DECCA 達藝

DECCA HOLDINGS LIMITED

達藝控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 997)

ANNOUNCEMENT OF 2006/2007 FINAL RESULTS

RESULTS

The Board of Directors (the "Board") of Decca Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007, together with the comparative figures for 2006 as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	3	**636,848**	484,674
Cost of sales		**(374,913)**	(299,625)
Gross profit		**261,935**	185,049
Other income	5	**1,286**	924
Distribution costs		**(10,448)**	(9,123)
Administrative expenses		**(145,499)**	(119,305)
Allowance and write off of bad and doubtful debts		**(1,724)**	(5,940)
(Allowance) write back for amount due from an associate		**(6,000)**	900
Share of result of an associate		**675**	(1,969)
Finance costs	6	**(3,820)**	(3,797)
Profit before taxation		**96,405**	46,739
Income tax expense	7	**(18,074)**	(7,941)
Profit for the year attributable to equity holders of the Company	8	**78,331**	38,798
Dividends paid	9	**15,100**	6,800
Earnings per share	10		
Basic		**39.17 cents**	19.40 cents
Diluted		**38.85 cents**	19.40 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**155,178**	123,734
Prepaid lease payments		**2,725**	2,450
Investment in an associate		**4,452**	3,134
		162,355	129,318
Current assets			
Inventories		**108,750**	89,316
Amounts due from customers for contract work		**10,608**	9,230
Trade receivables	*11*	**112,608**	99,927
Other deposits and prepayments		**19,317**	8,212
Amount due from an associate		**5,468**	8,046
Prepaid lease payments		**245**	168
Tax recoverable		**1,742**	496
Bank balances and cash		**68,338**	55,092
		327,076	270,487
Current liabilities			
Amounts due to customers for contract work		**5,013**	16,511
Trade payables	*12*	**48,570**	34,050
Other payables and accruals		**68,110**	55,545
Obligations under finance leases - due within one year		**1,882**	2,738
Taxation		**14,351**	5,970
Bank loans		**27,385**	23,098
Bank overdraft		**647**	1,928
		165,958	139,840
Net current assets		**161,118**	130,647
		323,473	259,965

CONSOLIDATED BALANCE SHEET *(continued)*
At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year		**466**	2,229
Bank loans		**24,380**	26,997
Deferred taxation		**2,104**	4,671
		26,950	33,897
		296,523	226,068
Capital and reserves			
Share capital		**20,000**	20,000
Reserves		**276,523**	206,068
Equity attributable to equity holders of the Company		**296,523**	226,068

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the Group's results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current year, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for accounting periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 April 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In relation to a financial guarantee granted to a bank over the repayment of finance leases by an associate, the Group has applied the transitional provisions in HKAS 39. The adoption of the standard had no material effect on how the Group's results for the current and/or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 8	Scope of HKFRS 2[3]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) - INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions[6]
HK(IFRIC) - INT 12	Service concession arrangements[7]

1 Effective for accounting periods beginning on or after 1 January 2007.
2 Effective for accounting periods beginning on or after 1 January 2009.
3 Effective for accounting periods beginning on or after 1 May 2006.
4 Effective for accounting periods beginning on or after 1 June 2006.
5 Effective for accounting periods beginning on or after 1 November 2006.
6 Effective for accounting periods beginning on or after 1 March 2007.
7 Effective for accounting periods beginning on or after 1 January 2008.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. REVENUE

Revenue, which is also the turnover of the Group, represents the sales value of goods supplied to customers and service revenue from interior decoration work, and is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of furniture and fixtures	**503,644**	389,035
Service revenue from interior decoration work	**133,204**	95,639
	636,848	484,674

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Business segments

	2007		2006	
	Consolidated turnover *HK$'000*	**Contribution to profit for the year** *HK$'000*	Consolidated turnover *HK$'000*	Contribution to profit for the year *HK$'000*
Sales of furniture and fixtures	**503,644**	**83,164**	389,035	45,503
Interior decoration work	**133,204**	**21,149**	95,639	5,273
Total	**636,848**	**104,313**	484,674	50,776
Other income		**1,286**		924
Unallocated corporate expenses		**(49)**		(95)
(Allowance) write back for amount due from an associate		**(6,000)**		900
Share of result of an associate		**675**		(1,969)
Finance costs		**(3,820)**		(3,797)
Profit before taxation		**96,405**		46,739
Taxation		**(18,074)**		(7,941)
Profit for the year		**78,331**		38,798

Balance sheet

	2007			2006		
	Sales of furniture and fixtures *HK$'000*	**Interior decoration work** *HK$'000*	**Consolidated** *HK$'000*	Sales of furniture and fixtures *HK$'000*	Interior decoration work *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	**351,649**	**57,782**	**409,431**	280,427	52,610	333,037
Investment in an associate			**4,452**			3,134
Amount due from an associate			**5,468**			8,046
Unallocated corporate assets			**70,080**			55,588
Consolidated total assets			**489,431**			399,805
LIABILITIES						
Segment liabilities	**90,155**	**31,538**	**121,693**	69,238	36,868	106,106
Unallocated corporate liabilities			**71,215**			67,631
Consolidated total liabilities			**192,908**			173,737

