 million. What is particularly encouraging about the increase is that it is broad-based with over HK$80 million in smaller contracts compared with only $40 million in small contracts at last years' year-end. The outstanding orders continue to be concentrated in Asia, particularly China. In order for the Group to return to the revenue levels of 2009, we need to see increased activity in both Europe and the US. With the current uncertainties in the economies of Europe and the US, this may still be several years away.

Maintaining liquidity will continue to be very important to the Group. The Group's cash holding now covers all bank borrowing by more than 1.3 times. The Group's earnings before interest, taxes, depreciation expenses and amortisation expenses (EBITDA) have now increased from approximately HK$13 million at 31 March 2010 to approximately HK$41 million one year later. The Group expects this to continue to improve as full year profitable operations return.

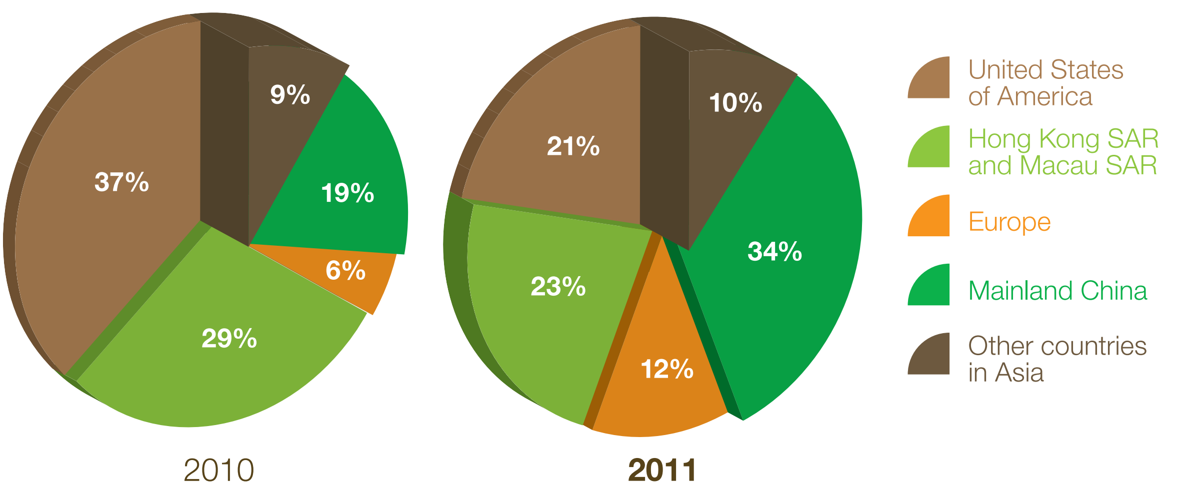
The Group will continue to focus on lowering its selling and distribution costs and its overall administration expenses. A 6.4% reduction was achieved over the past twelve months on top of the 18.9% decrease achieved in the previous year. Unfortunately, a substantial amount of this savings was offset by the rising labor costs in China. The Group does not see any respite from continued increases in labor wages and expects that labor wages will further increase in this coming fiscal year. In addition, both material costs and petroleum prices also continue to increase. And, we expect a steady appreciation of Renminbi to occur. The Group's ability to compete in overseas markets will depend on becoming more efficient in the manufacturing process. This is a daunting challenge for the Group but is possible.

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER BY OPERATION SEGMENTS



TURNOVER FOR GEOGRAPHICAL INFORMATION



CORPORATE GOVERNANCE REPORT

The Company is dedicated to maintaining good standard of corporate governance as it believes that corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance shareholders' value as well as safeguard shareholders' interests.

In the opinion of the Directors, the Company has complied with all 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 Stock Exchange of Hong Kong Limited (Listing Rules) for the year ended 31 March 2011, except code provision A.2.1 which will be described later.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Confirmation has been sought from all Directors and they have complied with the required standard set out in the Model Code for the year ended 31 March 2011.

BOARD OF DIRECTORS

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Board currently comprises 10 Directors including seven Executive Directors and three Independent Non-executive Directors whose biographical details are set out in the "Directors and Senior Management" section of this annual report.

The Board meets regularly four times a year, ie. at approximately quarterly intervals. During the year ended 31 March 2011, the Board convened a total of four meetings and the attendance of the Directors are as follows:

Name	Number of board meetings held while being a director	Number of board 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	3
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	4
Mr Cheng Woon Kam	4	4
Mr. Pak Wai Tun, Wallace	4	4

CORPORATE GOVERNANCE REPORT

Notice of regular Board meetings is given to all Directors at least 14 days before meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials are normally sent to all Directors at least three days before the regular Board meeting to ensure that they have sufficient time and attention to the affairs of the Company.

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board meetings. Such minutes are open for inspection by Directors.

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board, other than Mr. Tsang Chi Hung and Ms. Kwan Yau Choi who are husband and wife.

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

The Company has received annual written confirmation of Independent from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

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.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 March 2011, the Company deviates from the code provision A.2.1 of CG Code.

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.

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 namely, Mr. Chu Kwok Man, Mr. Cheng Woon Kam and Mr. Pak Wai Tun, Wallace. During the year ended 31 March 2011, 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. Pak Wai Tun, Wallace *(Chairman)*	2	2
Mr Chu Kwok Man	2	2
Mr Cheng Woon Kam	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 2011, the Audit Committee convened two meetings. It has reviewed the interim and annual reports of the Company.

AUDITORS' REMUNERATION

During the year ended 31 March 2011, the audit and non-audit fees payable/paid to external auditors was made up of an audit fee of approximately HK$2,271,000 and a non-audit related service fee of approximately HK$1,113,000. The latter included taxation service and professional service.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee consists of 2 executive directors namely, Mr. Liu Hoo Kuen and Mr. Tsang Chi Hung and 3 independent non-executive directors namely, Mr. Chu Kwok Man, Mr. Cheng Woon Kam and Mr. Pak Wai Tun, Wallace. During the year ended 31 March 2011, the Committee convened one meeting and the attendance of members are as follows:

Name	Number of meetings while being a member	Number of meetings 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.

INTERNAL CONTROL

The Board has the responsibility for maintaining sound and effective internal control system of the Group to safeguard the Company's assets and shareholders' interest.

The Board has conducted annual 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.

The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to communicate with shareholders through annual and other general meetings directly.

The Board is committed to providing clear and full information of the Group to shareholders through the publication of announcements, circulars, interim and annual reports. Updated information of the Group is also available to shareholders through the Company's website.

Shareholders are encouraged to attend general meetings of the Company at which Directors are available to answer sharheolders's questions.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tsang Chi Hung

Mr. Tsang Chi Hung, aged 71, 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 37 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 59, 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 37 years' experience in product design, project management and quality assurance.

