達藝
DECCA

DECCA HOLDINGS LIMITED
達藝控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 997)

ANNOUNCEMENT OF 2007/2008 INTERIM RESULTS

The Board of Directors (the "Board") of Decca Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007:—

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**349,220**	324,829
Cost of sales		**(217,582)**	(196,098)
Gross profit		**131,638**	128,731
Other income		**1,416**	1,730
Distribution costs		**(27,062)**	(17,246)
Administrative expenses		**(73,313)**	(54,819)
Write back (allowance) of bad and doubtful debts		**1,288**	(2,471)
Allowance for amount due from an associate		**—**	(6,000)
Share of result of an associate		**996**	(913)
Finance costs	*4*	**(2,534)**	(1,820)
Profit before taxation	*5*	**32,429**	47,192
Taxation	*6*	**(7,523)**	(10,009)
Profit for the period attributable to equity holders of the Company		**24,906**	37,183
Dividend paid	*7*	**16,000**	7,700
Earnings per share	*8*		
Basic		**HK12.45 cents**	HK18.59 cents
Diluted		**HK12.24 cents**	HK18.54 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 September 2007 (unaudited) HK$'000	At 31 March 2007 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**200,673**	155,178
Prepaid lease payments		**7,381**	2,725
Investment in an associate		**4,804**	4,452
		212,858	162,355
Current assets			
Inventories		**139,033**	108,750
Amounts due from customers for contract work		**11,785**	10,608
Trade receivables	9	**148,924**	112,608
Other deposits and prepayments		**24,376**	19,317
Amount due from an associate		**5,425**	5,468
Prepaid lease payments		**374**	245
Tax recoverable		**2,284**	1,742
Bank balances and cash		**83,380**	68,338
		415,581	327,076
Current liabilities			
Amounts due to customers for contract work		**3,978**	5,013
Trade payables	9	**68,677**	48,570
Other payables and accruals		**129,748**	68,110
Obligations under finance leases — due within one year		**1,160**	1,882
Taxation		**17,214**	14,351
Bank loans		**57,717**	27,385
Bank overdrafts		**—**	647
		278,494	165,958
Net current assets		**137,087**	161,118
		349,945	323,473
Non-current liabilities			
Obligations under finance leases — due after one year		**94**	466
Bank loans		**38,077**	24,380
Deferred taxation		**1,161**	2,104
		39,332	26,950
		310,613	296,523
Capital and reserves			
Share capital		**20,000**	20,000
Reserves		**290,613**	276,523
		310,613	296,523

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

<u>Potential impact arising from the recently issued accounting standards</u>

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

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) — INT 12	Service concession arrangements[2]
HK(IFRIC) — INT 13	Customer loyalty programmes[3]
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction[2]

[1] Effective for accounting periods beginning on or after 1 January 2009.
[2] Effective for accounting periods beginning on or after 1 January 2008.
[3] Effective for accounting periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these new and revised standards and interpretations will have no material impact on the results and financial positions of the Group.

3. SEGMENT INFORMATION

Business Segments

	Six months ended 30 September 2007		Six months ended 30 September 2006	
	Consolidated revenue (unaudited)	**Contribution to profit for the period (unaudited)**	Consolidated revenue (unaudited)	Contribution to profit for the period (unaudited)
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Sales of furniture and fixtures	**322,605**	**32,896**	252,916	48,771
Interior building works	**26,615**	**229**	71,913	5,753
Total	**349,220**	**33,125**	324,829	54,524
Other income		**1,416**		1,730
Allowance for amount due from an associate		**—**		(6,000)
Share of result of an associate		**996**		(913)
Finance costs		**(2,534)**		(1,820)
Unallocated corporate expenses		**(574)**		(329)
Profit before taxation		**32,429**		47,192
Taxation		**(7,523)**		(10,009)
Profit for the period		**24,906**		37,183

4. FINANCE COSTS

	Six months ended 30 September	
	2007 (unaudited)	2006 (unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**2,511**	1,674
Finance leases	**23**	146
	2,534	1,820

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	**187**	84
Depreciation	**13,112**	10,493
Allowance for slow moving inventories	**11**	1,668
Interest income	**(322)**	(302)
(Gain)/loss on disposal of property, plant and equipment	**(21)**	227

6. TAXATION

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**6,021**	6,259
Overseas taxation	**2,445**	4,250
	8,466	10,509
Deferred taxation	**(943)**	(500)
	7,523	10,009

Hong Kong Profits Tax is calculated at 17.5% (1/4/2006 to 30/9/2006: 17.5%) of the estimated assessable profit for the six months ended 30 September 2007.

