

# Chairman's Statement

## BUSINESS REVIEW

### Results

The Group's turnover and net profit for the six months ended 30 September 2001 increased by 103% and 44% to HK\$246.0 million and HK\$10.6 million respectively. While turnover increased primarily due to the completion of a number of significant projects, in particular the fitting-out works for the Oriental Plaza in Beijing, profit margin decreased as the result of fiercer competition and poorer market conditions. However, the Group was able to control its distribution and administrative expenses at previous period's level of approximately HK\$36.5 million. Basic earnings per share increased by 44% to 5.31 cents.

### Operations

Mainland China and the Hong Kong SAR continued to be the principal markets of the Group accounting for approximately 88% (2000: 69%) of the Group's turnover. With its corporate strategy to develop the overseas markets, sales to the US increased by 2 times to HK\$16.0 million. During the period under review, the Group undertook and completed projects for fitting-out works and/or supply of furniture for the Oriental Plaza in Beijing, the Agile Hotel in Zhongshan, Nortel Networks in Hong Kong, the Philadelphia Concert Hall in the USA and the Kintetsu's USJ Hotel in Tokyo, Japan. Apart from SWATCH, we have added another world-class brand, Ermenegildo Zegna as a customer for shop fixtures throughout Asia. Other projects in progress include a residential project on Stubbs Road, the South Pacific Four Seasons Hotel in Shanghai and the new Gonda Building Complex which is part of the Moyo Clinic in Minnesota, USA.

In view of the sluggish economic conditions, the Group has been cautious in opening additional showrooms and launching new lines of products and has accordingly adjusted such plans mentioned in its 2001 annual report.

### Finance

The Group continued a cautious policy towards its financial structure with total borrowings from financial institutions amounted to HK\$47.1 million (31/03/2001: HK\$40.1 million). Having taken into account of the Group's net worth of HK\$257.8 million, such borrowing level is considered to be prudent. Financial costs were maintained at a low level of HK\$1.5 million, representing less than 1% (2000: 1%) of the Group's turnover. Net current assets remained at previous year-end level of HK\$146.4 million.

As at 30 September 2001, land and building of the Group situated in the Mainland China with net book value of HK\$8.5 million (31/3/2001: HK\$8.7 million) were pledged with a bank to secure a loan granted to the Group. There were contingent liabilities in respect of counter-guarantees, amounting to HK\$42.3 million (31/3/2001: HK\$33.8 million) given in favour of certain financial institutions against liabilities of these parties arising from non-compliance of terms of interior building works being undertaken by the Group.

## OUTLOOK

World economic rate has slowed rapidly. The Directors believe that the forthcoming year or two will be very challenging and the Group would be facing intense competition both domestically and overseas. The Group has already taken necessary measures on one hand to reduce its operating expenses and on the other hand to explore expanding its market for custom furniture for hotels in Europe. The Group recently exhibited at the EquipHotel trade show in Paris and received over 150 inquiries from European, Middle Eastern and African hotels which will be renovating or opening within the next twelve months.

The Group has positioned to benefit from the expected increase in demand for quality fitting-out works and furniture following the China's entry into the WTO. With the Group's demonstrated strengths in carrying out fitting-out projects for luxurious hotel in Beijing, it is well placed to take the advantage of the opportunities arising from the 2008 Olympic Games.

## 業務回顧

### 業績

本集團截至二零零一年九月三十日止半年內之營業額及純利分別較去年同期增加103%及44%至港幣2.46億元及1,060萬元。因數個大型項目，特別是在北京的東方廣場項目，於期內完成及入賬，使營業額上升，惟集團受制於疲弱的經濟氣候及激烈的競爭環境，毛利率較去年同期下降。雖然如此，集團仍能將分銷成本及行政開支控制在港幣3,650萬元內，與去年同期相若。每股基本盈利為5.31港仙，較去年同期增長44%。