Mr. Richard Warren Herbst

Mr. Richard Warren Herbst, aged 62, 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 25 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 65, 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 37 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 56, 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 33 years' experience in financial management, accounting, costing, material sourcing and purchasing, and personnel management.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai Wing Wah

Mr. Tai Wing Wah, aged 52, 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 53, 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 26 years' experience in institutional furniture sales and contract management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kwok Man

Mr. Chu Kwok Man, aged 55, 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 58, 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 34 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 68, 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.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kwan Kam Ming

Mr. Kwan Kam Ming, aged 56, 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 23 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. Chiu Chi Ming

Mr. Chiu Chi Ming, aged 48, 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 18 years' experience in system management, analysis and programming.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2011.

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 35 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 2011 are set out in the consolidated statement of comprehensive income on page 31.

The directors do not recommend the payment of interim and final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 44.6% of the Group's revenue, with the largest customer accounted for approximately 28.4%. Purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total 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 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2011 were as follows:

	HK$'000
Contributed surplus	145,867
Retained profits	22,561
	168,428

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 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

In accordance with Bye-Law 87, Mr. Cheng Woon Kam, Mr. Pak Wai Tun, Wallace, Mr. Richard Warren Herbst and Mr. Chu Kwok Man retire from the board by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

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 an initial term of 3 years commencing on 1 April 2005 and 1 April 2006 respectively. No new service contracts were signed upon expiration on 31 March 2008 and 31 March 2009 respectively and each service contract will continue thereafter unless terminated by either party thereto giving to the other at least 3 months' notice in writing.

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 2010, 1 September 2010 and 1 September 2009 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 2011, 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' REPORT

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long position

(a) Interests in the Company's shares

Name of director	Number of shares of HK$0.10 each: 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)
Ms. Kwan Yau Choi	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. 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, 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' REPORT

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 31 March 2011, 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 2011 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

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

ARRANGEMENTS 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 2011, 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 23, 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 2011.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The Group entered into tenancy agreements (the "Agreements") with Golden Life Investment Limited ("Golden Life") on 30 November 2005 and 30 November 2008. 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, Ms. Kwan Yau Choi and Ms. Fung Sau Mui, directors of the Company, are also directors of Golden Life; and Mr. Tsang Chi Hung, Mr. Liu Hoo Kuen and Ms. Kwan Yau Choi are also shareholders of Golden Life.

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) ("Premises 1") as its head office, showroom and warehouse at a monthly rental of HK$155,704 and monthly 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 ("Premises 2") for warehousing at a monthly rental of HK$20,000 and monthly building management fee of HK$2,080 for a period of 3 years from 1 December 2005 to 30 November 2008.

Pursuant to the Agreements dated 30 November 2008, the Company leases Premises 1 as its head office, showroom and warehouse at a monthly rental of HK$169,722 and monthly building management fee of HK$21,032; and Premises 2 for warehousing at a monthly rental of HK$25,000 and monthly building management fee of HK$2,440 for a period of 3 years from 1 December 2008 to 30 November 2011.

During the year, the Group paid rental and building management fees of approximately HK$2,618,000 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.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 March 2011, 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 2011 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 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.

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 had 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.

DIRECTORS' REPORT

DONATIONS

During the year, the Group made donations amounting to approximately HK$120,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2011.

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, 30 June 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS 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 31 to 84, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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 of the consolidated financial statements that give a true and fair view 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 2011, and of the Group's loss 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

30 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	7	**634,618**	592,796
Cost of sales		**(451,238)**	(428,815)
Gross profit		**183,380**	163,981
Other income, gains and losses	9	**4,075**	(870)
Selling and distribution costs		**(37,069)**	(39,424)
Administrative expenses		**(140,664)**	(150,481)
Share of result of an associate		**(7,185)**	(1,361)
Finance costs	10	**(4,040)**	(4,974)
Loss before taxation		**(1,503)**	(33,129)
Income tax (charge) credit	13	**(11,318)**	4,492
Loss for the year	14	**(12,821)**	(28,637)
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations and to presentation currency		**9,394**	(3,602)
Share of translation reserve of an associate		**493**	(161)
Other comprehensive income (expense) for the year		**9,887**	(3,763)
Total comprehensive expense for the year		**(2,934)**	(32,400)
Loss for the year attributable to:			
Owners of the Company		**(11,197)**	(28,637)
Non-controlling interests		**(1,624)**	—
		(12,821)	(28,637)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,310)**	(32,400)
Non-controlling interests		**(1,624)**	—
		(2,934)	(32,400)
Loss per share — Basic	16	**HK(5.60) cents**	HK(14.32) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	17	**287,607**	311,837	337,585
Prepaid lease payments	18	**7,136**	7,334	7,806
Investment in an associate	19	**3,099**	9,791	11,313
Deferred tax assets	27	**–**	6,630	7,721
Deposits paid for acquisition of property, plant and equipment		**–**	170	2,463
		297,842	335,762	366,888
Current assets				
Inventories	20	**106,840**	123,339	165,541
Accrued revenue		**16,771**	34,850	22,084
Trade receivables	21	**68,118**	54,999	125,453
Other receivables, deposits and prepayments		**16,291**	19,075	19,269
Amount due from an associate	22	**–**	352	352
Prepaid lease payments	18	**409**	401	404
Tax recoverable		**3,612**	12,449	4,834
Bank balances and cash	22	**113,515**	53,013	42,735
		325,556	298,478	380,672
Current liabilities				
Deferred revenue		**4,439**	5,829	3,073
Trade payables	23	**57,923**	48,960	67,177
Receipts in advance	24	**63,580**	50,862	40,092
Other payables and accruals	22	**33,664**	34,284	47,491
Provision for warranty	25	**4,123**	4,143	9,942
Tax payable		**21,040**	16,073	20,259
Bank borrowings	26	**82,144**	103,894	148,644
Obligations under finance leases — due within one year		**–**	—	394
Bank overdrafts		**–**	—	2,961
		266,913	264,045	340,033
Net current assets		**58,643**	34,433	40,639
Total assets less current liabilities		**356,485**	370,195	407,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Non-current liabilities				
Bank borrowings	26	**4,061**	14,588	19,769
Deferred tax liabilities	27	**—**	249	—
		4,061	14,837	19,769
		352,424	355,358	387,758
Capital and reserves				
Share capital	28	**20,000**	20,000	20,000
Reserves		**334,048**	335,358	367,758
Equity attributable to owners of the Company		**354,048**	355,358	387,758
Non-controlling interests		**(1,624)**	—	—
Total equity		**352,424**	355,358	387,758

The consolidated financial statements on pages 31 to 84 were approved and authorised for issue by the Board of Directors on 30 June 2011 and are signed on its behalf by:

Tsang Chi Hung
CHAIRMAN

Liu Hoo Kuen
VICE CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009	20,000	47,640	18,865	8,662	37,649	254,942	387,758	–	387,758
Loss for the year	–	–	–	–	–	(28,637)	(28,637)	–	(28,637)
Exchange difference arising on translation of foreign operations and to presentation currency	–	–	–	–	(3,602)	–	(3,602)	–	(3,602)
Share of translation reserve of an associate	–	–	–	–	(161)	–	(161)	–	(161)
Other comprehensive expense for the year	–	–	–	–	(3,763)	–	(3,763)	–	(3,763)
Total comprehensive expense for the year	–	–	–	–	(3,763)	(28,637)	(32,400)	–	(32,400)
Release of translation reserve on deregistration of a subsidiary	–	–	–	–	(3,993)	3,993	–	–	–
At 31 March 2010	20,000	47,640	18,865	8,662	29,893	230,298	355,358	–	355,358
Loss for the year	–	–	–	–	–	(11,197)	(11,197)	(1,624)	(12,821)
Exchange difference arising on translation of foreign operations and to presentation currency	–	–	–	–	9,394	–	9,394	–	9,394
Share of translation reserve of an associate	–	–	–	–	493	–	493	–	493
Other comprehensive income for the year	–	–	–	–	9,887	–	9,887	–	9,887
Total comprehensive expense for the year	–	–	–	–	9,887	(11,197)	(1,310)	(1,624)	(2,934)
At 31 March 2011	20,000	47,640	18,865	8,662	39,780	219,101	354,048	(1,624)	352,424

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.

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

Translation reserve of approximately HK$3,993,000 was released to retained profits due to deregistration of a subsidiary of the Company during the year ended 31 March 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(1,503)**	(33,129)
Adjustments for:		
Interest income	**(393)**	(85)
Interest expense	**4,040**	4,974
Depreciation of property, plant and equipment	**38,361**	40,728
Amortisation of prepaid lease payments	**409**	401
Share of result of an associate	**7,185**	1,361
Allowance (reversal of allowance) for bad and doubtful debts, net	**3,268**	(2,753)
Bad debt directly written back	**(2,943)**	—
Impairment loss recognised on accrued revenue	**233**	2,618
Allowance for slow moving inventories	**2,876**	5,078
Loss on disposal of property, plant and equipment	**389**	1,802
Reversal of impairment on amount due from an associate	**(769)**	—
Provision for warranty recognised	**3,413**	696
Operating cash flows before movements in working capital	**54,566**	21,691
Decrease in inventories	**15,097**	36,289
Decrease (increase) in accrued revenue	**17,846**	(15,384)
(Increase) decrease in trade receivables	**(13,014)**	72,997
Decrease (increase) in other receivables, deposits and prepayments	**2,967**	(4)
(Decrease) increase in deferred revenue	**(1,390)**	2,756
Increase (decrease) in trade payables	**8,273**	(16,704)
Increase in receipts in advance	**12,718**	10,770
Decrease in other payables and accruals	**(1,303)**	(12,970)
Utilisation of provision for warranty	**(3,433)**	(6,495)
Net cash from operations	**92,327**	92,946
Hong Kong Profits Tax refunded (paid)	**1,542**	(1,544)
Overseas Profits Tax refunded (paid)	**6,735**	(4,253)
NET CASH FROM OPERATING ACTIVITIES	**100,604**	87,149

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,902)**	(21,876)
Deposits paid for acquisition of property, plant and equipment	**–**	(170)
Interest received	**393**	85
Proceeds from disposal of property, plant and equipment	**69**	2,411
Repayment from an associate	**1,121**	–
NET CASH USED IN INVESTING ACTIVITIES	**(3,319)**	(19,550)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(194,381)**	(106,097)
Interest on bank borrowings	**(4,040)**	(4,930)
Repayment of finance leases	**–**	(394)
Interest on obligations under finance leases	**–**	(44)
New bank borrowings raised	**161,165**	57,302
NET CASH USED IN FINANCING ACTIVITIES	**(37,256)**	(54,163)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**60,029**	13,436
CASH AND CASH EQUIVALENTS AT 1 APRIL	**53,013**	39,774
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**473**	(197)
CASH AND CASH EQUIVALENTS AT 31 MARCH,		
represented by bank balances and cash	**113,515**	53,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 (the "Stock Exchange"). 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$"). For the convenience of the financial statement users, the results and financial position of the Group are presented in HK$ as the Company's shares are listed on 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 the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
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
HK — INT 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Hong Kong Interpretation 5 "Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause"

Hong Kong Interpretation 5 "Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of approximately HK$41,410,000 and HK$16,926,000 have been reclassified from non-current liabilities to current liabilities as at 1 April 2009 and 31 March 2010 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of approximately HK$18,205,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss as well as loss per share for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 for details).

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. The application of amendments to HKAS 17 has not affected the classification of leasehold land of the Group as at 31 March 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangements[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurement[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 27 (Revised in 2011)	Separate financial statements[4]
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures[4]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Amendments that are effective for accounting periods beginning on or after 1 July 2010 or 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 July 2011.
4 Effective for accounting periods beginning on or after 1 January 2013.
5 Effective for accounting periods beginning on or after 1 January 2012.
6 Effective for accounting periods beginning on or after 1 January 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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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.

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 contract that includes both interior decoration services as well as sales of furniture is recognised based on the substance of each separately identifiable component. Revenue from sale of furniture is recognised when goods are delivered. Revenue from interior decoration services is recognised on the percentage of completion method involved 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.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of financial position. 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 or 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 recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

Freehold land is carried at cost less any recognised impairment loss. Freehold land is not depreciated.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 April 2009 are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss 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 the respective 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Exchange differences arising from translating the Group's entities with the same functional currency of the Company to the presentation currency of the Group which were accumulated in the translation reserve arising from assets and liabilities of those entities translating into the presentation currency of the Group, will be transferred directly to retained profits upon derecognition of those Group's entities.

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items 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 by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 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 to the net carrying amount on initial recognition.

Interest 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. Subsequent to initial recognition, loans and receivables (including trade receivables, other 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 the end of the reporting period. 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 of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

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

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

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of loans and receivables (continued)

For loans and receivables carried at amortised cost, 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 of the loans and receivables is reduced by the impairment loss directly of all loans and receivables with the exception of trade and other 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 instruments

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 mainly 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 and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

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 in its entirety, 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 in other comprehensive income and accumulated 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 best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on non-current assets (excluding deferred tax assets)

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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, but so 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 application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowances for slow moving 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 the end of the reporting period and makes allowance for obsolete items. Where the actual net realisable value are less than expected, a material allowance may arise.

