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 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 2008, together with the comparative figures for 2007 as follows:

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	3	**813,726**	636,848
Cost of sales		**(516,135)**	(374,913)
Gross profit		**297,591**	261,935
Other income	5	**4,479**	1,286
Selling and distribution costs		**(62,854)**	(40,886)
Administrative expenses		**(147,694)**	(115,061)
Allowance/write back of bad and doubtful debts, net		**(2,645)**	(1,724)
Allowance for amount due from an associate		**—**	(6,000)
Share of result of an associate		**723**	675
Finance costs	6	**(6,691)**	(3,820)
Profit before taxation		**82,909**	96,405
Income tax expense	7	**(18,801)**	(18,074)
Profit for the year	8	**64,108**	78,331
Attributable to:			
Equity holders of the Company		**64,388**	78,331
Minority interests		**(280)**	—
		64,108	78,331
Dividends paid	9	**21,000**	15,100
Earnings per share	10		
Basic		**HK32.19 cents**	39.17 cents
Diluted		**HK31.97 cents**	38.85 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**301,955**	155,178
Prepaid lease payments		**7,559**	2,725
Investment in an associate		**6,219**	4,452
Amount due from an associate		**5,000**	—
Deposits paid for acquisition of property, plant and equipment		**4,110**	—
		324,843	162,355
Current assets			
Inventories		**156,110**	108,750
Accrued revenue		**21,799**	10,608
Trade receivables	*11*	**185,994**	112,608
Other deposits and prepayments		**34,306**	19,317
Amount due from an associate		**375**	5,468
Prepaid lease payments		**387**	245
Tax recoverable		**3,853**	1,742
Bank balances and cash		**64,514**	68,338
		467,338	327,076
Current liabilities			
Deferred revenue		**6,273**	5,013
Trade payables	*12*	**101,451**	48,570
Receipts in advance		**116,415**	31,914
Other payables and accruals		**36,470**	27,579
Provision for warranty		**12,022**	8,617
Obligations under finance leases - due within one year		**742**	1,882
Taxation		**12,190**	14,351
Borrowings		**81,738**	27,385
Bank overdraft		**15,139**	647
		382,440	165,958
Net current assets		**84,898**	161,118
Total assets less current liabilities		**409,741**	323,473

CONSOLIDATED BALANCE SHEET *(continued)*
At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year		**394**	466
Borrowings		**46,677**	24,380
Deferred taxation		**104**	2,104
		47,175	26,950
		362,566	296,523
Capital and reserves			
Share capital		**20,000**	20,000
Reserves		**339,846**	276,523
Equity attributable to equity holders of the Company		**359,846**	296,523
Minority interests		**2,720**	—
		362,566	296,523

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, the following new standard, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK (IFRIC) — INT 8	Scope of HKFRS 2
HK (IFRIC) — INT 9	Reassessment of embedded derivatives
HK (IFRIC) — INT 10	Interim financial reporting and impairment
HK (IFRIC) — INT 11	HKFRS 2 - Group and treasury share transactions

The adoption of these New HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK (IFRIC) — INT 12	Service concession arrangements [3]
HK (IFRIC) — INT 13	Customer loyalty programmes [4]
HK (IFRIC) — INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

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

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new standards or interpretations will have no material impact on the results and the financial position of the Group.

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:

	2008	2007
	HK$'000	*HK$'000*
Sales of furniture and fixtures	**712,718**	503,644
Service revenue from interior decoration work	**101,008**	133,204
	813,726	636,848

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

	2008		2007	
	Consolidated turnover	**Contribution to profit for the year**	Consolidated turnover	Contribution to profit for the year
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Sales of furniture and fixtures	**712,718**	**75,437**	503,644	83,164
Interior decoration work	**101,008**	**8,984**	133,204	21,149
Total	**813,726**	**84,421**	636,848	104,313
Other income		**4,479**		1,286
Unallocated corporate expenses		**(23)**		(49)
Allowance for amount due from an associate		**—**		(6,000)
Share of result of an associate		**723**		675
Finance costs		**(6,691)**		(3,820)
Profit before taxation		**82,909**		96,405
Taxation		**(18,801)**		(18,074)
Profit for the year		**64,108**		78,331

