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 2008/2009 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 2009, together with the comparative figures for 2008 as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Revenue	3	**927,177**	813,726
Cost of sales		**(617,100)**	(516,135)
Gross profit		**310,077**	297,591
Other income	5	**3,838**	4,479
Selling and distribution costs		**(76,944)**	(66,586)
Administrative expenses		**(159,386)**	(143,962)
Allowance/write back of bad and doubtful debts, net		**(21,186)**	(2,645)
Share of result of an associate		**(340)**	723
Finance costs	6	**(7,746)**	(6,691)
Profit before taxation		**48,313**	82,909
Income tax expense	7	**(8,945)**	(18,801)
Profit for the year	8	**39,368**	64,108
Attributable to:			
Equity holders of the Company		**39,724**	64,388
Minority interests		**(356)**	(280)
		39,368	64,108
Dividends paid	9	**21,400**	21,000
Earnings per share	10		
Basic		**HK19.86 cents**	HK32.19 cents
Diluted		**N/A**	HK31.97 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**337,585**	301,955
Prepaid lease payments		**7,806**	7,559
Investment in an associate		**11,313**	6,219
Amount due from an associate		**—**	5,000
Deferred taxation		**7,721**	—
Deposits paid for acquisition of property, plant and equipment		**2,463**	4,110
		366,888	324,843
Current assets			
Inventories		**165,541**	156,110
Accrued revenue		**22,084**	21,799
Trade receivables	*11*	**125,453**	149,317
Other deposits and prepayments		**19,269**	34,306
Amount due from an associate		**352**	375
Prepaid lease payments		**404**	387
Tax recoverable		**4,834**	3,853
Bank balances and cash		**42,735**	64,514
		380,672	430,661
Current liabilities			
Deferred revenue		**3,073**	6,273
Trade payables	*12*	**67,177**	101,451
Receipts in advance		**40,092**	79,738
Other payables and accruals		**47,491**	36,470
Provision for warranty		**9,942**	12,022
Obligations under finance leases - due within one year		**394**	742
Taxation		**20,259**	12,190
Borrowings		**107,234**	81,738
Bank overdraft		**2,961**	15,139
		298,623	345,763
Net current assets		**82,049**	84,898
Total assets less current liabilities		**448,937**	409,741

CONSOLIDATED BALANCE SHEET *(continued)*
At 31 March 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000*
Non-current liabilities			
Obligations under finance leases – due after one year		**—**	394
Borrowings		**61,179**	46,677
Deferred taxation		**—**	104
		61,179	47,175
		387,758	362,566
Capital and reserves			
Share capital		**20,000**	20,000
Reserves		**367,758**	339,846
Equity attributable to equity holders of the Company		**387,758**	359,846
Minority interests		**—**	2,720
		387,758	362,566

Notes:

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

In the current year, the Group has applied the following amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendments)	Improving disclosure about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded Derivatives [5]
HK(IFRIC) - INT 13	Customer loyalty programmes [6]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners [4]
HK(IFRIC) - INT 18	Transfer of assets from customers [8]

1 Effective for accounting periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for accounting periods beginning on or after 1 July 2009.
2 Effective for accounting periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for accounting periods beginning on or after 1 January 2009.
4 Effective for accounting periods beginning on or after 1 July 2009.
5 Effective for accounting periods ending on or after 30 June 2009.
6 Effective for accounting periods beginning on or after 1 July 2008.
7 Effective for accounting periods beginning on or after 1 October 2008.
8 Effective for transfer on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's 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 April 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments 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:

	2009	2008
	HK$'000	*HK$'000*
Sales of furniture and fixtures	**777,656**	712,718
Service revenue from interior decoration work	**149,521**	101,008
	927,177	813,726

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

Consolidated income statements

	Year ended 31 March 2009		Year ended 31 March 2008	
	Consolidated revenue	**Contribution to profit for the year**	Consolidated revenue	Contribution to profit for the year
	HK\$'000	***HK\$'000***	*HK\$'000*	*HK\$'000*
Sales of furniture and fixtures	**777,656**	**118,076**	712,718	153,047
Interior decoration work	**149,521**	**32,835**	101,008	21,720
Total	**927,177**	**150,911**	813,726	174,767
Other income		**3,838**		4,479
Unallocated corporate expenses		**(98,350)**		(90,369)
Share of result of an associate		**(340)**		723
Finance costs		**(7,746)**		(6,691)
Profit before taxation		**48,313**		82,909
Taxation		**(8,945)**		(18,801)
Profit for the year		**39,368**		64,108