### 業務

中國內地及香港仍為本集團的主要市場，合共佔集團營業額的88%(二零零零年：69%)，憑藉集團繼續開拓海外市場的策略，集團對美國的銷售增長了兩倍至1,600萬港元。於回顧期內，集團參與並完成了的項目包括：北京東方廣場、中山雅居樂酒店、香港北方電訊、美國費城演奏廳及日本東京近鐵USJ酒店等的裝飾工程及／或傢俬及裝置供應。除長期客戶Swatch外，集團亦開始為另一世界著名品牌商店Ermenegildo Zegna提供店內裝置。目前在進行之主要項目包括：司徒拔道的住宅項目、上海南洋四季酒店及美國明尼蘇達州摩優醫院。

鑑於目前疲弱的市道，本集團對於去年年報中提及關於開設新的陳列室及推出新產品等計劃都會較為審慎，也對這些計劃作出了調整。

### 財務

本集團繼續秉承審慎理財的哲學，期末金融機構貸款總額約為4,710萬港元(二零零一年三月三十一日：4,010萬港元)，以本集團2.58億港元的資產淨值來衡量，此借貸水平可算保守。財務成本維持在150萬港元的較低水平，相當於集團營業額的1%(二零零零年：1%)，而淨流動資產則維持1.46億港元，與上一財政年結日的水平相若。

於二零零一年九月三十日，賬面淨值為850萬港元(二零零一年三月三十一日：870萬港元)並位於中國內地的土地及樓宇，已抵押給一家銀行，作為給予本集團貸款之抵押。於本期末日，或然負債總額為4,230萬港元(二零零一年三月三十一日：3,380萬港元)，此乃本集團給予金融機構，用以承擔如未能依據室內裝飾工程合約條文而引發之責任。

## 展望

全球經濟已在急速衰退，董事會認為，在未來的一至兩年將會充滿挑戰，集團在本地及海外市場亦將面對更激烈的競爭。本集團一方面已採取了必須的措施去降低營運成本，另一方面，亦積極開發歐洲酒店訂製傢俬市場。集團最近在巴黎參加了一個大型的酒店設備展覽，接獲逾150名代表歐洲、中東及非洲酒店的買家的查詢，這些酒店，都會在未來十二個月內進行翻新工程或開業。

中國加入WTO將刺激內地對高檔裝修服務及傢俬的需求，本集團已對此作好準備。憑藉本集團在北京已建立的為豪華酒店進行裝飾工程的良好聲譽，相信二零零八年在北京舉行的奧運會，同樣為集團帶來大量商機。

# **Chairman's Statement**

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## **INTERIM DIVIDEND**

The Directors have declared an interim dividend of 1.5 cents (2000: 1 cent) per share for the six months ended 30 September 2001 to shareholders whose names appear on the Register of Members of the Company on 10 January 2002. The interim dividend, which represents a dividend pay-out ratio of 30% that the Company has adopted since its listing on the Hong Kong Stock Exchange, will be paid on or around 15 January 2002.

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

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

The Group's external auditors, Deloitte Touche Tohmatsu, have been instructed to review the interim financial report. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial report for the period.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## **APPRECIATION**

The Board would like to extend its gratitude to all shareholders and customers for their trust and support, as well as to all staff of the Group for the endless efforts and contributions to the achievements of the Group.

**TSANG CHI HUNG**

*Chairman*

Hong Kong, 10 December 2001

## 中期股息

董事會宣佈將於二零零二年一月十五日或前後派發截至二零零一年九月三十日止半年度中期股息每股1.5港仙(二零零零年：1港仙)予二零零二年一月十日名列本公司股東名冊之股東。本期之派息比率維持在本公司自在港交所上市以來便沿用的30%。

## 審核委員會及獨立核數師審閱

審核委員會與管理層已回顧本集團採納之會計原則及實務準則，並商討內部監控及財務呈報事宜。

本集團委聘的獨立核數師德勤•關黃陳方會計師行對中期業績報告進行了審閱，並無發現任何需予對中期業績報告作出修改的地方。

## 遵守最佳應用守則

並無董事知悉任何足以合理指出本公司目前或在截至二零零一年九月三十日止之六個月內的任何時候未有遵守上市規則附錄十四所載列之最佳應用守則行事。

## 致謝

藉此機會，董事會謹向所有股東及客戶給予的信賴和支持，及本集團全體員工的不懈努力和摯誠投入致以衷心的謝意。

**曾志雄**

主席

香港，二零零一年十二月十日