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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 2009/2010
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 2009:—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September 2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
	<i>Notes</i>		
Revenue	3	344,090	495,090
Cost of sales		(242,755)	(329,166)
Gross profit		101,335	165,924
Other income		1,909	6,265
Selling and distribution costs		(21,349)	(28,019)
Administrative expenses		(77,318)	(86,687)
Written back of (allowance for) bad and doubtful debts, net		2,004	(9,666)
Share of (loss) profit of an associate		(1,095)	485
Finance costs	4	(2,874)	(3,540)
Profit before taxation	5	2,612	44,762
Taxation	6	(2,332)	(9,783)
Profit for the period		280	34,979
Other comprehensive income			
Exchange difference arising on translation of foreign operations and to presentation currency		(3,603)	8,071
Share of translation reserve of an associate		(191)	553
Other comprehensive (expenses) income for the period (net of tax)		(3,794)	8,624
Total comprehensive (expenses) income for the period		(3,514)	43,603

		Six months ended	
		30 September	
		2009	2008
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
	Notes		
Profit for the period attributable to:			
Owners of the Company		280	35,335
Non-controlling interests		—	(356)
		<u>280</u>	<u>34,979</u>
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(3,514)	43,959
Non-controlling interests		—	(356)
		<u>(3,514)</u>	<u>43,603</u>
Earnings per share — Basic	7	<u>HK0.14 cents</u>	<u>HK17.67 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2009 (unaudited) HK\$'000	At 31 March 2009 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		317,077	337,585
Prepaid lease payments		7,535	7,806
Investment in an associate		10,027	11,313
Deferred tax assets		8,256	7,721
Deposits paid for acquisition of property, plant and equipment		6,792	2,463
		<u>349,687</u>	<u>366,888</u>
Current assets			
Inventories		112,612	165,541
Accrued revenue		46,376	22,084
Trade receivables	9	80,978	125,453
Deposits and prepayments		15,577	19,269
Amount due from an associate		352	352
Prepaid lease payments		401	404
Tax recoverable		6,368	4,834
Bank balances and cash		70,458	42,735
		<u>333,122</u>	<u>380,672</u>
Current liabilities			
Deferred revenue		11,329	3,073
Trade payables	9	54,237	67,177
Receipts in advance		43,959	40,092
Other payables and accruals		35,511	47,491
Provision for warranty		3,790	9,942
Obligations under finance leases — due within one year		305	394
Tax payable		19,339	20,259
Borrowings		75,295	107,234
Bank overdrafts		258	2,961
		<u>244,023</u>	<u>298,623</u>
Net current assets		<u>89,099</u>	<u>82,049</u>
Total assets less current liabilities		<u>438,786</u>	<u>448,937</u>
Non-current liabilities			
Deferred tax liabilities		827	—
Borrowings		53,715	61,179
		<u>54,542</u>	<u>61,179</u>
		<u>384,244</u>	<u>387,758</u>
Capital and reserves			
Share capital		20,000	20,000
Reserves		364,244	367,758
Equity attributable to owners of the Company		<u>384,244</u>	<u>387,758</u>

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”.

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 2009 except for the accounting policy on borrowing cost due to application of HKAS 23 (Revised) — Borrowing costs.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligation arising on liquidation
HKFRS 1 And HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers

HKAS 1 (Revised) — Presentation of financial statements

HKAS 1 (Revised) has introduced a number of terminology changes, (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure.

HKAS 23 (Revised) — Borrowings costs

HKAS 23 (Revised) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on 1 April 2009. As the Group did not incur borrowing costs for the qualifying assets, the change has had no impact on amounts reported in prior and current accounting periods.

HKFRS 8 — Operating segments

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the other new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32	Classification of right issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC) — INT 17	Distribution of non-cash assets to owners ¹

¹ Effective for accounting periods beginning on or after 1 July 2009.

² Amendments that are effective for accounting periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for accounting periods beginning on or after 1 January 2011.

⁴ Effective for accounting periods beginning on or after 1 February 2010.

⁵ Effective for accounting periods beginning on or after 1 January 2010.