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

Hong Kong Profits Tax and taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% and 30.5% (1.4.2006 to 30.9.2006: 17.5% and 30.5%) respectively.

7. DIVIDEND

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Final dividend paid — HK8 cents (2006: HK3.85 cents) per share	**16,000**	7,700

The directors have determined that an interim dividend of HK2.5 cents (2006: HK3.7 cents) per share should be paid to the shareholders of the Company whose name appear on the Register of Members on 10 January 2008.

8. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**24,906**	37,183

Number of shares

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**200,000**	200,000
Effect of dilutive potential ordinary shares assuming exercise of share options	**3,483**	511
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**203,483**	200,511

9. TRADE RECEIVABLES, TRADE PAYABLES AND CREDIT POLICY

The following is the aging analysis of trade receivables and trade payables at the reporting date:

	As at 30 September 2007		As at 31 March 2007	
	Trade Receivables	**Trade Payables**	Trade Receivables	Trade Payables
	(unaudited)	**(unaudited)**	(audited)	(audited)
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
0-30 days	**44,370**	**34,566**	58,999	32,217
31-90 days	**55,210**	**16,395**	26,327	9,446
>90 days	**49,344**	**17,716**	27,282	6,907
	148,924	**68,677**	112,608	48,570

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.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2.5 cents (1/4/2006 to 30/9/2006: HK3.7 cents) per share for the six months ended 30 September 2007 to shareholders whose names appear on the Register of Members of the Company on 10 January 2008. The interim dividend will be paid on or around 15 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 8 January 2008 to Thursday, 10 January 2008, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for interim dividend, shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's Share Registrars, Tricor Standard Limited on 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 7 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results

The Group's turnover for the six months ending 30 September 2007 increased by 7.5% to HK$349.2 million from HK$324.8 million for the same period in 2006. However, gross margin decreased from 39.6% to 37.7%. This was expected because the 2006/2007 results were heavily influenced by the completion of the Mandarin Oriental Hotel - Hong Kong.

Furniture sales increased to 92.4% of turnover to HK$322.6 million compared to the same period of the previous year when it was 77.9% of total revenue. Sales of furniture to the United States increased to 71.4% of all sales and sales to Europe increased to 11.1% of sales. Previously, the combined U.S. and European furniture sales were 69.1% of turnover.

Net profit before tax was lower than the previous period by 31.3% or HK$32.4 million compared to HK$47.2 million for the first half of 2006/2007. The reduction was primarily due to increased distribution and administrative costs of 39.3% from HK$72.1 million to HK$100.4 million. A large portion of the increase was due to increased headcount in Europe and at Decca Classic Upholstery, LLC. Also, higher salaries for existing staff and higher sales commissions connected to the increased sales in the U.S. and Europe was a factor. Of the HK$28.3 million increase in distribution and administrative costs, approximately HK$5.0 million is non-recurring because it was associated with the opening of the Group's new showrooms in Paris and London.

The Group's top four clients changed from the previous year. Kerzner International Development Co. accounted for HK$35.0 million in turnover which represented 10.0% of the group's revenue. This contract is associated with the Atlantis Resort in the Bahamas which includes loose furniture, architectural fixtures and woodwork and other built-in furniture. The next three clients by revenue during the period from April thru September 2007 include projects for Hotel Interior Design – 7.9% of turnover, Ritz Carlton Guangzhou – 5.1% of revenue and Hilton Anatole Hotel – 4.2% of turnover.

Projects currently in process include various Ritz Carlton Hotels – HK$30.2 million, the Tokyo Baycourt Hotel – HK$15.9 million, various Louis Vuitton Stores – HK$13.3 million and the Scrub Island Resort – HK$13.1 million.