Provision for warranty

The Group generally provides one year's warranties to its customers on certain of its products under which faulty products are repaired and replaced. The amount of provision of warranty is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Where the actual request for repairment and replacement of faculty products is more than expected, a material provision 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 debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the bank borrowings disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. 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

Categories of financial instruments

	31.3.2011 HK$'000	31.3.2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**181,879**	109,734
Financial liabilities		
Amortised cost	**177,792**	201,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amount due from an associate, bank balances and cash, trade payables, other payables and accruals and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. In addition, certain trade receivables, bank balances, trade payables, other payables and accruals and bank 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	
	31.3.2011 HK$'000	31.3.2010 HK$'000	**31.3.2011 HK$'000**	31.3.2010 HK$'000
United States dollars ("US$")	**6,446**	7,429	**1,616**	665
HK$	**7,751**	3,358	**28,906**	33,426
Euro	**3,575**	1,853	**326**	288
Pound Sterling ("GBP")	**7,176**	4,327	**979**	325
RMB	**7**	145	**297**	403
Danish Krone ("DKK")	**417**	1,035	**512**	335
	25,372	18,147	**32,636**	35,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 HK$ or US$, the change in exchange rate of its functional currency against US$ or HK$ respectively has not been considered in the sensitivity analysis below as HK$ is pegged to US$. In the opinion of the directors, the Group does not expect any significant movements between the exchange rate of US$ against 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. 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 decrease in post-tax loss 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 post-tax loss for the year and the balances below would be negative.

	2011 **HK$'000**	2010 HK$'000
Decrease (increase) in post-tax loss for the year		
US$ impact	**160**	288
HK$ impact	**16**	10
Euro impact	**165**	78
GBP impact	**346**	200
RMB impact	**(17)**	(13)
DKK impact	**(13)**	35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 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.

The directors consider the Group's exposure to interest rate risk of bank deposits is not significant as interest bearing bank deposits are within short maturity periods so no sensitivity analysis is presented.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the variable rate financial instruments including bank loans at the end of the reporting period, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$207,000 (2010: HK$296,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate 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 the respective recognised financial assets as stated in the consolidated statement of financial position at 31 March 2011 and 2010. 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 the end of the reporting period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Credit risk (continued)

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 concentration of credit risk by geographical location is mainly in United States of America, which accounted for 34% (2010: 37%) of the total trade receivables as at 31 March 2011. Other than that, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk as 22.6% (2010: 23.5%) of the total receivables is due from the Group's largest customer. Continuous subsequent settlements are received and there is no historical default of payments by this customer. In addition, the management of the Company assigned a team to closely follow up the debts due from this customer. Accordingly, the directors of the Company consider the risk has been properly addressed.

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 borrowings. The Group monitors and reviews periodically the conditions of loan covenants of the existing banking facilities and tries all efforts to comply with the loan covenants. In case of any breach of the loan covenants noted, the Group will communicate with the respective bank to discuss the possibility of revising the relevant loan covenants and arranging for waiver of immediate repayment.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2011, the Group has available unutilised overdrafts and short-term bank loan facilities of approximately HK$85,465,000 (2010: HK$84,019,000). At 31 March 2011 and 2010, all the undrawn banking facilities are in floating rate without specific expiry terms. Details of the Group's bank borrowings at 31 March 2011 are set out in note 26.

The following table details the Group's remaining contractual maturity for its 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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate % per annum	On demand or 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 31.3.2011 HK$'000
31.3.2011								
Non-derivative financial liabilities								
Trade payables	–	45,814	12,109	–	–	–	57,923	57,923
Other payables and accruals	–	33,664	–	–	–	–	33,664	33,664
Bank borrowings	4.50%	80,288	2,861	3,289	925	–	87,363	86,205
		159,766	14,970	3,289	925	–	178,950	177,792

	Weighted average effective interest rate % per annum	On demand or 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 31.3.2010 HK$'000
31.3.2010 (Restated)								
Non-derivative financial liabilities								
Trade payables	–	38,322	10,638	–	–	–	48,960	48,960
Other payables and accruals	–	34,284	–	–	–	–	34,284	34,284
Bank borrowings	4.38%	85,845	20,508	5,411	10,863	–	122,627	118,482
		158,451	31,146	5,411	10,863	–	205,871	201,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 March 2011 and 2010, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$18,205,000 and HK$16,926,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid one to five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$19,896,000.

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 to 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 building work, and is analysed as follows:

	2011 **HK$'000**	2010 HK$'000
Sales of furniture and fixtures	**450,390**	377,713
Service revenue from interior decoration work	**184,228**	215,083
	634,618	592,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by the Group.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

Specifically, the Group's operating segments under HKFRS 8 are sales of furniture and fixtures and interior decoration work. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Year ended 31 March 2011		Year ended 31 March 2010	
	Segment revenue HK$'000	**Segment profit for the year HK$'000**	Segment revenue HK$'000	Segment profit for the year HK$'000
Sales of furniture and fixtures	**450,390**	**70,820**	377,713	16,761
Interior decoration work	**184,228**	**26,714**	215,083	43,019
Total	**634,618**	**97,534**	592,796	59,780
Other income, gains and losses		**4,632**		797
Unallocated corporate expenses		**(92,444)**		(87,371)
Share of result of an associate		**(7,185)**		(1,361)
Finance costs		**(4,040)**		(4,974)
Loss before taxation		**(1,503)**		(33,129)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, gains and losses (except for loss on disposal of property, plant and equipment, part of net foreign exchange gain/loss, allowance/reversal of allowance for bad and doubtful debts, net bad debts directly written back, impairment loss recognised on accrued revenue and part of sundry income), general administration costs, directors' emoluments, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION (continued)

Other segment information

Amounts included in the measure of segment profit or loss:

	2011			2010		
	Sales of furniture and fixtures HK$'000	**Interior decoration work HK$'000**	**Total HK$'000**	Sales of furniture and fixtures HK$'000	Interior decoration works HK$'000	Total HK$'000
Depreciation of property, plant and equipment	**31,240**	**7,121**	**38,361**	31,895	8,833	40,728
Allowance (reversal of allowance) for bad and doubtful debts, net	**2,990**	**278**	**3,268**	(2,951)	198	(2,753)
Bad debt directly written back	**(2,187)**	**(756)**	**(2,943)**	–	–	–
Allowance for slow moving inventories	**2,876**	**–**	**2,876**	5,078	–	5,078
Loss on disposals of property, plant and equipment	**389**	**–**	**389**	1,802	–	1,802
Impairment loss recognised on accrued revenue	**–**	**233**	**233**	–	2,618	2,618

Note: During the year ended 31 March 2010, allowance for slow moving inventories and loss on disposal of property, plant and equipment of approximately HK$1,334,000 and HK$1,667,000 respectively were recognised due to the cease of operation of Decca Classic Upholstery, LLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in United States of America, Hong Kong SAR and Macau SAR, Europe, Mainland China and other countries in Asia.