⁶ Effective for accounting periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary, will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" for the Group's financial year beginning on 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

The Group's reportable segments under HKFRS 8 are as follows:

- Sales of furniture and fixtures
- Interior decoration work

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Six months ended 30 September 2009		Six months ended 30 September 2008	
	Segment revenue (unaudited) HK\$'000	Segment profit for the period (unaudited) HK\$'000	Segment revenue (unaudited) HK\$'000	Segment profit for the period (unaudited) HK\$'000
Sales of furniture and fixtures	233,721	24,767	426,896	69,922
Interior decoration work	110,369	16,081	68,194	13,319
Total	<u>344,090</u>	<u>40,848</u>	<u>495,090</u>	83,241
Other income		1,909		6,265
Share of (loss) profit of an associate		(1,095)		485
Finance costs		(2,874)		(3,540)
Unallocated corporate expenses		(36,176)		(41,689)
Profit before taxation		2,612		44,762
Taxation		(2,332)		(9,783)
Profit for the period		<u>280</u>		<u>34,979</u>

Segment profit represents the profit earned by each segment without allocation of general administration expenses, directors' emoluments, share of (loss) profit of an associate, other income and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resources allocation and performance assessment.

The total assets of the Group as at the interim report date do not differ significantly since the latest annual report date.

4. FINANCE COSTS

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,866	3,233
Finance leases	8	307
	<u>2,874</u>	<u>3,540</u>

5. PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments		
(included in cost of sales and administrative expenses)	201	202
Depreciation of property, plant and equipment	20,440	17,413
Allowance for slow moving inventories	1,497	2,337
Interest income	(40)	(146)
Loss on disposal of property, plant and equipment	9	100
Net foreign exchange gain (included in other income)	(1,459)	(4,417)

6. TAXATION

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	189	4,271
The People's Republic of China ("PRC") Enterprise Income Tax	1,276	4,775
Other jurisdictions	575	139
	<u>2,040</u>	<u>9,185</u>
Deferred taxation	292	598
	<u>2,332</u>	<u>9,783</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.

PRC Enterprise Income Tax and other jurisdictions are calculated at the rates prevailing in the relevant PRC regions and the relevant jurisdictions respectively.

7. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>280</u>	<u>35,335</u>

Number of shares

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>200,000</u>	<u>200,000</u>

There was no diluted earnings per share presented as there was no dilutive potential shares outstanding for both current and prior periods.

8. DIVIDEND

	Six months ended 30 September 2009 (unaudited) HK\$'000		2008 (unaudited) HK\$'000
Final dividend in respect of immediately preceding financial year, paid — HK7.2 cents per share	<u>—</u>		<u>14,400</u>

The directors of the Company do not recommend the payment of an interim dividend to the shareholders of the Company for the six months ended 30 September 2009 (six months ended 30 September 2008: HK3.5 cents per share).

9. TRADE RECEIVABLES, TRADE PAYABLES AND CREDIT POLICY

The following is an analysis of trade receivables by age (net of allowance for bad and doubtful debts) and trade payables by age, presented based on invoice date:

	30 September 2009		31 March 2009	
	Trade Receivables (unaudited) HK\$'000	Trade Payables (unaudited) HK\$'000	Trade Receivables (audited) HK\$'000	Trade Payables (audited) HK\$'000
0-30 days	29,726	23,629	47,938	28,586
31-90 days	15,618	11,802	44,413	14,970
>90 days	35,634	18,806	33,102	23,621
	<u>80,978</u>	<u>54,237</u>	<u>125,453</u>	<u>67,177</u>

The Group's credit terms for its interior decoration 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.

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend to the shareholders of the Company for the six months ended 30 September 2009 (six months ended 30 September 2008: HK3.5 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results

The Group's revenue for the six months ended 30 September 2009 decreased by 30.5% to HK\$344.1 million from HK\$495.1 million for the same period in 2008. The gross margin also decreased from 33.5% to 29.5%.

Total revenue of interior decoration work increased substantially by 61.8% to HK\$110.4 million compared to corresponding period of last year. Furniture sales decreased to 67.9% of total revenue HK\$233.7 million compared to the same period of the previous year when it was 86.2% of total revenue. Sales of furniture to the United States reduced to 45.8% of all sales and sales to Europe decreased to 2.5% of all sales. Previously, the sales of furniture to the United States and Europe were 56.8% and 11.1% respectively of all sales. Profit before taxation decreased to HK\$2.6 million compared to HK\$44.8 million for the first half of 2008/2009. The reduction was primarily due to the effects of the global financial crisis, in particular, the United States market which the Group has a major focus on.

