DECCA 達藝

# DECCA HOLDINGS LIMITED
# 達 藝 控 股 有 限 公 司 *

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 997)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

### 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 2011, together with the comparative figures for 2010 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*for the year ended 31 March 2011*

| | Notes | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **634,618** | 592,796 |
| Cost of sales | | **(451,238)** | (428,815) |
| Gross profit | | **183,380** | 163,981 |
| Other income, gains and losses | *5* | **4,075** | (870) |
| Selling and distribution costs | | **(37,069)** | (39,424) |
| Administrative expenses | | **(140,664)** | (150,481) |
| Share of result of an associate | | **(7,185)** | (1,361) |
| Finance costs | *6* | **(4,040)** | (4,974) |
| Loss before taxation | | **(1,503)** | (33,129) |
| Income tax (charge) credit | *7* | **(11,318)** | 4,492 |
| Loss for the year | *8* | **(12,821)** | (28,637) |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*
*for the year ended 31 March 2011*

| | Notes | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Other comprehensive income (expense) | | | |
| Exchange difference arising on translation of foreign operations and to presentation currency | | **9,394** | (3,602) |
| Share of translation reserve of an associate | | **493** | (161) |
| Other comprehensive income (expense) for the year | | **9,887** | (3,763) |
| Total comprehensive income (expense) for the year | | **(2,934)** | (32,400) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(11,197)** | (28,637) |
| Non-controlling interests | | **(1,624)** | — |
| | | **(12,821)** | (28,637) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(1,310)** | (32,400) |
| Non-controlling interests | | **(1,624)** | — |
| | | **(2,934)** | (32,400) |
| Loss per share -Basic | *10* | **HK(5.60) cents** | HK(14.32) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 (Restated) | 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | | **287,607** | 311,837 | 337,585 |
| Prepaid lease payments | | **7,136** | 7,334 | 7,806 |
| Investment in an associate | | **3,099** | 9,791 | 11,313 |
| Deferred tax assets | | **—** | 6,630 | 7,721 |
| Deposits paid for acquisition of property, plant and equipment | | **—** | 170 | 2,463 |
| | | **297,842** | 335,762 | 366,888 |
| **Current assets** | | | | |
| Inventories | | **106,840** | 123,339 | 165,541 |
| Accrued revenue | | **16,771** | 34,850 | 22,084 |
| Trade receivables | *11* | **68,118** | 54,999 | 125,453 |
| Other receivables, deposits and prepayments | | **16,291** | 19,075 | 19,269 |
| Amount due from an associate | | **—** | 352 | 352 |
| Prepaid lease payments | | **409** | 401 | 404 |
| Tax recoverable | | **3,612** | 12,449 | 4,834 |
| Bank balances and cash | | **113,515** | 53,013 | 42,735 |
| | | **325,556** | 298,478 | 380,672 |
| **Current liabilities** | | | | |
| Deferred revenue | | **4,439** | 5,829 | 3,073 |
| Trade payables | *12* | **57,923** | 48,960 | 67,177 |
| Receipts in advance | | **63,580** | 50,862 | 40,092 |
| Other payables and accruals | | **33,664** | 34,284 | 47,491 |
| Provision for warranty | | **4,123** | 4,143 | 9,942 |
| Tax payable | | **21,040** | 16,073 | 20,259 |
| Bank borrowings | | **82,144** | 103,894 | 148,644 |
| Obligations under finance leases — due within one year | | **—** | — | 394 |
| Bank overdrafts | | **—** | — | 2,961 |
| | | **266,913** | 264,045 | 340,033 |
| **Net current assets** | | **58,643** | 34,433 | 40,639 |
| **Total assets less current liabilities** | | **356,485** | 370,195 | 407,527 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*
*At 31 March 2011*

| | *Notes* | **2011** **HK$'000** | 2010 *HK$'000* (Restated) | 2009 *HK$'000* (Restated) |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Bank borrowings | | **4,061** | 14,588 | 19,769 |
| Deferred tax liabilities | | **—** | 249 | — |
| | | **4,061** | 14,837 | 19,769 |
| | | **352,424** | 355,358 | 387,758 |
| **Capital and reserves** | | | | |
| Share capital | | **20,000** | 20,000 | 20,000 |
| Reserves | | **334,048** | 335,358 | 367,758 |
| Equity attributable to owners of the Company | | **354,048** | 355,358 | 387,758 |
| Non-controlling interests | | **(1,624)** | — | — |
| Total equity | | **352,424** | 355,358 | 387,758 |