The Group's revenue from continuing operations from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets from continuing operations by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
United States of America	**132,845**	218,095	**24,193**	26,480
Hong Kong SAR and Macau SAR	**144,527**	174,901	**1,419**	1,789
Europe	**80,020**	35,707	**508**	663
Mainland China	**216,176**	110,799	**223,875**	240,746
Other countries in Asia	**61,050**	53,294	**44,748**	49,663
	634,618	592,796	**294,743**	319,341

Note: Non-current assets excluded deferred tax assets and investment in an associate.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A[1]	**107,980**	95,168
Customer A[2]	**72,308**	23,536

[1] Revenue from interior decoration work

[2] Revenue from sales of furniture and fixtures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

9. OTHER INCOME, GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Interest income	393	85
Loss on disposal of property, plant and equipment	(389)	(1,802)
Net foreign exchange gain (loss)	2,771	(923)
Reversal of impairment on amount due from an associate	769	—
(Allowance) reversal of allowance for bad and doubtful debts, net	(3,268)	2,753
Bad debt directly written back	2,943	—
Impairment loss recognised on accrued revenue	(233)	(2,618)
Sundry income	1,089	1,635
	4,075	(870)

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank loans wholly repayable within five years	4,040	4,930
Finance leases	—	44
	4,040	4,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2010: ten) directors were as follows:

Year ended 31 March 2011

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000 (Note)	Total 2011 HK$'000
Executive directors					
Tsang Chi Hung	–	2,716	83	–	2,799
Liu Hoo Kuen	–	2,714	83	–	2,797
Richard Warren Herbst	–	2,363	62	–	2,425
Kwan Yan Choi	–	2,149	66	–	2,215
Fung Sau Mui	–	1,775	63	–	1,838
Tai Wing Wah	–	1,601	57	–	1,658
Wong Kam Hong	–	1,615	57	–	1,672
Independent non-executive directors					
Chu Kwok Man	60	–	–	–	60
Cheng Woon Kam	60	–	–	–	60
Pak Wai Tun, Wallace	60	–	–	–	60
Total	180	14,933	471	–	15,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. DIRECTORS' EMOLUMENTS (continued)

Year ended 31 March 2010

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000 (Note)	Total 2010 HK$'000
Executive directors					
Tsang Chi Hung	–	2,716	83	–	2,799
Liu Hoo Kuen	–	2,717	83	–	2,800
Richard Warren Herbst	–	2,363	62	100	2,525
Kwan Yan Choi	–	2,148	66	–	2,214
Fung Sau Mui	–	1,775	63	–	1,838
Tai Wing Wah	–	1,601	57	–	1,658
Wong Kam Hong	–	1,615	57	–	1,672
Independent non-executive directors					
Chu Kwok Man	60	–	–	–	60
Cheng Woon Kam	60	–	–	–	60
Pak Wai Tun, Wallace	60	–	–	–	60
Total	180	14,935	471	100	15,686

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

During the year ended 31 March 2011, of the five individuals with the highest emoluments in the Group, five (2010: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. In year 2010, the salary and other benefits of the remaining one individual amounted to HK$1,872,000. There is no retirement benefits scheme implemented in the country that individual worked on.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. INCOME TAX (CHARGE) CREDIT

	2011	2010
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**(3,406)**	(1,002)
PRC Enterprise Income Tax	**(4,022)**	(1,065)
Other jurisdictions (Note)	**2,491**	7,392
	(4,937)	5,325
Overprovision in prior years:		
Hong Kong Profits Tax	**–**	507
Deferred tax:		
Current year (note 27)	**(6,381)**	(1,340)
	(11,318)	4,492

Note: The tax loss generated by subsidiaries in United States of America is carried back and offset against prior years' tax charge (with five years and two years carry back period for the tax loss generated in the year ended 31 March 2010 and 2011 respectively) and thus resulting in significant tax credit for the year ended 31 March 2010 and 2011.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. INCOME TAX (CHARGE) CREDIT (continued)

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

	2011 HK$'000	2010 HK$'000
Loss before taxation	(1,503)	(33,129)
Taxation at the PRC Enterprise Income Tax rate of 25% (2010: 25%)	(376)	(8,282)
Tax effect of expenses not deductible for tax purposes	2,941	1,463
Tax effect of income not taxable for tax purposes	(547)	(675)
Overprovision in respect of prior years	—	(507)
Tax effect of tax losses not recognised	2,087	4,875
Tax effect of temporary difference not recognised	1,973	428
Utilisation of tax losses previously not recognised	(3,511)	(2,860)
Reversal of deferred tax asset arising from tax losses previously recognised	2,753	—
Reversal of other deferred tax assets	3,628	—
Tax effect of share of result of an associate	1,796	340
Effect of different tax rates of subsidiaries operating in other jurisdictions	453	693
Others	121	33
Taxation charge (credit)	11,318	(4,492)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

14. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration:		
— current year	**2,319**	2,370
— underprovision in prior years	**–**	552
Amortisation of prepaid lease payments (included in administrative expenses)	**409**	401
Depreciation of property, plant and equipment		
Owned assets	**38,361**	40,540
Assets held under finance leases	**–**	188
Provision for warranty (included in cost of sales)	**3,413**	696
Staff costs:		
Directors' emoluments (note 11)	**15,584**	15,686
Salaries and allowances	**126,450**	116,557
Retirement benefits scheme contributions	**8,349**	6,871
	150,383	139,114
Cost of inventories recognised as expenses (Note)	**295,048**	240,667
Operating lease rentals paid in respect of rented properties	**6,345**	6,533

Note: Cost of inventories recognised as expenses includes allowance for slow moving inventories of approximately HK$2,876,000 (2010: HK$5,078,000).

15. DIVIDENDS

No dividend was paid or proposed during both years, nor has any dividend been proposed since the end of the reporting period (2010: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

16. LOSS PER SHARE

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

Loss

	2011 **HK$'000**	2010 HK$'000
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(11,197)**	(28,637)

Number of shares

	'000	'000
Number of ordinary shares in issue for the purpose of basic loss per share	**200,000**	200,000

