



*Deson Development International Holdings Limited*

迪臣發展國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the “Board”) of Deson Development International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010, together with the comparative figures for the year ended 31 March 2009 as follows:

### CONSOLIDATED INCOME STATEMENT

*Year ended 31 March 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
REVENUE	3	<b>498,747</b>	698,194
Cost of sales		<u><b>(378,246)</b></u>	<u>(587,101)</u>
Gross profit		<b>120,501</b>	111,093
Other income and gains	3	<b>12,110</b>	7,555
Fair value gain on investment properties, net		<b>9,167</b>	2,599
Excess over the cost of business combinations		<b>2,893</b>	–
Administrative expenses		<b>(61,744)</b>	(60,515)
Other operating expenses, net		<b>(10,902)</b>	(3,538)
Finance costs	4	<b>(8,455)</b>	(7,613)
Share of profits and losses of:			
A jointly-controlled entity		<b>(620)</b>	(10,708)
Associates		<b>(227)</b>	(259)
<b>PROFIT BEFORE TAX</b>		<b>62,723</b>	38,614
Income tax expense	5	<b>(34,139)</b>	(24,954)
<b>PROFIT FOR THE YEAR</b>		<u><b>28,584</b></u>	<u>13,660</u>
Attributable to:			
Owners of the Company		<b>26,951</b>	12,570
Minority interests		<b>1,633</b>	1,090
		<u><b>28,584</b></u>	<u>13,660</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	6		
Basic			
– For profit for the year		<u><b>4.75 cents</b></u>	<u>2.20 cents</u>
Diluted			
– For profit for the year		<u><b>4.75 cents</b></u>	<u>2.20 cents</u>

Details of the dividend proposed for the year are disclosed in the section “Dividend” below.

\* *for identification purpose*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 March 2010*

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<b>28,584</b>	13,660
OTHER COMPREHENSIVE INCOME		
Surplus on revaluation of leasehold buildings	<b>7,595</b>	4,520
Income tax effect	<b>(1,408)</b>	(1,225)
	<b>6,187</b>	3,295
Share of other comprehensive income of associates	<b>214</b>	(86)
Release of capital reserve upon disposal of an associate	<b>(119)</b>	–
Release of exchange fluctuation reserve upon disposal of an associate	<b>(524)</b>	–
Exchange differences on translation of foreign operations	<b>2,250</b>	2,188
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<b>8,008</b>	5,397
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>36,592</b>	19,057
Attributable to:		
Owners of the Company	<b>34,782</b>	17,754
Minority interests	<b>1,810</b>	1,303
	<b>36,592</b>	19,057

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 March 2010*

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>66,312</b>	64,350
Investment properties		<b>210,330</b>	181,704
Prepaid land lease payments		<b>5,579</b>	5,718
Interest in a jointly-controlled entity		–	–
Interests in associates		<b>3,772</b>	(2,408)
Available-for-sale investments		–	–
Financial assets at fair value through profit or loss		<b>2,280</b>	2,260
Amount due from an investee		–	–
		<hr/>	<hr/>
Total non-current assets		<b>288,273</b>	251,624
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Amounts due from associates		<b>27,108</b>	26,650
Properties held for sale		<b>486,262</b>	520,064
Gross amount due from contract customers		<b>2,641</b>	5,247
Inventories		<b>1,526</b>	1,497
Accounts receivable	7	<b>71,294</b>	59,472
Prepayments, deposits and other receivables		<b>29,549</b>	30,290
Cash and cash equivalents		<b>73,608</b>	53,807
Pledged deposits		<b>31,324</b>	31,331
		<hr/>	<hr/>
		<b>723,312</b>	728,358
Assets of disposal groups/non-current asset classified as held for sale		<b>172,703</b>	9,295
		<hr/>	<hr/>
Total current assets		<b>896,015</b>	737,653
		<hr/>	<hr/>