*Notes:*

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKAS 27 (Revised) | Consolidated and separate financial statements |
| HKAS 32 (Amendment) | Classification of right issues |
| HKAS 39 (Amendment) | Eligible hedged items |
| HKFRS 2 (Amendment) | Group cash-settled share-based payment transactions |
| HKFRS 3 (Revised) | Business combinations |
| HK(IFRIC) — INT 17 | Distributions of non-cash assets to owners |
| HK — INT 5 | Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause |

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

**Hong Kong Interpretation 5 "Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause"**

Hong Kong Interpretation 5 "Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, terms loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of approximately HK$41,410,000 and HK$16,926,000 have been reclassified from non-current liabilities to current liabilities as at 1 April 2009 and 31 March 2010 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of approximately HK$18,205,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss as well as loss per share for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

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

**Amendments to HKAS 17 Leases**

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April, 2010 based on information that existed at the inception of the leases. The application of amendments to HKAS 17 has not affected the classification of leasehold land of the Group as at 31 March 2011 and 2010.

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 issued in 2010[1] |
| HKFRS 7 (Amendments) | Disclosures — Transfers of financial assets[3] |
| HKFRS 9 | Financial instruments[4] |
| HKFRS 10 | Consolidated financial statements[4] |
| HKFRS 11 | Joint arrangements[4] |
| HKFRS 12 | Disclosure of interests in other entities[4] |
| HKFRS 13 | Fair value measurements[4] |
| HKAS 12 (Amendments) | Deferred tax: Recovery of underlying assets[5] |
| HKAS 24 (as revised in 2009) | Related party disclosures[6] |
| HKAS 27 (Revised in 2011) | Separate financial statements[4] |
| HKAS 28 (Revised in 2011) | Investments in associates and joint ventures[4] |
| HK(IFRIC) — INT 14 (Amendments) | Prepayments of a minimum funding requirement[6] |
| HK(IFRIC) — INT 19 | Extinguishing financial liabilities with equity instruments[2] |

[1] Amendments that are effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for accounting periods beginning on or after 1 July 2010.
[3] Effective for accounting periods beginning on or after 1 July 2011.
[4] Effective for accounting periods beginning on or after 1 January 2013.
[5] Effective for accounting periods beginning on or after 1 January 2012.
[6] Effective for accounting periods beginning on or after 1 January 2011.

The directors of the Company anticipate that the application of these new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared 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:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of furniture and fixtures | **450,390** | 377,713 |
| Service revenue from interior decoration work | **184,228** | 215,083 |
| | **634,618** | 592,796 |

## 4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by the Group.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

Specifically, the Group's operating segments under HKFRS 8 are sales of furniture and fixtures and interior decoration work. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resource to segments and to assess their performance.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable segments:

| | **Year ended 31 March 2011** | | Year ended 31 March 2010 | |
|---|---|---|---|---|
| | **Segment revenue** | **Segment profit for the year** | Segment revenue | Segment profit for the year |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Sales of furniture and fixtures | **450,390** | **70,820** | 377,713 | 16,761 |
| Interior decoration work | **184,228** | **26,714** | 215,083 | 43,019 |
| Total | **634,618** | **97,534** | 592,796 | 59,780 |
| Other income, gains and losses | | **4,632** | | 797 |
| Unallocated corporate expenses | | **(92,444)** | | (87,371) |
| Share of result of an associate | | **(7,185)** | | (1,361) |
| Finance costs | | **(4,040)** | | (4,974) |
| Loss before taxation | | **(1,503)** | | (33,129) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, gains and losses (except for loss on disposal of property, plant and equipment, part of net foreign exchange gain/loss, allowance/reversal of allowance for bad and doubtful debts, net bad debts directly written bank, impairment loss recognised on accrued revenue and part of sundry income), general administration costs, directors' emoluments, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. **SEGMENT INFORMATION** *(continued)*