Consolidated balance sheets

	2009			2008		
	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	**599,049**	**81,556**	**680,605**	614,238	61,305	675,543
Investment in an associate			**11,313**			6,219
Amount due from an associate			**352**			5,375
Unallocated corporate assets			**55,290**			68,367
Consolidated total assets			**747,560**			755,504
LIABILITIES						
Segment liabilities	**133,922**	**33,853**	**167,775**	195,595	40,360	235,955
Unallocated corporate liabilities			**192,027**			156,983
Consolidated total liabilities			**359,802**			392,938

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	
	2009	2008
	HK$'000	*HK$'000*
United States of America	**479,163**	503,297
Hong Kong SAR and Macau SAR	**139,814**	111,433
Europe	**70,300**	65,832
Mainland China	**166,064**	107,870
Other countries in Asia	**71,836**	25,294
	927,177	813,726

5. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Discount on acquisition of additional interest in a subsidiary	**614**	—
Interest income	**254**	535
Net foreign exchange gain	**779**	2,691
Sundry income	**2,191**	1,253
	3,838	4,479

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans and other loans wholly repayable within five years	**6,961**	5,127
Bank loans not wholly repayable within five years	**763**	1,527
Finance leases	**22**	37
	7,746	6,691

7. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**(5,163)**	(8,825)
Other regions in the PRC	**(7,251)**	(8,659)
Other jurisdictions	**(4,261)**	(3,371)
	(16,675)	(20,855)
(Under)/overprovision in prior years		
Hong Kong Profits Tax	**(95)**	(55)
Other jurisdictions	**—**	109
	(16,770)	(20,801)
Deferred taxation		
— current year	**7,825**	2,000
	(8,945)	(18,801)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, The People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Company's PRC subsidiaries from 1 January 2008.

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

	2009	2008
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Allowance for slow moving inventories	**3,820**	1,089
Amortisation of prepaid lease payments (included in administrative expenses)	**404**	386
Depreciation		
Owned assets	**39,101**	30,181
Assets held under finance leases	**450**	801
Provision for warranty	**11,152**	13,491
Cost of inventories recognised as expenses	**578,944**	480,730
Loss (gain) on disposals of property, plant and equipment	**935**	(386)
Operating lease rentals paid in respect of rented properties	**7,470**	4,332

9. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Prior year final dividend paid — HK7.2 cents in respect of year 2008 (2008: HK8 cents in respect of year 2007) per share	**14,400**	16,000
Current year interim dividend paid — HK3.5 cents in respect of year 2009 (2008: HK2.5 cents in respect of year 2008) per share	**7,000**	5,000
	21,400	21,000

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2009.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 March 2009 attributable to the ordinary equity holders of the Company together with the comparative figures for 2008 is based on the following data:

Earnings

	2009	2008
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**39,724**	**64,388**

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

Note: All the share options expired on 31 August 2007.

11. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**155,117**	167,712
Less: Allowances for bad and doubtful debts	**(29,664)**	(18,395)
	125,453	149,317

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) at the reporting date:

	2009	2008
	HK$'000	*HK$'000*
0 — 30 days	**47,938**	62,973
31 — 90 days	**44,413**	51,976
> 90 days	**33,102**	34,368
	125,453	149,317

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:

	2009	2008
	HK$'000	*HK$'000*
0 — 30 days	**28,586**	40,997
31 — 90 days	**14,970**	28,067
> 90 days	**23,621**	32,387
	67,177	101,451

The credit periods on purchases of goods are usually from 1 month to 3 months. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

DIVIDENDS

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: HK 7.2 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 27 August 2009 to Tuesday, 1 September 2009, 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 Wednesday, 26 August 2009.

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

Review of Results

During the year under review, the consolidated revenue increased to a record level of HK$927.2 million, a 13.9% increase over the previous year's of HK$813.7M. Net profit decreased 38.6% from HK$64.1 million to HK$39.4 million. The gross margin decreased from 36.6% to 33.4%. The decline in profitability was mainly due to the increased competition in the hospitality and contract markets in the US.