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		42,677	38,626
Accounts payable	8	20,948	44,269
Other payables and accruals		157,515	171,116
Amounts due to associates		54	262
Amounts due to minority shareholders		24,465	19,529
Amounts due to related companies		18,444	27,166
Tax payable		63,514	45,914
Convertible notes		–	15,721
Interest-bearing bank and other borrowings		133,949	97,563
		<hr/>	<hr/>
		461,566	460,166
Liabilities directly associated with the assets of disposal groups classified as held for sale		120,567	–
		<hr/>	<hr/>
Total current liabilities		582,133	460,166
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		313,882	277,487
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		602,155	529,111
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		64,499	32,205
Deferred tax liabilities		23,894	19,252
		<hr/>	<hr/>
Total non-current liabilities		88,393	51,457
		<hr/>	<hr/>
Net assets		513,762	477,654
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		56,697	56,697
Reserves		440,817	416,091
Equity component of convertible notes		–	1,259
Proposed final dividend		11,315	–
		<hr/>	<hr/>
		508,829	474,047
		<hr/>	<hr/>
<b>Minority interests</b>		4,933	3,607
		<hr/>	<hr/>
Total equity		513,762	477,654
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS

### 1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments: Disclosures – Information about segment assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of the HKFRS 7 Amendments, HKFRS 8, HKFRS 8 Amendment, HKAS 1 (Revised) and HK(IFRIC)-Int 15, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

#### (a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

### 1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

#### (b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 2.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

#### (c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

#### (d) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The interpretation has had no impact on the accounting for the Group's construction activities.

### 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works as a main contractor as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services;
- (b) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties; and
- (c) the "others" segment comprises, principally, trading of medical equipment and provision of related installation and maintenance services.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, gain on disposal of associates, finance costs, impairment of an amount due from a jointly-controlled entity, impairment of an amount due from an associate, excess over the cost of business combinations, share of profits and losses of a jointly-controlled entity and associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude interest in a jointly-controlled entity, interests in associates, assets of disposal groups/non-current asset held for sale, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude liabilities directly associated with the assets of disposed groups classified as held for sale, other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

#### Year ended 31 March 2010

	<b>Construction business HK\$'000</b>	<b>Property development and investment business HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>				
Sales to external customers	249,470	241,016	8,261	498,747
Other income and gains	2,392	5,278	14	7,684
Revenue	<u>251,862</u>	<u>246,294</u>	<u>8,275</u>	<u>506,431</u>
<b>Segment results</b>				
Operating profit/(loss)	2,592	91,449	(1,507)	92,534
<i>Reconciliation:</i>				
Interest income				2,271
Gain on disposal of associates				2,155
Unallocated expenses				(12,117)
Finance costs				(8,455)
Impairment of an amount due from a jointly-controlled entity				(2,851)
Impairment of an amount due from an associate				(12,860)
Excess over the cost of business combinations				2,893
Share of loss of a jointly-controlled entity				(620)
Share of profits and losses of associates				(227)
Profit before tax				<u>62,723</u>

NOTES TO FINANCIAL STATEMENTS (continued)

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2010 (continued)

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment assets</b>	<b>127,898</b>	<b>770,890</b>	<b>3,735</b>	<b>902,523</b>
<i>Reconciliation:</i>				
Interests in associates				3,772
Assets of disposal groups/non-current asset classified as held for sale				172,703
Corporate and other unallocated assets				105,290
Total assets				<u><u>1,184,288</u></u>
<b>Segment liabilities</b>	<b>106,834</b>	<b>153,895</b>	<b>1,131</b>	<b>261,860</b>
<i>Reconciliation:</i>				
Liabilities directly associated with the assets of disposal groups classified as held for sale				120,567
Corporate and other unallocated liabilities				288,099
Total liabilities				<u><u>670,526</u></u>
<b>Other segment information:</b>				
Recognition of prepaid land lease payments	139	–	–	139
Fair value gain of investment properties	–	(9,167)	–	(9,167)
Loss on disposal of items of property, plant and equipment	47	4	10	61
Impairment of accounts receivable	231	2,727	171	3,129
Reversal of impairment of accounts receivable	(2,246)	(2,556)	–	(4,802)
Reversal of impairment of other receivables	(798)	–	–	(798)
Provision for inventories	–	–	133	133
Depreciation	1,743	2,014	80	3,837
Capital expenditure	<u><u>1,005</u></u>	<u><u>15,470</u></u>	<u><u>52</u></u>	<u><u>16,527*</u></u>

\* Capital expenditure represents additions to property, plant and equipment and investment properties.