**Other segment information**

Amounts included in the measure of segment profit or loss:

| | **2011** | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Sales of furniture and fixtures** | **Interior decoration work** | **Total** | Sales of furniture and fixtures | Interior decoration work | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Depreciation of property, plant and equipment | **31,240** | **7,121** | **38,361** | 31,895 | 8,833 | 40,728 |
| Allowance (reversal of allowance) for bad and doubtful debts, net | **2,990** | **278** | **3,268** | (2,951) | 198 | (2,753) |
| Bad debt directly written back | **(2,187)** | **(756)** | **(2,943)** | — | — | — |
| Allowance for slow moving inventories | **2,876** | **—** | **2,876** | 5,078 | — | 5,078 |
| Loss on disposals of property, plant and equipment | **389** | **—** | **389** | 1,802 | — | 1,802 |
| Impairment loss recognised on accrued revenue | **—** | **233** | **233** | — | 2,618 | 2,618 |

*Note:* During the year ended 31 March 2010, allowance for slow moving inventories and loss on disposal of property, plant and equipment of approximately HK$1,334,000 and HK$1,667,000 respectively were recognised due to cease of operation of Decca Classic Upholstery, LLC.

**Geographical information**

The Group's operations are located in United States of America, Hong Kong SAR and Macau SAR, Europe, Mainland China and other countries in Asia.

The Group's revenue from continuing operations from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets from continuing operations by geographical location of the assets are detailed below:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| United States of America | **132,845** | 218,095 | **24,193** | 26,480 |
| Hong Kong SAR and Macau SAR | **144,527** | 174,901 | **1,419** | 1,789 |
| Europe | **80,020** | 35,707 | **508** | 663 |
| Mainland China | **216,176** | 110,799 | **223,875** | 240,746 |
| Other countries in Asia | **61,050** | 53,294 | **44,748** | 49,663 |
| | **634,618** | 592,796 | **294,743** | 319,341 |

*Note:* Non-current assets excluded deferred tax assets and investment in an associate.

## 4. SEGMENT INFORMATION *(continued)*

### Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A [1] | **107,980** | 95,168 |
| Customer A [2] | **72,308** | 23,536 |

[1] Revenue from interior decoration work
[2] Revenue from sales of furniture and fixtures

## 5. OTHER INCOME, GAINS AND LOSSES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income | **393** | 85 |
| Loss on disposal of property, plant and equipment | **(389)** | (1,802) |
| Net foreign exchange gain (loss) | **2,771** | (923) |
| Reversal of impairment on amount due from an associate | **769** | — |
| (Allowance) reversal of allowance for bad and doubtful debts, net | **(3,268)** | 2,753 |
| Bad debt directly written back | **2,943** | — |
| Impairment loss recognised on accrued revenue | **(233)** | (2,618) |
| Sundry income | **1,089** | 1,635 |
| | **4,075** | (870) |

## 6. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank loans wholly repayable within five years | **4,040** | 4,930 |
| Finance leases | **—** | 44 |
| | **4,040** | 4,974 |

## 7. INCOME TAX (CHARGE) CREDIT

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong Profits Tax | **(3,406)** | (1,002) |
| PRC Enterprise Income Tax | **(4,022)** | (1,065) |
| Other jurisdictions *(Note)* | **2,491** | 7,392 |
| | **(4,937)** | 5,325 |
| Overprovision in prior years: | | |
| Hong Kong Profits Tax | **—** | 507 |
| Deferred tax: | | |
| Current year | **(6,381)** | (1,340) |
| | **(11,318)** | 4,492 |