Balance sheet

	2008			2007		
	Sales of furniture and fixtures	**Interior decoration work**	**Consolidated**	Sales of furniture and fixtures	Interior decoration work	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	**650,915**	**61,305**	**712,220**	351,649	57,782	409,431
Investment in an associate			**6,219**			4,452
Amount due from an associate			**5,375**			5,468
Unallocated corporate assets			**68,367**			70,080
Consolidated total assets			**792,181**			489,431
LIABILITIES						
Segment liabilities	**232,272**	**40,360**	**272,632**	90,155	31,538	121,693
Unallocated corporate liabilities			**158,573**			71,215
Consolidated total liabilities			**431,205**			192,908

Geographical segments

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

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
America	**503,297**	385,649
Hong Kong SAR and Macau SAR	**111,433**	147,576
Europe	**65,832**	55,577
Mainland China	**107,870**	29,616
Other countries in Asia	**25,294**	18,430
	813,726	636,848

5. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income	**535**	712
Net foreign exchange gain	**2,691**	—
Sundry income	**1,253**	572
Rental income	**—**	2
	4,479	1,286

6. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans and other loans wholly repayable within five years	**5,127**	3,577
Bank loans not wholly repayable within five years	**1,527**	—
Finance leases	**37**	243
	6,691	3,820

7. INCOME TAX EXPENSE

	2008 *HK$'000*	2007 *HK$'000*
Current tax:		
Hong Kong	**(8,825)**	(12,471)
Other jurisdictions	**(3,371)**	(6,378)
Other regions in the PRC	**(8,659)**	(1,719)
	(20,855)	(20,568)
(Under)/overprovision in prior years		
Hong Kong	**(55)**	16
Other jurisdictions	**109**	(89)
	(20,801)	(20,641)
Deferred taxation		
— current year	**2,000**	2,567
	(18,801)	(18,074)

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

Taxation arising in other regions 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

	2008 *HK$'000*	2007 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Allowance for slow moving inventories	**1,089**	3,419
Amortisation of prepaid lease payments (included in administrative expenses)	**386**	245
Depreciation		
Owned assets	**30,181**	22,787
Assets held under finance leases	**801**	750
Provision for warranty	**13,491**	7,470
Cost of inventories recognised as expenses	**436,113**	268,097
Expected loss on construction contracts	**—**	705
(Gain)/loss on disposals of property, plant and equipment	**(386)**	229
Operating lease rentals paid in respect of rented properties	**4,332**	6,675
Net foreign exchange (gain) loss	**(2,691)**	3,499

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Prior year dividend paid — HK8 cents (2007: HK3.85 cents) per share	**16,000**	7,700
Current year interim dividend paid — HK2.5 cents (2007: HK3.70 cent) per share	**5,000**	7,400
	21,000	15,100

The current year final dividend of HK7.2 cents (2007: HK8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 March 2008 attributable to the ordinary equity holders of the Company together with the comparative figures for 2007 is based on the following data:

Earnings

	2008	2007
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**64,388**	78,331

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	**1,406**	1,607
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**201,406**	201,607

11. TRADE RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**204,389**	129,529
Less: Allowances for bad and doubtful debts	**(18,395)**	(16,921)
	185,994	112,608

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

	2008	2007
	HK$'000	*HK$'000*
0 — 30 days	**62,973**	59,529
31 — 90 days	**51,976**	26,327
> 90 days	**71,045**	26,752
	185,994	112,608

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.

12. TRADE PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 — 30 days	**40,997**	32,217
31 — 90 days	**28,067**	9,446
> 90 days	**32,387**	6,907
	101,451	48,570

DIVIDENDS

The Board has recommended a final dividend of HK7.2 cents per share for the year ended 31 March 2008 (2007: HK 8 cents), which is subject to approval by shareholders at the Annual General Meeting to be held on 29 August 2008. This together with the interim dividend of HK2.5 cents (2007: HK 3.7 cents) per share give a total dividend of HK9.7 cents per share for the year (2007: HK 11.70 cents). The final dividend payment will be made on 11 September 2008 to shareholders whose names appear on the Register of Members of the Company on 29 August 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 26 August 2008 to Friday, 29 August 2008, 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, Tricor Standard Limited on 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 25 August 2008.

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 year under review was a very challenging one for the Group. Although turnover rose to a record level of HK$813.7 million, a 27.8% increase over the previous years' HK$636.8 million, net profit declined 18.2% from HK$78.3 million to HK$64.1 million. The gross margin declined from 41.1% to 36.6%. There were several reasons for this decline in profitability:—

1. There was an increase in the Mainland China Government's minimum wage rate. Although many Decca employees are paid higher than the minimum, this benchmark required the Group to give general increases to all workers.

2. The China Renminbi appreciated more than 10% over the year. Since most of the Group's business is denominated in U.S. Dollars, the appreciation of the currency represented an additional increase in all factory costs except for imported raw materials.