NOTES TO FINANCIAL STATEMENTS (continued)

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2009

	Construction business HK\$ '000	Property development and investment business HK\$ '000	Others HK\$ '000	Total HK\$ '000
<b>Segment revenue:</b>				
Sales to external customers	591,014	94,990	12,190	698,194
Other income and gains	1,952	4,397	–	6,349
Revenue	592,966	99,387	12,190	<u>704,543</u>
<b>Segment results</b>				
Operating profit/(loss)	19,179	46,241	(667)	64,753
<i>Reconciliation:</i>				
Interest income				1,206
Unallocated expenses				(5,591)
Finance costs				(7,613)
Impairment of an amount due from a jointly-controlled entity				(3,174)
Share of loss of a jointly-controlled entity				(10,708)
Share of profits and losses of associates				(259)
Profit before tax				<u>38,614</u>
	Construction business HK\$ '000	Property development and investment business HK\$ '000	Others HK\$ '000	Total HK\$ '000
<b>Segment assets</b>				
Segment assets	130,217	763,017	3,934	897,168
<i>Reconciliation:</i>				
Interests in associates				(2,408)
Assets of disposal groups/non-current asset classified as held for sale				9,295
Corporate and other unallocated assets				85,222
Total assets				<u>989,277</u>
<b>Segment liabilities</b>				
Segment liabilities	141,825	155,282	1,942	299,049
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				212,574
Total liabilities				<u>511,623</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2009 (continued)

	Construction business HK\$ '000	Property development and investment business HK\$ '000	Others HK\$ '000	Total HK\$ '000
<b>Other segment information:</b>				
Recognition of prepaid land lease payments	139	–	–	139
Fair value gain of investment properties	–	(2,599)	–	(2,599)
Loss/(gain) on disposal of items of property, plant and equipment	(3)	42	–	39
Impairment of accounts receivable	2,816	1,290	1,007	5,113
Reversal of impairment of accounts receivable	(186)	(2,437)	–	(2,623)
Impairment of other receivables	153	–	–	153
Reversal of impairment of other receivables	(900)	–	–	(900)
Provision for inventories	–	–	136	136
Depreciation	1,719	1,048	989	3,756
Capital expenditure	<u>358</u>	<u>5,953</u>	<u>252</u>	<u>6,563*</u>

\* Capital expenditure represents additions to property, plant and equipment.

#### Geographical information

##### (a) Revenue from external customers

	2010 HK\$ '000	2009 HK\$ '000
Hong Kong	140,412	282,486
Mainland China	358,335	415,708
	<u>498,747</u>	<u>698,194</u>

The revenue information above is based on the location of the customers.

##### (b) Non-current assets

	2010 HK\$ '000	2009 HK\$ '000
Hong Kong	50,088	45,803
Mainland China	232,133	205,969
	<u>282,221</u>	<u>251,772</u>

The non-current assets information above is based on the location of assets and excludes interest in a jointly-controlled entity, interests in associates and financial assets at fair value through profit or loss.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. OPERATING SEGMENT INFORMATION (continued)

#### Information about a major customer

During the year, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue.

During the year ended 31 March 2009, revenue of approximately HK\$118,773,000 was derived from construction contracts services to a single external customer.

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracts, income from property development and investment business, trading of medical equipment, and provision of related installation and maintenance services.