Liquidity, financial resources and capital structure

The Group continued to exercise a conservative policy towards its financial structure. As at 30 September 2007, total bank borrowings amounted to HK$95.8 million (31 March 2007: HK$52.4 million), out of which HK$57.7 million (31 March 2007: HK$28.0 million) would be due within one year. Finance costs were at a relatively low level of HK$2.5 million (2006: HK$1.8 million), representing 0.7% (2006: 0.6%) of the Group's turnover. The Board believes that the Group's available banking facilities and its bank balances should provide the Group with sufficient financial resources for its operation and future development.

The borrowing including bank loans and overdrafts are mainly in Hong Kong dollars and United States dollars which will be matched by the inflow of funds from the Group's projects and contracts in Hong Kong and the United States. Having taken into account of the Group's net worth of HK$310.6 million (31 March 2007: HK$296.5 million), such borrowing level is still sound. Net current assets stood at HK$137.1 million (31 March 2007: HK$161.1 million).

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

Gearing ratio and foreign exchange exposure

As at 30 September 2007, the gearing ratio (total borrowings divided by net assets) was 0.31 (31 March 2007: 0.18). As the Group's revenue and expenses were mainly in Hong Kong dollars, Renminbi and US dollars and its cash holding was 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 US dollars remained in effect. Renminbi's exchange rate is relatively stable as Mainland China would also like to maintain a stable exchange between Hong Kong dollars and Renminbi which would be beneficial to Hong Kong's economy.

Charge on assets and contingent liabilities

At 30 September 2007, buildings, plant and machinery, and motor vehicles of the Group with net book value of approximately HK$19.8 million, HK$12.4 million and HK$0.4 million (31 March 2007: nil, HK$11.2 million and HK$0.5 million) respectively were pledged with a bank to secure a loan granted to the Group.

As at 30 September 2007, there were contingent liabilities in respect of joint guarantee with a third party to secure the finance leases granted to an associate. As at 30 September 2007, the obligations under finance leases in the books and records of the associate amounted to approximately HK$0.4 million (31 March 2007: HK$0.9 million). There was no significant investments or disposals of subsidiaries in the period under review.

Employees

As at 30 September 2007, the Group employed 137, 2605, 4, 36 and 2 staff in Hong Kong, Mainland China, Singapore, USA, Thailand respectively (31 March 2007: 134, 2314, 3, 27 and 2 respectively). The Group remunerated its employees based on their performance, working experience and prevailing market conditions. Bonus may be given to staff of outstanding performance on a discretionary basis. For the primary 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.

Outlook

The Group completed the purchase of assets from Classic Gallery Inc. – High Point. Decca Classic Upholstery, LLC commenced operations in June and will have a positive effect on the Group's turnover in the second half of 2007/2008. In addition, subsequent to 30 September 2007, the Group completed the purchase of assets from Paraworld Furniture Co. Ltd. in Thailand. These assets were injected into Decca MFG (Thailand) Ltd. (the "DMTL") of which the Group holds 80% of the shares with the balance held by the Group's Thai partner. DMTL will commence operations in March 2008 under rules established by the Thailand Board of Investments. We expect DMTL to add significant capacity to the Group. It will provide a lower cost manufacturing base outside China that will be used to produce bedroom furniture for contracts in the United States signed by the Group's subsidiaries; Decca Hospitality Furnishings, LLC and Bolier & Co., LLC. Product produced in Thailand does not attract duty from the U.S., as does bedroom furniture produced in China.

The Group had orders on hand of approximately HK$303.7 million at 30th September 2007 and expects the full year's revenue to be around HK$700.0 million. Non-recurring start-up expenses at DMTL and the higher level of distribution & administrative expenses will slightly affect net profit. Higher returns should occur in subsequent years after all start-up costs have been absorbed.

During the first half of 2007/2008, the Group broke ground on an extension to the existing manufacturing facility in Dongguan that will be devoted to expanded production of office/contract furniture. Also under construction near the Dongguan facility is a new "purpose-built" climate controlled storage warehouse for wood, veneer and other materials. When completed in mid-2008, it will allow the Group to mobilize production of new contracts faster thus increasing the "through-put" of the China factory.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

CORPORATE GOVERNANCE

During the six months ended 30 September 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2007.

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, nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

APPRECIATION

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

By Order of the Board
TSANG CHI HUNG
Chairman

Hong Kong, 10 December 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 Cheng Woon Kam, and Mr Pak Wai Tun, Wallace.