Geographical segments

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

	Sales revenue by geographical market	
	2007	2006
	HK$'000	*HK$'000*
America	**385,649**	291,284
Hong Kong SAR	**147,576**	108,490
Europe	**55,577**	35,748
Mainland China	**29,616**	28,538
Other countries in Asia	**18,430**	20,614
	636,848	484,674

5. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Interest income	**712**	362
Sundry income	**572**	550
Rental income	**2**	12
	1,286	924

6. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**3,577**	3,500
Finance leases	**243**	297
	3,820	3,797

7. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**(12,471)**	(7,310)
Other jurisdictions	**(6,378)**	(1,724)
Other regions in the PRC	**(1,719)**	(846)
	(20,568)	(9,880)
(Under)/overprovision in prior years		
Hong Kong	**16**	74
Other jurisdictions	**(89)**	—
	(20,641)	(9,806)
Deferred taxation		
— current year	**2,567**	1,865
	(18,074)	(7,941)

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

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

8. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company has been arrived at after charging:		
Allowance for slow moving inventories	**3,419**	2,271
Amortisation of prepaid lease payments (included in administrative expenses)	**245**	168
Depreciation and amortisation		
Owned assets	**22,787**	17,547
Assets held under finance leases	**750**	1,832
Cost of inventories recognised as expenses	**371,494**	297,354
Expected loss on construction contracts	**705**	—
Loss on disposals of property, plant and equipment	**229**	3,105
Operating lease rentals paid in respect of rented properties	**6,675**	5,287
Net foreign exchange loss	**3,499**	843

9. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim dividend paid — HK3.70 cents (2006: HK2.0 cent) per share	**7,400**	4,000
Final dividend paid — HK3.85 cents (2006: HK1.4 cents) per share	**7,700**	2,800
	15,100	6,800

The final dividend of HK8.00 cents (2006: HK3.85 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 March 2007 attributable to the ordinary equity holders of the Company together with the comparative figures for 2006 is based on the following data:

Earnings

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**78,331**	38,798

Number of shares

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

No diluted earnings per share has been presented for 2006 because the exercise price of the Company's options was higher than the average market price of shares for the year ended 31 March 2006.

11. TRADE RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**129,529**	120,387
Less: Allowances for bad and doubtful debts	**(16,921)**	(20,460)
	112,608	99,927

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

	2007	2006
	HK$'000	*HK$'000*
0 — 30 days	**58,999**	47,183
31 — 90 days	**26,327**	19,311
> 90 days	**27,282**	33,433
	112,608	99,927

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

12. TRADE PAYABLES

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

	2007	2006
	HK$'000	*HK$'000*
0 — 30 days	**32,217**	23,646
31 — 90 days	**9,446**	4,170
> 90 days	**6,907**	6,234
	48,570	34,050

13. POST BALANCE SHEET EVENTS

On 13 April 2007, the Group acquired operating assets and properties from an independent third party for a consideration of approximately US$3,000,000 (equivalent to approximately HK$23,400,000). The assets acquired mainly comprised of property, plant and equipment, inventory and intangible assets amounting to HK$14,820,000, HK$1,170,000, HK$5,580,000 and HK$1,830,000 respectively.

DIVIDENDS

The Board has recommended a final dividend of HK8.00 cents per share for the year ended 31 March 2007 (2006: HK 3.85 cents), which is subject to approval by shareholders at the Annual General Meeting to be held on 24 August 2007. This together with the interim dividend of HK 3.7 cents (2006: HK 2.0 cents) per share give a total dividend of HK11.70 cents per share for the year (2006: HK 5.85 cents). The final dividend payment will be made on 11 September 2007 to shareholders whose names appear on the Register of Members of the Company on 24 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 21 August 2007 to Friday, 24 August 2007, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Standard Registrars Limited on 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 20 August 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's full year results for 2006/2007 are the best ever achieved in the Group's history. Records were set for total revenue, total profits and return on shareholders' funds. Revenue for the year ended 31 March 2007 was HK$636.8 million, up 31.4% as compared with the previous year. Net profits were HK$78.3 million, up 101.9% as compared with the previous year. And, return on shareholders' funds was 26.4% compared to 17.2% for the previous year. These results are gratifying because the furniture industry has not grown significantly over the past year and reinforced the position of Decca as a diversified industry leader.

Business Review

All sectors of business and geographic areas contributed to these record results. North America continues to be the largest market for the Group accounting for approximately HK$385.6 million of revenue or 60.6% of the Group's total turnover. Strong results were also achieved by the Projects Department and in Europe.

The Kerzner Inter'l Development Group's Atlantis project was the largest source of revenue in America adding HK$33.2 million to the Group's turnover. This project is approximately 60% complete and will make a significant contribution to next year's results. The Projects Department's contribution went from HK$95.6 million in 2006 to HK$133.2 million for 2007 mainly due to the completion of the Mandarin Oriental Hotel-Hong Kong renovation in February. The results for Europe grew largely due to the completion of furniture packages for the Ritz Carlton - Moscow and the Ritz Carlton - Dublin.