An analysis of revenue, other income and gains is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
<b>Revenue</b>		
Income from construction contracting and related business	249,470	591,014
Income from property development and investment business	241,016	94,990
Income from trading of medical equipment, provision of related installation and maintenance services	8,261	12,190
	<u>498,747</u>	<u>698,194</u>
<b>Other income and gains</b>		
Bank interest income	231	611
Other interest income	2,040	595
Gross rental income	3,046	3,210
Gain on disposal of associates	2,155	–
Others	4,638	3,139
	<u>12,110</u>	<u>7,555</u>

### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	15,257	9,185
Interest on convertible notes	67	1,077
Total interest expense on financial liabilities not at fair value through profit or loss	15,324	10,262
Less: Interest capitalised	(6,869)	(2,649)
	<u>8,455</u>	<u>7,613</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### 5. INCOME TAX

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the year or have available tax losses brought forward from prior years to offset the assessable profits generated during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax ("LAT") in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the year	–	9
Current – Elsewhere		
Charge for the year	<b>9,954</b>	9,360
Overprovision in prior years	<b>(2,184)</b>	(21)
Deferred	<b>3,200</b>	3,757
LAT in Mainland China	<b>23,169</b>	11,849
	<hr/>	<hr/>
Total tax charge for the year	<b>34,139</b>	24,954
	<hr/> <hr/>	<hr/> <hr/>

### 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 566,973,017 (2009: 570,127,894) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment was made to the basic earnings per share amounts presented for the years ended 31 March 2010 and 2009 in respect of a dilution as the Group had no dilutive ordinary shares in issue during 31 March 2010 and the impact of the convertible notes outstanding had an anti-dilutive effect on the basic earnings per share amounts presented in 31 March 2009, respectively.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculations of basic and diluted earnings per share are based on:

	Group	
	2010	2009
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	26,951	12,570
Interest on convertible notes	–	1,077
	<u>26,951</u>	<u>13,647</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	<u>26,951</u>	<u>13,647</u>
	<b>Number of shares</b>	
	2010	2009
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	566,973,017	570,127,894
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	–	35,000,000
	<u>566,973,017</u>	<u>605,127,894*</u>

\* In the prior year, because the diluted earnings per share amount was increased when taking the convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were based on the profit for that year of HK\$12,570,000 and the weighted average number of ordinary shares of 570,127,894 in issue during that year.

### 7. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

### 7. ACCOUNTS RECEIVABLE *(continued)*

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	31,053	32,153
91 to 180 days	13,889	5,989
181 to 360 days	10,153	333
Over 360 days	9,886	13,662
	<hr/>	<hr/>
Retention monies receivable	64,981	52,137
	<hr/>	<hr/>
Retention monies receivable	6,313	7,335
	<hr/>	<hr/>
Total	<u>71,294</u>	<u>59,472</u>

### 8. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	12,469	36,713
91 to 180 days	4	260
181 to 360 days	597	277
Over 360 days	7,878	7,019
	<hr/>	<hr/>
	<u>20,948</u>	<u>44,269</u>

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

## DIVIDEND

The Board of Directors of the Company has resolved to recommend a final dividend of HK2 cents per share for the year ended 31 March 2010 (2009: Nil). The proposed final dividend are subject to approval by the shareholders of the Company at the annual general meeting to be held on 12 August 2010 and will be payable on 19 August 2010 to the shareholders whose names appear on the register of members of the Company as at the close of business on 5 August 2010.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 August 2010 to 12 August 2010, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the entitlement of shareholders to the recommended final dividends and the identity of

members who are entitled to attend and vote at the Annual General Meeting to be held on 12 August 2010, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company's branch shares registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 5 August 2010.

## **EVENTS AFTER THE REPORTING PERIOD**

- (a) On 7 April 2010, Interpath Profits Limited ("Interpath Profits"), an indirect 60% owned subsidiary of the Company entered into a sale and purchase agreement (the "Lead Joy Agreement") with Bond Light Limited ("Bond Light"), an independent third party, in relation to the disposal to Bond Light of the entire issued share capital of Lead Joy Investments Limited ("Lead Joy", a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company) and the rights to a shareholder's loan due to Interpath Profits from Lead Joy. The total consideration of the Lead Joy disposal is RMB99.5 million.
- (b) On 7 April 2010, Interpath Profits also entered into a sale and purchase agreement (the "Measure Up Agreement") with Big Meg Limited ("Big Meg"), an independent third party, in relation to the disposal to Big Meg of the entire issued share capital of Measure Up Profits Limited ("Measure Up", a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company) and the assumption by Big Meg of the liabilities under the indebtedness due to Measure Up from Interpath Profits. The total consideration of the Measure Up disposal is RMB242 million.

