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*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)

## INTERIM RESULTS

### FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the “Board”) of Deson Development International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2011, together with the comparative figures for the six months ended 30 September 2010 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>328,399</b>	154,845
Cost of sales		<b>(264,485)</b>	(126,201)
Gross profit		<b>63,914</b>	28,644
Other income and gains	3	<b>10,413</b>	314,672
Administrative expenses		<b>(31,844)</b>	(44,791)
Other operating income, net		<b>9,375</b>	3,037
Finance costs	5	<b>(1,328)</b>	(4,809)
Share of profits and losses of:			
A jointly-controlled entity		<b>(7)</b>	38
Associates		<b>166</b>	77
<b>PROFIT BEFORE TAX</b>	4	<b>50,689</b>	296,868
Income tax expense	6	<b>(14,543)</b>	(34,586)
<b>PROFIT FOR THE PERIOD</b>		<b>36,146</b>	262,282

\* for identification only.

**CONDENSED CONSOLIDATED INCOME STATEMENT (continued)***For the six months ended 30 September 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		<b>36,006</b>	156,096
Non-controlling interests		<b>140</b>	106,186
		<hr/>	<hr/>
		<b>36,146</b>	262,282
		<hr/> <hr/>	<hr/> <hr/>

**EARNINGS PER SHARE ATTRIBUTABLE TO  
ORDINARY EQUITY HOLDERS OF  
THE COMPANY**

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## Basic

– For profit for the period

**6.39 cents**

27.72 cents

## Diluted

– For profit for the period

**6.39 cents**

27.72 cents

Details of the interim dividend proposed for the six months ended 30 September 2011 are disclosed in note 7 to the financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 September 2011*

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>36,146</b>	<b>262,282</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Share of other comprehensive income of associates	(246)	79
Release of exchange fluctuation reserve upon disposal of subsidiaries	–	4,000
Exchange differences on translating foreign operations	7,625	(594)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>7,379</b>	<b>3,485</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>43,525</b>	<b>265,767</b>
Attributable to:		
Owners of the Company	43,250	158,270
Non-controlling interests	275	107,497
	<b>43,525</b>	<b>265,767</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2011

	<i>Notes</i>	<b>30 September 2011 HK\$'000</b>	31 March 2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		112,437	114,407
Investment properties	9	219,722	214,319
Investment in a jointly-controlled entity		17	–
Investments in associates		(1,203)	17,318
Available-for-sale investment		21,790	11,584
		<hr/>	<hr/>
Total non-current assets		352,763	357,628
<b>CURRENT ASSETS</b>			
Amounts due from associates		21,993	27,763
Amounts due from non-controlling shareholders		–	6,524
Amount due from a related company		4,073	2,223
Properties held for sale	10	875,064	722,056
Financial assets at fair value through profit or loss		2,440	2,380
Gross amount due from contract customers		66,730	4,282
Inventories		4,765	1,611
Accounts receivable	11	57,351	42,661
Prepayments, deposits and other receivables		42,823	40,497
Cash and cash equivalents		86,597	224,551
Pledged deposits		92,388	31,364
		<hr/>	<hr/>
Total current assets		1,254,224	1,105,912
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		122,572	56,311
Accounts payable	12	22,481	29,128
Other payables and accruals		403,564	332,567
Amounts due to associates		48	59
Amounts due to non-controlling shareholders		3,540	3,573
Amounts due to a related company		–	5,000
Tax payable		66,026	61,055
Interest-bearing bank and other borrowings		43,324	47,969
		<hr/>	<hr/>
Total current liabilities		661,555	535,662
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>592,669</b>	<b>570,250</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***30 September 2011*

	<b>30 September 2011 HK\$'000</b>	31 March 2011 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>945,432</b>	927,878
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>200,080</b>	207,060
Deferred tax liabilities	<b>30,970</b>	29,625
Total non-current liabilities	<b>231,050</b>	236,685
Net assets	<b>714,382</b>	691,193
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>56,206</b>	56,011
Reserves	<b>649,111</b>	610,888
Proposed dividends	<b>5,747</b>	18,076
	<b>711,064</b>	684,975
<b>Non-controlling interests</b>	<b>3,318</b>	6,218
Total equity	<b>714,382</b>	691,193

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2011.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2011, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which also include HKASs and Interpretations) for the first time in the current period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards-Limited Exemptions from Comparative HKFRS 7 Disclosure for First-time Adopters</i>
HKFRS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 (Amendment)	<i>Prepayment of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

The adoption of the new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

## 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 building construction 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.

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 partial interests in an associate, gain on disposal of subsidiaries, finance costs, 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.

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.