3. Higher transportation costs increased the cost of all imported raw materials. Efforts were made to pass on these costs to our customers. However, not all costs could be covered.

4. The acquisition and consolidation of Decca Classic Upholstery, LLC and Decca MFG (Thailand) Ltd. contributed to the overall reduction in the Group's gross margin. Both companies should make a positive contribution during the current fiscal year.

There was also a significant increase of 35% in the Group's selling and distribution costs and administrative expenses. The total for this year was HK$210.5 million (25.9% of turnover) compared to last year's HK$155.9 million (24.5% of turnover). As the Hong Kong economy grew stronger in 2007, it became increasingly difficult to recruit and retain middle management staff. This led to a substantial increase in salaries & wages for the Group which accounted for a large portion of the increase.

Business Review

All business and geographic sectors grew over the past year. Significant growth occurred in the Hong Kong & Mainland China market for hospitality furniture. During the year under review, the Group completed furniture supply contracts for Hilton Anatole Hotel, Dallas, Grand Hyatt Hotel, Guangzhou, Ritz Carlton Hotel, Dublin. Architectural woodwork was supplied to MGM Grand at Foxwoods and Shakespeare Theatre in Washington DC. Shop fixtures were supplied to various Louis Vuitton stores in Japan, Mainland China and Hong Kong.

Projects currently in progress include interior fitting-out project for a Hermes store in Hong Kong. Furniture supply contracts for Park Hyatt Hotel, Beijing, Hilton Waikoloa Kingsland in Hawaii, Renaissance Beijing Fuli and several shop fixtures projects for Louis Vuitton in Mainland China and Macau.

The hospitality sector continued to be the Group's largest market contributing 60% of the Group's turnover. residential sales, office/contract sales and architectural woodwork/retail fixture sales all accounted for about 12% or more each of the Group's turnover.

The Group's purchase of a manufacturing facility in Thailand, Decca MFG (Thailand) Ltd. has solved the Group's problems related to the anti-dumping duties on bedroom furniture orders for the U.S.A. Over the last six months, new production machinery has been ordered. Woodworking machinery is currently being commissioned. A new finishing line will be commissioned by the end of July. Cross-training of key Thai production people will begin in August with approximately 15 Thai workers being trained at Decca's facility in Dongguan. The result will not only be the elimination of duties, but also the development of an alternate manufacturing site for the Group to take advantage of the new competitiveness of Thai labour.

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 2008, the total bank borrowings amounting to HK$143.6 million (2007: HK$52.4 million), out of which HK$96.9 million (2007: HK$28.0 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$362.6 million (2007: HK$296.5 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$6.7 million (2007: HK$3.8 million) representing 0.8% (2007: 0.6%) of the Group's revenue. Net current assets stood at HK$84.9 million (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.

Contingent liabilities

At 31 March 2007, the Group has contingent liabilities in respect of a jointly guarantee with the major shareholder of an associate to secure the finance leases granted to an associate. The obligation under finance leases in the books and records of the associate amounted to approximately HK$0.9 million. The finance leases of the associate have been fully repaid during the year ended 31 March 2008.

Gearing ratio and foreign exchange exposure

As at 31 March 2008, the gearing ratio (total borrowings divided by net assets) was 0.40 (2007: 0.18). 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 2008, the Group employed 150, 3213, 3, 47 and 204 staff in Hong Kong, Mainland China, Singapore, United States of America ("U.S.") and Thailand respectively (2007: 134, 2314, 3, 27 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

The Group enters the coming year better than the industry in general. The orders on hand as of 31 March 2008 were approximately HK$336 million, the highest level the Group has ever achieved. We expect a surge in orders from Europe where the Group has three office/showrooms and the current exchange rate with the Euro makes the Group's pricing very attractive. We also expect office/contract business to continue to grow at a rate better than the average as more architects & designers become aware of Decca's flexibility and quality level.

The Group's management is also determined to improve the results over the coming year. The Group's goals are to achieve a net profit margin around 10% and a return on shareholder's funds around 20%. This will be achieved by placing greater emphasis on cost control, increasing productivity and reducing defect/rework costs. In addition, with the Group's factories operating at near capacity levels, the Group will also continue to analyze all of its business and carefully screen contracts that do not meet the Group's long term profit goals.

CORPORATE GOVERNANCE

During the year ended 31 March 2008, 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 year ended 31 March 2008.

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 2008.

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 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 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 2007/2008 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, 14 July 2008

* *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.