The Lead Joy disposal constitutes a major transaction, and the Measure Up disposal constitutes a very substantial disposal, for the Company under the Listing Rules. The Lead Joy Agreement, the Measure Up Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders by way of poll at the special general meeting ("SGM"). As, to the best knowledge and belief of the Directors, both Bond Light and Big Meg and their respective ultimate beneficial owners are independent third parties and no Shareholder has a material interest in the Lead Joy disposal or the Measure Up disposal which is different from other Shareholders, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM for the approval of the Lead Joy disposal, the Measure Up disposal and the transactions contemplated under the Lead Joy Agreement and the Measure Up Agreement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group's turnover for the year was HK\$498,747,000 which represented a decrease of 29% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$26,951,000 representing an increase of 114% as compared with last year. Earning per share is approximately HK4.75 cents.

The Group's major business segment during the year comprises (i) construction, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical ("E&M") services; (ii) property development and investment; and (iii) trading of medical equipment, provision of related installation and maintenance services.

During the year, the Group completed projects such as fitting out works for a residential house at Pollock's Path, Hong Kong, air-conditioning and electrical works for Ocean Park redevelopment project – Amazing Asian Animals, Hong Kong, term contract for telemetry and plant control installation of Water Supplies Department and building services installation for the construction of primary schools in Sham Tseng, Hong Kong. In current year, turnover generated from the construction and contracting business decreased by 58% as compared to last year, this is mainly due to the residual effect of the financial tsunami of last year where there are usually a time lag between the granting of the project and the generation of project revenue.

On 6 May 2009, Deson Development Holdings Limited (“DDHL”), a wholly-owned subsidiary of the Company entered into a shareholders’ agreement with Skill Achieve Investments Limited (“Skill Achieve”), an independent third party, pursuant to which the parties agreed to form a joint venture company named Deson Development International Holdings Investment Limited (“DDIHIL”). DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited (“ZJC”), a state-owned enterprise in PRC as reorganised under a reorganisation scheme. ZJC is principally engaged in the businesses of construction investment management and construction contracting in PRC as a main contractor.

According to the above mentioned shareholders’ agreement and a supplementary agreement dated 25 June 2009, the issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC, DDHL and Skill Achieve agreed to advance shareholders’ loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million, and Skill Achieve shall advance a total amount of RMB116 million, to DDIHIL. As at the date of this announcement, shareholders’ loan of HK\$20 million has been advanced by DDHL to DDIHIL.

More to note, during the year, the Group sold certain units of Asian Villas City Square, Haikou, certain service apartments of Parkview Garden, Shanghai, and certain units of Phase I of Century Place, Kaifeng, which contributed a meaningful turnover and profit to the Group. Since customers commenced to pick up confident in the property market after the held back from purchase during the financial tsunami, as such, sales generated from this segment increased by 154% as compared to that of last year. In September 2007, Asian Villas City Square was awarded one of the “Top 100 Best Property in China for year 2007 (third anniversary)”. In May 2008, the Company was awarded one of the “Top 500 Most Influential Property Development Enterprise in China” for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會.