There was no diluted loss per share presented as there were no potential shares outstanding for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Plant and machinery	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST									
At 1 April 2009	7,096	181,034	88,590	251,437	11,829	34,498	9,160	8,473	592,117
Additions	–	4,053	1,841	6,244	791	147	242	11,021	24,339
Disposals	–	–	(233)	(2,160)	(457)	(1,345)	(783)	(1,523)	(6,501)
Exchange realignment	–	(2,855)	(695)	(2,585)	(80)	(33)	(83)	(144)	(6,475)
Reclassification	–	14,269	271	2,700	–	90	–	(17,330)	–
At 31 March 2010	7,096	196,501	89,774	255,636	12,083	33,357	8,536	497	603,480
Additions	–	–	3,149	718	195	395	318	297	5,072
Disposals	–	–	–	(888)	(10)	(333)	(775)	–	(2,006)
Exchange realignment	–	5,982	1,643	5,762	235	357	143	59	14,181
Reclassification	–	–	177	–	–	–	–	(177)	–
At 31 March 2011	7,096	202,483	94,743	261,228	12,503	33,776	8,222	676	620,727
DEPRECIATION									
At 1 April 2009	–	27,699	61,732	131,892	8,282	18,569	6,358	–	254,532
Charge for the year	–	7,238	5,631	22,206	1,601	3,037	1,015	–	40,728
Eliminated on disposals	–	–	(78)	(957)	(417)	(551)	(285)	–	(2,288)
Exchange realignment	–	(265)	(291)	(675)	(49)	(7)	(42)	–	(1,329)
At 31 March 2010	–	34,672	66,994	152,466	9,417	21,048	7,046	–	291,643
Charge for the year	–	6,776	5,202	21,781	1,314	2,618	670	–	38,361
Eliminated on disposals	–	–	–	(561)	(6)	(206)	(775)	–	(1,548)
Exchange realignment	–	927	960	2,295	192	176	114	–	4,664
At 31 March 2011	–	42,375	73,156	175,981	10,917	23,636	7,055	–	333,120
CARRYING VALUES									
At 31 March 2011	7,096	160,108	21,587	85,247	1,586	10,140	1,167	676	287,607
At 31 March 2010	7,096	161,829	22,780	103,170	2,666	12,309	1,490	497	311,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 2011, the freehold land of HK$7,096,000 (2010: HK$7,096,000) is situated outside Hong Kong.

Buildings of the Group located in Thailand and the United States of America of approximately HK$39,042,000 (2010: HK$39,811,000) are all under medium-term leases. For those buildings located in the PRC, the carrying value of buildings under medium-term lease as at 31 March 2011 is approximately HK$110,680,000 (2010: HK$110,525,000). For the remaining buildings located in the PRC of approximately HK$10,386,000 (2010: HK$11,493,000), the Group has been granted the right to use the land until 2018 and are therefore under short lease.

At 31 March 2011, buildings, plant and machinery, motor vehicles and furniture, fixtures and office equipment of the Group with carrying values of approximately HK$26,712,000, HK$8,623,000, HK$nil and HK$3,762,000 (2010: HK$26,620,000, HK$11,189,000, HK$136,000 and HK$4,159,000) respectively, were pledged with banks to secure loans granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

18. PREPAID LEASE PAYMENTS

	31.3.2011 HK$'000	31.3.2010 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong		
— Medium-term lease	**5,481**	5,457
— Short lease	**2,064**	2,278
	7,545	7,735
Analysed for reporting purposes as:		
Non-current asset	**7,136**	7,334
Current asset	**409**	401
	7,545	7,735

19. INVESTMENT IN AN ASSOCIATE

	31.3.2011 HK$'000	31.3.2010 HK$'000
Cost of investment in an associate, unlisted	**10,000**	10,000
Share of post-acquisition losses	**(9,457)**	(2,272)
Share of other comprehensive income — exchange reserve	**2,556**	2,063
	3,099	9,791

At 31 March 2011 and 2010, 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 SAR	Ordinary	50	Manufacturing of wooden flooring

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For the year ended 31 March 2011

19. INVESTMENT IN AN ASSOCIATE (continued)

The summarised financial information in respect of the Group's associate is set out below:

	31.3.2011 HK$'000	31.3.2010 HK$'000
Total assets	**20,351**	37,439
Total liabilities	**(14,153)**	(17,857)
Net assets	**6,198**	19,582
Group's share of net assets of the associate	**3,099**	9,791
Revenue	**25,688**	22,208
Loss for the year	**(14,370)**	(2,722)
Other comprehensive income (expense)	**986**	(322)
Group's share of loss and total comprehensive expense of the associate for the year	**(6,692)**	(1,522)

20. INVENTORIES

	31.3.2011 HK$'000	31.3.2010 HK$'000
Raw materials	**43,652**	49,580
Work in progress	**47,507**	58,304
Finished goods	**15,681**	15,455
	106,840	123,339

Included in inventories are raw materials of HK$1,565,000 (2010: HK$8,765,000) which are carried at net realisable value.

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21. TRADE RECEIVABLES

	31.3.2011 **HK$'000**	31.3.2010 HK$'000
Trade receivables	**74,411**	64,537
Less: Allowances for bad and doubtful debts	**(6,293)**	(9,538)
	68,118	54,999

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) presented based on the invoice date at the end of the reporting period:

	31.3.2011 **HK$'000**	31.3.2010 HK$'000
0 — 30 days	**35,841**	20,137
31 — 90 days	**11,634**	17,020
> 90 days	**20,643**	17,842
	68,118	54,999

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.

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$36,730,000 and HK$26,485,000 as at 31 March 2011 and 2010 respectively, which are neither past due nor impaired. At 31 March 2011, the directors considered that trade receivables which are neither past nor yet impaired are of good credit quality and there are continuous subsequent settlements from these customers.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$31,388,000 (2010: HK$28,514,000) 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 70 days (2010: 93 days).

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For the year ended 31 March 2011

21. TRADE RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired

	31.3.2011 **HK$'000**	31.3.2010 HK$'000
31 — 90 days	**11,598**	13,123
91 — 365 days	**19,787**	14,054
>365 days	**3**	1,337
Total	**31,388**	28,514

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 there have been 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 a significant change in their credit quality. The directors believe that the amounts are still recoverable.

Movement in the allowance for bad and doubtful debts

	31.3.2011 **HK$'000**	31.3.2010 HK$'000
Balance at beginning of the year	**9,538**	29,664
Impairment losses recognised on trade receivables	**3,758**	3,151
Amounts recovered during the year	**(490)**	(5,904)
Amounts written off as uncollectible	**(6,513)**	(17,373)
Balance at end of the year	**6,293**	9,538

At 31 March 2011, allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of HK$6,293,000 (2010: HK$9,538,000) which had been in severe financial difficulties. The directors make impairment losses with reference to the present value of the estimated future cash flows that are expected to be recovered from these customers and consider adequate impairment losses has been made at the end of the reporting period. The Group does not hold any collateral over these balances.

Trade receivables of approximately HK$2,598,000 (2010: HK$1,237,000) was denominated in US$ (the foreign currency of the relevant group entities), approximately HK$2,424,000 (2010: HK$1,475,000) was denominated in HK$ (the foreign currency of the relevant group entities) and approximately HK$681,000 (2010: HK$908,000) was denominated in Euro (the foreign currency of the relevant group entities), and approximately HK$3,082,000 (2010: HK$716,000) was denominated in GBP (the foreign currency of the relevant group entities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

22. OTHER FINANCIAL ASSETS AND LIABILITIES

Amount due from an associate was unsecured, non-interest bearing and was repayable on demand.