There was a significant increase of 19.6% in the Group's cost of sales, the total for this year was HK$617.1 million (66.6% of the revenue) compared to last year's HK$516.1 million (63.4% of the revenue). The allowance of bad and doubtful debts also rose from the previous year's HK$2.6 million to HK$21.2 million. Such increase was mainly attributed to the increased difficulty in collecting receivables, in particular in the United States of America ("US"). Notwithstanding to the provisions made, the Group will seek to recover the receivables in question.

The US market continued to be the principal market of the Group accounted for 51.7% of the Group's revenue. Revenue in the China market grew significantly by 53.9% from HK$107.9 million to HK$166.1 million, whereas revenue in the Hong Kong & Macau markets grew steadily by 25.5% from HK$111.4 million to HK$139.8 million. Revenue in the US markets decreased by 4.8% to HK$479.2 million compared with the previous year's of HK$503.3 million as the economic recession in the US started to affect business in this geographical sector. Since the expansion of the luxury brand requirements for store fixtures, the Group had experienced an increase of 53.0% in revenue in this sector of business from HK$113.0 million to HK$173.0 million.

The Group's top five customers for the year ended 31 March 2009 were LVMH Group for several stores in Hong Kong, China, the US, Macau and Japan accounted for HK$63.0 million in revenue which represented 6.8% of the Group's revenue, the Hilton Supply Management Limited — 4.7% of revenue, Hermes Asia Pacific Limited — 3.1% of revenue, Four Seasons Group — 3.0% of revenue and Ritz Carlton Group — 2.0% of revenue.

Projects currently in progress include furniture supply contracts for Atlantis Coral Tower — Bahamas, Four Seasons Hotel — Beverly Hills, Seagate Hotel — Miami, interior fitting out project for a residence at Black's Link in Hong Kong and retail fixtures supply contract for several Jaeger-Le Coultre stores around the globe.

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 2009, the total bank borrowing amounting to HK$171.4 million (2008: HK$143.6 million), out of which HK$110.2 million (2008: HK$96.9 million) would mature in one year or on demand. The borrowings include 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$387.8 million (2008: HK$362.6 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$7.7 million (2008: HK$6.7 million) representing 0.8% (2008: 0.8%) of the Group's revenue. Net current assets stood at HK$82.0 million (2008: HK$84.9 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

Gearing Ratio and Foreign Exchange Exposure

As at 31 March 2009, the gearing ratio (total borrowings divided by net assets) was 0.44 (2008: 0.40). 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 2009, the Group employed 154, 1930, 3, 85, 217 and 12 staff in Hong Kong, Mainland China, Singapore, US, Thailand and Europe respectively (2008: 150, 3213, 3, 98, 204 and 9 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 global recession has affected the company in two ways:—

1. The orders on hand of the Group as at 31 March 2009 were approximately HK$314 million. Furthermore, the Group's order book has declined to the lowest level in more than four years. In particular, the Group's US business is off more than 30% and is not expected to improve before the fourth quarter of this fiscal year.

2. The Group's allowance for bad debts has increased substantially this year. Both specific and general provisions have been increased. While the Group feels it now has adequate provision, should the current recession last longer than expected, the Group finds it necessary to further increase its general provisions.

The Group continues to concentrate more marketing efforts in developing more business in Asia (particularly China), India and the Middle East. These areas have been affected less by the world recession and the problems in the global financial sector. While increased orders in these areas will help the Group through the next nine months, they will not completely offset the decline in business from the United States.

The Group will continue to emphasize maintaining liquidity. Group finances continue to be strong. Earnings before interest, taxes, depreciation expenses and amortization expenses (EBITDA) was HK$95.6 million. This was down from the previous year's of HK$120.6 million but is still more than adequate to service the Group's debt obligations. As long as there is no substantial increase in the Group's provisions in 2009/2010, the directors of the Company hope to improve the EBITDA in the coming year.

CORPORATE GOVERNANCE

During the year ended 31 March 2009, 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 2009.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors namely: Mr. Chu Kwok Man, Mr. Cheng Woon Kam and Mr. Pak Wai Tun, Wallace. The Audit Committee has reviewed the Group's consolidated financial statements for the year end 31 March 2009 and discussed the internal control and financial reporting matters.

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 their tireless effort and contributions to the Group.

PUBLICATION OF ANNUAL REPORT

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

The 2008/2009 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, 13 July 2009

* *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.