On 27 January 2010, Lead Joy, an indirectly non wholly-owned subsidiary of the Company, entered into an agreement with third parties in relation to the acquisition of the entire shareholding interests in Mellink Holdings Limited (“Mellink Holdings”, formerly Hong Kong Okabe Company Limited), and therefore Mellink Holdings’ non wholly-owned subsidiary 惠州高爾夫球場有限公司 (“Huizhou Golf”). Huizhou Golf is principally engaged in golf club operation, it owns a piece of land located at Huizhou, PRC, with a total site area of approximately 1,008,725 sq. metres, on which Huizhou Golf operates a golf course and is contiguous with the sites already owned by the Group. The acquisition would result in the consolidation of the site owned by Huizhou Golf with its golf club environment and facilities with the adjacent residential development sites already owned by the Group, which was expected to enhance both the attractiveness of the residential properties and therefore their value, and also the combined value of



the consolidated sites. Subsequent to the reporting period, the Group had entered into sales and purchase agreements in relation to the disposal of such subsidiaries, for details please refer to the section heading “Events after the reporting period”.

## **FINANCIAL REVIEW**

### **Turnover**

During the year, the Group’s turnover amounted to HK\$499 million, decreased by 29% as compared to last year. The decrease was mainly due to the residual effect of last year’s financial tsunami in the construction and contracting segment, where there are usually a time lag between the grant of project and the generation of project revenue. On the other hand, customers commenced to pick up confident in the property market after the held back from purchase during the financial tsunami, as such, the decrease in construction and contracting segment was partly offset by the notable growth in the property development and investment segment. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$249 million, HK\$241 million, HK\$8 million respectively, which represent a decrease by 58%, an increase by 154% and a decrease by 32% respectively as compared to last year.

### **Gross profit margin**

During the year under review, the Group’s gross profit margin was approximately 24%, up by 8% as compared to last year’s 16%, this is mainly contributed from the property development and investment business because the percentage of turnover from the property development and investment segment over the total turnover increased from last year’s 14% to this year’s 48%, where the gross profit margin of this segment generally have a much higher gross profit margin than the other main segment-construction contracting segment, as a result, the overall gross profit margin is higher than last year.

### **Liquidity and financial resources**

As at 31 March 2010, the Group had total assets of HK\$1,184,288,000, which is financed by total liabilities, shareholders’ equity and minority interests of HK\$670,526,000, HK\$508,829,000 and HK\$4,933,000, respectively. The Group’s current ratio at 31 March 2010 was 1.54 compared to 1.60 at 31 March 2009.

The gearing ratio for the Group is 15% (2009: 10%). It was calculated based on the non-current liabilities of HK\$88,393,000 (2009: HK\$51,457,000) and long term capital (equity and non-current liabilities) of HK\$602,155,000 (2009: HK\$529,111,000). The increment was mainly a result of the long-term construction loans obtained from bank for the property development business during the year.

### **Capital expenditure**

Total capital expenditure for the year was approximately HK\$17 million, which are mainly used in the purchase of investment properties and the related leasehold improvements in connection with the property investment business in Hainan, PRC.

## **Contingent liabilities**

At the end of the reporting date, there were no significant contingent liabilities for the Group.

## **Commitments**

At the end of the reporting date, there were no significant capital commitments for the Group. At the end of the reporting period, the Group had committed to advance a loan to an associate of RMB11,428,000.

## **Charges on group assets**

Assets with carrying value of HK\$363,011,000 were pledged as security for the Group's banking facilities.

## **Treasury policies**

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

## **Exchange risk exposure**

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the PRC, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

## **PROSPECT**

### **Construction business (including E&M works)**

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development (including E&M works).

During the year, new projects such as term contract for design and construction of fitting out works to building and lands and other properties of the Government of the HKSAR, fitting out works for a residential house at Kowloon Tong, Hong Kong, fitting out works for Prada shop at Tsimshatsui, Hong Kong, design and build foundation works for site formation, drainage abandonment and diversion, excavation and lateral support, retaining wall, piling and pile caps works for residential houses at Stubbs Road, Hong Kong, main contractor for construction three residential houses at the Peak, Hong Kong, electrical, fire services and air-conditioning installation for student hostel development phase 4 for City University of Hong Kong, refurbishment of air-conditioning systems at Tsuen Wan Government office complex, Hong Kong, building services installation for the construction of Columbarium and garden of remembrance at Kiu Tau Road, Fanling, Hong Kong, renovation for a ward building in a hospital, PRC were granted. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$1,074 million.