The Group's top five customers for the period ended 30 September 2009 were LVMH Group accounted for HK\$69.7 million in revenue which represented 20.2% of the Group's revenue. These contracts were associated with several Louis Vuitton stores in China, Hong Kong, Macau and Mongolia. The next four customers by revenue during the period included KUD International, LLC — 12.4% of revenue, Boston Consulting Group, Chicago — 4.4% of revenue, Hermes Asia Pacific Limited — 4.1% of revenue and Mandarin Oriental Hotel, Las Vegas — 3.4% of revenue.

Projects currently in progress included Mondrian Soho Hotel — New York, Four Seasons Hotel — Riyadh, TKM Hotel — Turkmenistan, a Louis Vuitton store in Shanghai and an interior fitting out contract in connection with a residence at the Black's Link - Hong Kong.

Liquidity, financial resources and capital structure

The Group continued to maintain a conservative financial structure during the period, 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 30 September 2009, the total bank borrowings amount to HK\$129.3 million (31 March 2009: HK\$171.4 million), out of which HK\$75.6 million (31 March 2009: HK\$110.2 million) would be due within one year. The borrowings including bank loans and overdraft facilities 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\$384.2 million (31 March 2009: HK\$387.8 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK\$2.9 million (2008: HK\$3.5 million) representing 0.84% (2008: 0.72%) of the Group's revenue. Net current assets stood at HK\$89.1 million (31 March 2009: HK\$82.0 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 2009, the gearing ratio (total borrowings divided by net assets) was 0.34 (31 March 2009: 0.44). 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 within a range 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.

Charge on assets

At 30 September 2009, buildings, plant and machinery, motor vehicles and furniture, fixtures and office equipment of the Group with carrying values of approximately HK\$50.4 million, HK\$22.4 million, HK\$0.2 million and HK\$8.4 million (31 March 2009: HK\$55.7 million, HK\$19.0 million, HK\$0.3 million and HK\$9.0 million) respectively were pledged with a bank to secure the loans granted to the Group.

As at 30 September 2009, the carrying amount of the trade receivables, which have been pledged as security for the borrowings, is approximately HK\$42.3 million (31 March 2009: HK\$72.8 million).

Employees

As at 30 September 2009, the Group employed 146, 1411, 3, 55, 164 and 11 staff in Hong Kong, Mainland China, Singapore, USA, Thailand, Europe respectively (31 March 2009: 154, 1930, 3, 85, 217 and 12 staff 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 course 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 past six months have been rather difficult for the Group. When the global financial crisis began, the Group's strategy was to reduce expenses as much as possible while maintaining staff with critical skills and experience in the Group's manufacturing units. The Group elected not to enter into any unprofitable contracts for the sake of maintaining market share. But rather to reduce travel and other selling and administrative expenses as much as possible.

The global meltdown in the financial sector has all but stopped construction and investment in new hospitality projects. This sector has previously accounted for 60% of the Group's revenue. Hardest hit has been the U.S. hospitality sector. Decca Hospitality Furnishings' revenue has dropped approximately 50% in the first six months of this year and may decline more over the next six months. The Group does not expect the U.S. hospitality market to improve significantly until the 4th quarter of 2010.

The Group's order on hand at 30 September 2009 were approximately HK\$192.0 Million. There are some positive areas for the Group. Retail projects and fixture sales have increased substantially, particularly in China and India. While these markets can never totally replace the U.S. hospitality sector, retail business is the most profitable area of business for the Group and is projected to become the single largest category of sales for the Group in the second half of 2009/2010.

The Office Furniture sector has also remained active. In the past it accounted for approximately 10% of the Group's revenue, by virtue of the decline in other sectors and stable business in Asia & the U.S., it should grow to close to 15% of the Group's revenue.

While it is almost impossible to reduce costs as fast as revenue declined over the past six months, the Group was able to achieve its goal to breakeven during the steep economic decline that occurred over the last six months. Barring another economic collapse, the Group will try its best to maintain this level of result throughout this poor economic period. The Group will then be able to benefit from a global recovery with a leaner cost structure that will make it more competitive in the future.

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 2009.

CORPORATE GOVERNANCE

During the six months ended 30 September 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 six months ended 30 September 2009.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY INDEPENDENT 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 independent auditors, Deloitte Touche Tohmatsu, have been engaged 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, 14 December 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.