During the year, the Group established regional headquarters for Europe in Copenhagen Denmark. Subsequent to the year-end, a showroom was established in London, another showroom will be established in Paris soon. With this network in place, we feel that the Group's European business will grow significantly over the next three years.

Subsequent to the year-end, the Group completed the purchase of assets from Classic Gallery, Inc. (an independent third party) located in High Point, NC. The new company, Decca Classic Upholstery, LLC is positioned to expand the Group's activities in the North American market by enabling the three U.S. divisions to supply a complete range of upholstery to the residential, hospitality and office contract markets.

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 2007, the total bank borrowings amounting to HK$52.4 million (2006: HK$52.0 million), out of which HK$28.0 million (2006: HK$25.0 million) would mature in one year or on demand. The borrowings including bank loans and overdrafts are mainly in Hong Kong dollars which will be matched by the inflow of funds from the Group's projects in Hong Kong. Having taken into account of the Group's net worth of HK$296.5 million (2006: HK$226.1 million), such borrowing level is considered as prudent. Finance costs were maintained at a low level of HK$3.8 million (2006: HK$3.8 million) representing 0.6% (2006: 0.8%) of the Group's revenue. Net current assets stood at HK$161.1 million (2006: HK$130.6 million).

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

Contingent liabilities

As at 31 March 2007, there were contingent liabilities in respect of a jointly guarantee with a third party to secure finance leases granted to an associate. At 31 March 2007, the obligations under finance leases in the books and records of the associate amounted to approximately HK$0.9 million (2006: HK$2.7 million). There was no significant investments or disposals of subsidiaries in the year under review.

Gearing ratio and foreign exchange exposure

As at 31 March 2007, the gearing ratio (total borrowings divided by net assets) was 0.18 (2006: 0.25). As the Group's revenue and expenses were mainly in Hong Kong dollars, Renminbi and United States dollars and its cash holding was mainly denominated in Hong Kong dollars, foreign exchange exposure of the Group was minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollars to the United States dollars remained in effect, Renminbi's exchange rate remained stable as Mainland China would also like to maintain a stable exchange rate between Hong Kong dollars and Renminbi which would be beneficial to Hong Kong's economy.

Employees

As at 31 March 2007, the Group employed 134, 2314, 3, 27 and 2 staff in Hong Kong, Mainland China, Singapore, United States of America ("U.S.") and Thailand respectively (2006: 130, 1792, 4, 24 and 2 respectively). The Group remunerated its employees based on their performance, working experience and the prevailing market conditions. Bonus may be given to staff of outstanding performance on a discretionary basis. For the primary purpose of retaining high caliber executives and employees, share options may be granted to eligible employees. Other employee benefits include mandatory provident fund and training programs.

PROSPECTS

Once again, the Group enters the next year with a record backlog. Orders totaling over HK$303.3 million were already signed as of March 31, 2007. The overall number of inquiries from Europe and the continued interest generated in the U.S. hospitality sector lead us to believe that the Group should continue to enjoy double-digit growth in both revenue and profits.

Besides the new U.S. upholstery operation, the Group is investigating the possibility of establishing a second manufacturing base outside China. We feel this would be a prudent development given the continued uncertainties surrounding possible trade sanctions and/or duties on China-made goods exported to the U.S.

In summary, the Group's positive trends look set to continue for the foreseeable future. We will continue to diversify our revenue sources and add strategic manufacturing locations in order to maximize the Group's opportunities. And, the Group will continue to invest in new technology to solidify its position as one of the most advanced wood working company in the world.

CORPORATE GOVERNANCE

During the year ended 31 March 2007, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") except for the following:

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

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

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to comply with Code Provision A.4.2, relevant amendments to the Bye-laws of the Company were proposed and approved by the shareholders at the Annual General Meeting of the Company held on 25 August 2006. Accordingly, Code Provision A.4.2 has been complied with thereafter.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 March 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and external auditors, the accounting principles and policies adopted by the Group and the audited financial statements for the year end 31 March 2007.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the directors, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

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 five years. And, the Board would like to thank all of the employees of the Group around the world for the contributions they have made and their tireless effort. Without this effort, the record results we are announcing would not have been possible.

PUBLICATION OF ANNUAL REPORT

This announcement is published on the website of the Stock Exchange and the Company (http://www.decca.com.hk).

The 2006/2007 Annual Report of the Company will be dispatched to the shareholders of the Company as well as made available on the aforesaid website in due course.

By Order of the Board
Tsang Chi Hung
Chairman

Hong Kong, 16 July 2007

* *For identification purpose only*

As at the date of this announcement, the directors of the Company comprise of seven executive directors, namely: 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 and three independent non-executive directors namely: Mr. Chu Kwok Man, Mr. Lok Wai Kiang, Paul and Mr. Cheng Woon Kam.