*Note:* The tax loss generated by subsidiaries in United States of America is carried back and offset against prior years' tax charge (with five years and two years carry back period for the tax loss generated in the year ended 31 March 2010 and 2011 respectively) and thus resulting in significant tax credit for the year ended 31 March 2010 and 2011.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Loss before taxation | **(1,503)** | (33,129) |
| Taxation at the PRC Enterprise Income Tax rate of 25% (2010: 25%) | **(376)** | (8,282) |
| Tax effect of expenses not deductible for tax purposes | **2,941** | 1,463 |
| Tax effect of income not taxable for tax purposes | **(547)** | (675) |
| Overprovision in respect of prior years | **—** | (507) |
| Tax effect of tax losses not recognised | **2,087** | 4,875 |
| Tax effect of temporary difference not recognised | **1,973** | 428 |
| Utilisation of tax losses previously not recognised | **(3,511)** | (2,860) |
| Reversal of deferred tax asset arising from tax losses previously recognised | **2,753** | — |
| Reversal of other deferred tax assets | **3,628** | — |
| Tax effect of share of result of an associate | **1,796** | 340 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **453** | 693 |
| Others | **121** | 33 |
| Taxation charge (credit) | **11,318** | (4,492) |

## 8. LOSS FOR THE YEAR

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging: | | |
| Amortisation of prepaid lease payments (included in administrative expenses) | **409** | 401 |
| Depreciation of property, plant and equipment | | |
| Owned assets | **38,361** | 40,540 |
| Assets held under finance leases | **—** | 188 |
| Provision for warranty (included in cost of sales) | **3,413** | 696 |
| Cost of inventories recognised as expenses *(Note)* | **295,048** | 240,667 |
| Operating lease rentals paid in respect of rented properties | **6,345** | 6,533 |

*Note:* Cost of inventories recognised as expenses includes allowance for slow moving inventories of approximately HK$2,876,000 (2010: HK$5,078,000).

## 9. DIVIDENDS

No dividend was paid or proposed during both years, nor has any dividend been proposed since the end of the reporting period (2010: nil).

## 10. LOSS PER SHARE

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

**Loss**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company) | **(11,197)** | (28,637) |

**Number of shares**

| | ***'000*** | *'000* |
|---|---|---|
| Number of ordinary shares in issue for the purpose of basic loss per share | **200,000** | 200,000 |

There was no diluted loss per share presented as there were no potential shares outstanding for both years.

## 11. TRADE RECEIVABLES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **74,411** | 64,537 |
| Less: Allowances for bad and doubtful debts | **(6,293)** | (9,538) |
| | **68,118** | 54,999 |

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) presented based on the invoice date at the end of the reporting period:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 -30 days | **35,841** | 20,137 |
| 31 -90 days | **11,634** | 17,020 |
| > 90 days | **20,643** | 17,842 |
| | **68,118** | 54,999 |

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 presented based on the invoice date at the end of the reporting period:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 -30 days | **24,219** | 22,158 |
| 31 -90 days | **7,798** | 9,234 |
| > 90 days | **25,906** | 17,568 |
| | **57,923** | 48,960 |

The credit periods on purchases of goods are usually from 1 month to 3 months.

## DIVIDENDS

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2011 (2010: nil).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 August 2011 to Friday, 19 August 2011, 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 Monday, 15 August 2011.

## 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 HK$634.6 million (2010: HK$592.8 million), while net loss after tax was amounted to HK$12.8 million (2010: net loss after tax: HK$28.6 million). The increase in revenue is a result of the increase in furniture and fixtures contracts in China as well as showroom sales which had accounted for 40% of the Group's revenue in total. Although the United States of America ("US") economy is gearing towards a slow recovery, the Group had continued to experience the effects of the US economic downturn, revenue from the US decreased by 39.1% from HK$218.1 million to HK$132.8 million. The gross margin increased slightly from 27.7% to 28.9%. The increase in profitability was mainly due to the Group's effort in exercising more stringent cost control.

The Group's cost of sales increased by 5.2%. The total for this year was HK$451.2 million (71.1% of the revenue) compared to last year's HK$428.8 million (72.3% of the revenue). There was an allowance of bad and doubtful debts and also a write back of bad debt of HK$3.3 million and HK$2.9 million respectively. The increase in the allowance of bad and doubtful debts was mainly attributed to the difficulty in collecting receivables in various subsidiaries of the Group. Notwithstanding to the provisions made, the Group will seek to recover the receivables in question.