### **Property development and investment**

Asian Villas City Square, Haikou, Hainan Province is developed into a residential and commercial complex with a total gross floor area of approximately 117,000 sq. metres. Construction was completed in last year. Up to the date of this announcement, the total sales contract sum achieved amounted to approximately RMB342 million. The Group have also lease out certain completed commercial properties for sale before sales is made, so that the Group can generate temporary extra rental income before the sales.

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 202,000 sq. metres. Up to now, gross floor area of 30,000 sq. metres had completed construction and contribute sales revenue to the Group, the remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2012.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. On 27 January 2010, Lead Joy, an indirectly non wholly-owned subsidiary of the Company, acquire a piece of land located at Huizhou, PRC, with a total site area of approximately 1,008,725 sq. metres through the acquisition of the entire shareholding interests in Mellink Holdings. The acquisition would result in the consolidation of the site owned by Huizhou Golf with its golf club environment and facilities with the adjacent residential development sites already owned by the Group, which was expected to enhance both the attractiveness of the residential properties and therefore their value, and also the combined value of the consolidated sites.

Subsequent to the end of reporting period, on 7 April 2010, Interpath Profits entered into the Lead Joy Agreement to dispose of the entire issued share capital of Lead Joy and the rights to a shareholder's loan due to Interpath Profits from Lead Joy in the total consideration of RMB99.5 million. On the same date, Interpath Profits also entered into the Measure Up Agreement to dispose of the entire issued share capital of Measure Up and the assumption by Big Meg of the liabilities under the indebtedness due to Measure

Up from Interpath Profits, in the total consideration of RMB242 million. The disposals will generate significant profits to the Group in the next financial year, and after the completion of the disposals, the Group will no longer have property development business in Huizhou, PRC.

The Group purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary in the prior years. During the year, the Group had acquired one additional floor of the hotel which in aggregate the total gross floor area add up to 22,803 sq. metres. Up to the date of this announcement, the hotel is leased out to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in PRC. With strong sustained economic growth in PRC, coupled with the constant appreciation of RMB, the PRC property market offers tremendous opportunities, and the Group will continue to place emphasis on strengthening the property development and investment business, and may acquire additional land bank to richen its land reserve, specifically in the second and third tier cities in PRC which the market trend and growth potential is consistently increasing, however, the Group has no specific investment plan in relation to any particular project currently.

Noteworthy is the fact that Directors believe the hosting of the World Expo in Shanghai, PRC in 2010 will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

### **Trading of medical equipment**

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

The outlook of the Group for the next year continues to be challenging. While the global economy appears to have stabilised and has been showing positive signs and evidence of recovering, the recovery is generally expected to be anemic and moderate. The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. On the other hand, the Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the difficult operating environment.

## **HUMAN RESOURCES**

As at 31 March 2010, the Group has 123 employees, 14 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK\$32 million as compared to HK\$33 million in last year.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offers discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE**

In the opinion of the Board, the Company has complied with most of the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") save for the deviation from the Code Provision A4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

### **Summary of deviation of the CG Code:**

Code Provision A4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2010.

The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

#### **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2010. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

#### **REMUNERATION COMMITTEE**

The Company has a remuneration committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the remuneration policy and fixing the remuneration packages for all Directors and chief executives. The remuneration committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien, Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Tjia Boen Sien is the Chairman of the committee.

#### **PUBLICATION OF FURTHER FINANCIAL INFORMATION**

The annual results announcement is published on the Stock Exchange website (<http://www.hkex.com.hk>) and the Company's website (<http://www.deson.com>). The annual report for the year ended 31 March 2010 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course.

By Order of the Board

**Tjia Boen Sien**

*Managing Director and Deputy Chairman*

Hong Kong, 28 June 2010.

*As at the date of this announcement, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung, the independent non-executive Directors are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po, and Mr. Wong Shing Kay, Oliver.*