Bank balances held by the Group comprised of bank deposits which carry interest at an average rate of 0.26% (2010: 0.16%) per annum.

Bank balances and cash of approximately HK$3,848,000 (2010: HK$6,192,000) was denominated in US$ (the foreign currency of the relevant group entities), approximately HK$5,327,000 (2010: HK$1,883,000) was denominated in HK$ (the foreign currency of the relevant group entities) approximately HK$2,894,000 (2010: HK$945,000) was denominated in Euro (the foreign currency of the relevant group entities), approximately HK$417,000 (2010: HK$1,035,000) was denominated in DKK (the foreign currency of the relevant group entities), approximately HK$4,094,000 (2010: HK$3,611,000) was denominated in GBP (the foreign currency of the relevant group entities) and approximately HK$7,000 (2010: HK$145,000) was denominated in RMB (the foreign currency of the relevant group entities).

Bank balances and cash of approximately HK$36,225,000 (2010: HK$14,036,000) was denominated in RMB (functional currency of the relevant group entities) which may not be freely convertible into other currencies.

Other payables and accruals of approximately HK$353,000 (2010: HK$340,000) was denominated in HK$ (the foreign currency of the relevant group entities).

23. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31.3.2011 HK$'000	31.3.2010 HK$'000
0 — 30 days	**24,219**	22,158
31 — 90 days	**7,798**	9,234
> 90 days	**25,906**	17,568
	57,923	48,960

The credit periods on purchases of goods are usually from 1 month to 3 months.

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For the year ended 31 March 2011

23. TRADE PAYABLES (continued)

Trade payables of approximately HK$1,168,000 (2010: HK$217,000) was denominated in US$ (the foreign currency of the relevant group entities), approximately HK$1,514,000 (2010: HK$523,000) was denominated in HK$ (the foreign currency of the relevant group entities) approximately HK$326,000 (2010: HK$288,000) was denominated in Euro (the foreign currency of the relevant group entities), approximately HK$512,000 (2010: HK$335,000) was denominated in DKK (the foreign currency of the relevant group entities), approximately HK$297,000 (2010: HK$403,000) was denominated in RMB (the foreign currency of the relevant group entitled) and approximately HK$979,000 (2010: HK$325,000) was denominated in GBP (the foreign currency of the relevant group entities).

24. RECEIPTS IN ADVANCE

Receipts in advance represent deposits received from customers for sales of furniture and fixtures prior to delivery.

25. PROVISION FOR WARRANTY

	31.3.2011 HK$'000	31.3.2010 HK$'000
Balance at beginning of the year	**4,143**	9,942
Additional provision in the year	**3,413**	696
Utilisation of provision	**(3,433)**	(6,495)
Balance at end of the year	**4,123**	4,143

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

26. BANK BORROWINGS

	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Secured	**15,913**	25,816	113,349
Unsecured	**70,292**	92,666	55,064
	86,205	118,482	168,413
Carrying amount repayable*:			
Within one year	**28,149**	57,357	
More than one year, but not exceeding two years	**3,154**	4,448	
More than two years, but not exceeding five years	**907**	10,140	
More than five years	**—**	—	
	32,210	71,945	
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**35,790**	29,611	
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	**18,205**	16,926	
	86,205	118,482	
Less: Amounts due within one year shown under current liabilities	**(82,144)**	(103,894)	
Amounts shown under non-current liabilities	**4,061**	14,588	

* The amounts due are based on scheduled repayable dates set out in loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

26. BANK BORROWINGS (continued)

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

	31.3.2011 HK$'000	31.3.2010 HK$'000
Fixed rate bank borrowings:		
Within one year	**3,570**	5,521

For the year ended 31 March 2011 and 2010, the Group has a significant secured variable-rate bank borrowing, which is denominated in Thailand Baht, carries interests at Minimum Lending Rate (Thailand) plus 0.25% to 0.5% per annum and is repriced every six months. The bank borrowing is secured by certain buildings of a subsidiary of the Company and with a maturity profile as follows:

	31.3.2011 HK$'000	31.3.2010 HK$'000
Within one year	**–**	2,817
More than one year, but not exceeding two years	**–**	3,002
More than two years, but not exceeding five years	**–**	7,779
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**11,345**	—
	11,345	13,598

The remaining variable-rate bank borrowings carry interest rate, which are repriced every six months, are as follows:

	31.3.2011 HK$'000	31.3.2010 HK$'000
Hong Kong Interbank Offered Rate plus 1.7% to 3.5%	**48,006**	79,032
Prime Lending Rate (Hong Kong) plus 1.5%	**4,000**	6,000
Prime Lending Rate (Hong Kong) minus 1%	**15,277**	9,159
Minimum Lending Rate (Thailand) plus 0.25% to 0.5%	**4,007**	5,172
	71,290	99,363

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For the year ended 31 March 2011

26. BANK BORROWINGS (continued)

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

	2011	2010
Effective interest rate:		
Fixed-rate bank borrowings	**3.25%**	3.25%
Variable-rate bank borrowings	**1.83% to 7.5%**	1.77% to 7.5%

At 31 March 2011, certain bank loans were secured by the Group's property, plant and equipment with carrying values of HK$39,097,000 (2010: HK$42,104,000).

Bank borrowings of approximately HK$448,000 (2010: HK$448,000) was denominated in US$ (the foreign currency of the relevant group entities) and approximately HK$27,039,000 (2010: HK$32,563,000) was denominated in HK$ (the foreign currency of the relevant group entities).

During the year ended 31 March 2011, the Group breached certain terms of the bank facilities granted to a subsidiary of the Group in Thailand, which are primarily related to the debt to equity ratio of the subsidiary (defined as total debt divided by total equity). On discovery of the breach, the directors of the Company informed the bank and commenced a negotiation of the terms of the loans with the relevant banker. As at 31 March 2011, the negotiation had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan of total aggregate carrying amount of approximately HK$11,345,000 (which is repayable after one year in accordance with the loan agreement) has been reclassified as a current liability as at 31 March 2011. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lender will ultimately reach a satisfactory conclusion. In any event, should the lender calls for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

During the year ended 31 March 2011 and 2010, the Group breached certain terms of the bank facilities granted to subsidiaries of the Group in Hong Kong, which are primarily related to the minimum interest coverage ratio of the Group (defined as profit before interest and taxes divided by total interest costs). On discovery of the breach, the directors of the Company informed the bank and commenced a negotiation of the terms of the loans with the relevant banker. As at 31 March 2011 and 2010, the negotiation had not been concluded. Accordingly, the loan of total aggregate carrying amount of approximately HK$24,445,000 and HK$29,611,000 with non-current portion of approximately HK$2,778,000 and HK$9,444,000 respectively has been reclassified as a current liability as at 31 March 2011 and 2010 respectively. Subsequently on 24 May 2011 and 29 June 2010, the lender has agreed to waive its rights to demand for immediate payment of the loans due to the breach of the borrowing terms as at 31 March 2011 and 2010 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

27. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Bad and doubtful debts	Tax loss	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	(7,395)	(2,215)	1,889	(7,721)
(Credit) charge to profit or loss	3,892	(538)	(2,014)	1,340
At 31 March 2010	(3,503)	(2,753)	(125)	(6,381)
Charge to profit or loss	3,503	2,753	125	6,381
At 31 March 2011	—	—	—	—

At the end of the reporting period, the Group had unused tax losses of approximately HK$101,467,000 (2010: HK$104,249,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$nil (2010: HK$8,098,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$101,467,000 (2010: HK$96,151,000) due to unpredictability of future profit streams. The tax losses generated by subsidiaries in United States of America may be carried forward for twenty years. Other tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$46,147,000 (2010: HK$48,098,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE CAPITAL

	2011 & 2010	
	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

There was no movement in the Company's share capital for both years.

29. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.3.2011	31.3.2010
	HK$'000	HK$'000
Within one year	**5,653**	5,550
In the second to fifth year inclusive	**6,986**	6,835
	12,639	12,385

Operating lease payments represent rental payable by the Group for its factory and office premises.

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

30. CAPITAL COMMITMENTS

	31.3.2011	31.3.2010
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

31. 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 might grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

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 of time, without approval from the Company's shareholders. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the higher of (i) the nominal value of a share and (ii) 80% of the average of the closing prices of the shares on the Stock Exchange of the five trading days immediately preceding the date of grant of the option on which there were dealings in the shares on the Stock Exchange.

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.

No share option is granted and outstanding as at 31 March 2011 and 2010.

32. 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 or capped at HK$1,000 (based on the choice of employees) 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.

Subsidiaries in Thailand also contribute certain percentages of the monthly salaries of the employees who have indicated their willingness to join the social security fund in Thailand. The employees of the Company's subsidiaries in Singapore are participated in the national pension scheme. The relevant subsidiaries are required to contribute certain percentages of the monthly salaries of their current employees to the central provident fund to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

32. RETIREMENT BENEFITS SCHEME (continued)

The employer's contributions to the retirement benefits scheme charged to profit or loss in the consolidated statement of comprehensive income and the forfeited voluntary contributions credited to profit or loss amounted to approximately HK$8,861,000 (2010: HK$7,347,000) and HK$41,000 (2010: HK$5,000) respectively for the year ended 31 March 2011.

33. 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 fees of approximately HK$2,618,000 (2010: HK$2,618,000) 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. At 31 March 2011, the future minimum lease payment within one year and in the second to fifth year inclusive is approximately HK$1,558,000 and HK$nil (2010: HK$2,337,000 and HK$1,558,000) respectively. Such commitment is included in note 29.

Compensation of key management personnel

The remuneration of key management during both years were disclosed in note 11. The remuneration of key management is determined by the Company's remuneration committee having regard to the performance of individuals and market trends.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2011, the Group utilised approximately HK$170,000 (2010: HK$2,463,000) of deposit paid for the acquisition of property, plant and equipment.

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35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2011 and 2010 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
			2011	2010	
Decca Investment Limited	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding
Decca (Mgt) Limited ("DML")	Hong Kong SAR	10 ordinary shares of HK$100 each 145,600 non-voting deferred shares of HK$100 each (Note a)	**100%**	100%	Management services
Decca Limited	Hong Kong SAR	2 ordinary shares of HK$1 each	**100%**	100%	Interior decoration works
Decca (HK) Limited	Hong Kong SAR	2 ordinary shares of HK$1 each	**100%**	100%	Trading of furniture
Decca (China) Limited	Hong Kong SAR	100,000 shares of HK$1 each	**100%**	100%	Investment holding and provision of subcontracting services to group companies
Decca Furniture Limited	Hong Kong SAR	100,000 shares of HK$1 each	**100%**	100%	Trading of furniture and investment holding
HBF (HK) Limited	Hong Kong SAR	10,000 shares of HK$1 each	**100%**	100%	Trading of furniture
Decca Overseas (S) Pte. Ltd.	Republic of Singapore	2 shares of SG$1 each	**100%**	100%	Trading of furniture
HBF Showroom Pte. Ltd.	Republic of Singapore	750,000 shares of SG$1	**100%**	100%	Trading of furniture

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35. 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 2011	2010	Principal activity
Decca Furniture (USA) Inc.	United States of America	10,000 shares of US$0.01 each	**100%**	100%	Investment holding
Decca Hospitality Furnishings, LLC	United States of America	Capital contribution of US$154,286	**100%**	100%	Trading of furniture
Decca Contract Furniture, LLC	United States of America	Capital contribution of US$1,000	**100%**	100%	Trading of furniture
Bolier & Company, LLC	United States of America	Capital contribution of US$1,000	**55%**	55%	Trading of furniture
Decca Classic Upholstery, LLC	United States of America	Capital contribution of US$1,000	**100%**	100%	Trading of furniture
東莞達藝家私有限公司 (Note b)	PRC	HK$185,000,000	**100%**	100%	Manufacture of furniture and decoration materials
東莞益新家私裝飾有限公司 (Note c)	PRC	HK$10,000,000	**100%**	100%	Manufacture of furniture and provision of after-sale services
Decca Furniture (Thailand) Limited	Thailand	2,450 ordinary shares of Thailand Baht 100 each	**100%**	100%	Trading of furniture
Decca MFG (Thailand) Limited ("DMTL")	Thailand	600,000 shares of Thailand Baht 100 each	**100%**	100%	Manufacture and trading of furniture
Decca Furniture Europe Aps	Denmark	125,000 shares of Denmark Kroner 1 each	**100%**	100%	Trading of furniture

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35. 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
			2011	2010	
Decca (Macau) Company Limited	Macau SAR	2 ordinary shares of Macau Pataca 15,000 each	**100%**	100%	Interior decoration work
東莞港際貿易有限公司 (Note b)	PRC	HK$5,000,000 (2010: HK$1,000,000)	**100%**	100%	Trading of raw material
Acelin Investment Limited (Note d)	British Virgin Islands	2 shares of US$1 each	**100%**	–	Investment holding

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 company was set up during the year ended 31 March 2011.

All the subsidiaries are owned indirectly by the Company except for Decca Investment Limited and Acelin Investment Limited which are owned directly by the Company.

None of the subsidiaries had issued any debt securities during the year or at 31 March 2011 and 2010.