The China market became the principal market of the Group accounted for 34.1% of the Group's revenue. Revenue in Europe increased modestly by 124.1% from HK$35.7 million to HK$80.0 million. Revenue in the Hong Kong and Macau markets reduced by 17.4% from HK$174.9 million to HK$144.5 million. The retail store fixtures business experienced an increase in revenue of 17.4%. Revenue in the US markets decreased by 39.1% to HK$132.8 million compare with the previous year of HK$218.1 million.

The Group's top five customers for the year ended 31 March 2011 were LVMH Group for several stores in Hong Kong and China accounted for HK$180.3 million in revenue which represented 28.4% of the Group's revenue, Sanfield Building Contractors Ltd. - 5.5% of revenue, Imperial Woodworking Group - 5.2% of revenue, Woodmont Investments Ltd. - 3.4% of revenue and Ardmore Construction Ltd-2.1% of revenue.

Projects currently in progress include furniture supply contracts for Four Seasons Hotel - Aviara, Four Seasons Hotel - Baku, The One Aldwych Hotel - London, Apple Computer stores in Hong Kong and Shanghai, interior fitting out and retail fixtures supply contract for a Louis Vuitton store in Hangzhou

**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 2011, the total bank borrowing amounting to HK$86.2 million (2010: HK$118.5 million), out of which HK$82.1 million (2010: HK$103.9 million) would mature in one year or on demand. The borrowings include bank loans 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$352.4 million (2010: HK$355.4 million), such borrowing level is acceptable. Finance costs were maintained at an acceptable level of HK$4.0 million (2010: HK$5.0 million) representing 0.6% (2010: 0.8%) of the Group's revenue. Net current assets stood at HK$58.6 million (2010: HK$34.4 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 2011, the gearing ratio (total borrowings divided by net assets) was 0.24 (2010: 0.33). 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 2011, the Group employed 127, 1502, 3, 30, 151 and 12 staff in Hong Kong, Mainland China, Singapore, US, Thailand and Europe respectively (2010: 139, 1392, 3, 31, 171 and 12 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's operating profit before taxes and discontinued operations has now been positive for the last three quarters. In particular, the second half results for 2010/2011 is very encouraging for the coming year. This has occurred despite the fact that the US hospitality industry remains depressed and has not contributed to the Group's recovery. Although quotation requests from the US hospitality sector have increased, we do not expect any substantial increase in revenue from this sector until the fourth quarter of 2011 and possibly not until the first quarter of 2012.

The Group's orders on hand as at 31 March 2011 increased by 32% to approximately HK$282 million. What is particularly encouraging about the increase is that it is broad-based with over HK$80 million in smaller contracts compared with only $40 million in small contracts at last years' year-end. The outstanding orders continue to be concentrated in Asia, particularly China. In order for the Group to return to the revenue levels of 2009, we need to see increased activity in both Europe and the US. With the current uncertainties in the economies of Europe and the US, this may still be several years away.

Maintaining liquidity will continue to be very important to the Group. The Group's cash holding now covers all bank borrowing by more than 1.3 times. The Group's earnings before interest, taxes, depreciation expenses and amortisation expenses (EBITDA) have now increased from approximately HK$13 million at 31 March 2010 to approximately HK$41 million one year later. The Group expects this to continue to improve as full year profitable operations return.

The Group will continue to focus on lowering its selling and distribution costs and its overall administration expenses. A 6.4% reduction was achieved over the past twelve months on top of the 18.9% decrease achieved in the previous year. Unfortunately, a substantial amount of this savings was offset by the rising labor costs in China. The Group does not see any respite from continued increases in labor wages and expects that labor wages will further increase in this coming fiscal year. In addition, both material costs and petroleum prices also continue to increase. And, we expect a steady appreciation of Renminbi to occur. The Group's ability to compete in overseas markets will depend on becoming more efficient in the manufacturing process. This is a daunting challenge for the Group but is possible.

## CORPORATE GOVERNANCE

During the year ended 31 March 2011, 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 "Stock 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 2011.

## 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 2011 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 2010/2011 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, 30 June 2011

** 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.*