## 2. OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 September							
	Construction business		Property development and investment business		Others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue:</b>								
Sales to external customers	247,034	119,827	74,883	31,976	6,482	3,042	328,399	154,845
Other income and gains	1,963	1,441	7,007	6,839	4	–	8,974	8,280
Revenue	248,997	121,268	81,890	38,815	6,486	3,042	337,373	163,125
<b>Segment results</b>								
Operating profit/(loss)	4,402	(9,358)	40,844	7,459	1,361	(798)	46,607	(2,697)
<i>Reconciliation:</i>								
Interest income							1,405	283
Gain on disposal of partial interests in an associate							34	–
Gain/(loss) on disposal of subsidiaries							(60)	306,109
Unallocated expenses							(2,558)	(2,133)
Finance costs							(1,328)	(4,809)
Reversal of impairment of an amount due from an associate							6,430	–
Share of profit and loss of a jointly-controlled entity							(7)	38
Share of profits of associates							166	77
Profit before tax							50,689	296,868
<b>Other segment information:</b>								
Loss on disposal of items of property, plant and equipment	96	–	–	–	1	9	97	9
Reversal of impairment of accounts receivable	(1,625)	–	–	(3,108)	(999)	–	(2,624)	(3,108)
Reversal of provision for inventories	–	–	–	–	(79)	(71)	(79)	(71)
Depreciation	1,818	1,430	977	868	43	40	2,838	2,338

### 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Revenue</b>		
Income from construction contracting and related business	247,034	119,827
Income from property development and investment business	74,883	31,976
Income from trading of medical equipment, and provision of related installation and maintenance services	6,482	3,042
	<u>328,399</u>	<u>154,845</u>
<b>Other income and gains</b>		
Bank interest income	1,375	151
Other interest income	30	132
Gross rental income	6,461	6,005
Gain on disposal of partial interests in an associate	34	–
Gain on disposal of subsidiaries	–	306,109
Others	2,513	2,275
	<u>10,413</u>	<u>314,672</u>



#### 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cost of properties sold	30,814	13,085
Cost of construction contracting	229,896	111,033
Cost of inventories sold and services provided	3,775	2,083
Depreciation	2,838	2,338
Minimum lease payments under operating leases		
on land and buildings	710	997
Loss on disposal of items of property, plant and equipment <sup>^</sup>	97	9
Employee benefits expense (including directors' remuneration):		
Wages and salaries	17,231	20,952
Equity-settled share option expense	–	2,756
Pension schemes contributions *	459	421
Less: Amount capitalised	(2,612)	(1,356)
	<u>15,078</u>	<u>22,773</u>
Directors' remuneration:		
Fee	156	156
Salaries and allowances	1,719	1,656
Equity-settled share option expense	–	539
Pension schemes contributions	30	29
	<u>1,905</u>	<u>2,380</u>
Foreign exchange differences, net <sup>^</sup>	(418)	62
Reversal of provision for inventories, included		
in cost of inventories sold	(79)	(71)
Reversal of impairment of an		
amount due from an associate <sup>^</sup>	(6,430)	–
Reversal of impairment of accounts receivable <sup>^</sup>	(2,624)	(3,108)
	<u><u>(2,624)</u></u>	<u><u>(3,108)</u></u>

\* At 30 September 2011, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2010: Nil).

<sup>^</sup> These amounts are included in "Other operating income, net" on the face of the condensed consolidated income statement.

## 5. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	8,157	10,868
Less: Interest capitalised	<u>(6,829)</u>	<u>(6,059)</u>
	<u><u>1,328</u></u>	<u><u>4,809</u></u>

## 6. 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 period or have available tax losses brought forward from prior years to offset the assessable profits generated during the period (2010: Nil). 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.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current-Elsewhere		
Charge for the period	3,139	32,678
Underprovision/(overprovision) in prior periods	(98)	7
Deferred	1,171	(218)
LAT in Mainland China	<u>10,331</u>	<u>2,119</u>
Total tax charge for the period	<u><u>14,543</u></u>	<u><u>34,586</u></u>

## 7. INTERIM DIVIDEND

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Proposed interim-HK1 cent (2010: HK3 cents) per ordinary share	<u><u>5,747</u></u>	<u><u>16,602</u></u>

The Board of Directors has resolved to declare an interim dividend of HK1 cent (2010: HK3 cents) in respect of the six months ended 30 September 2011 per ordinary share in issue payable on or around Friday, 30 December 2011 to shareholders whose names appear on the register of members of the Company on Thursday, 22 December 2011.

## 8. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 563,428,345 (2010: 563,034,356) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, 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 of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic earnings per share amounts presented for the period ended 30 September 2011 in respect of a dilution as the Group had no dilutive ordinary shares in issue during 30 September 2011.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>36,006</u>	<u>156,096</u>
	<b>Number of shares</b>	
	2011	2010
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	563,428,345	563,034,356
Effect of dilution-weighted average number of ordinary shares:		
Share options	<u>—</u>	<u>—</u>
	<u>563,428,345</u>	<u>563,034,356*</u>

\* For the period ended 30 September 2010, because the diluted earnings per share amount was increased when taking the share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were based on the profit for the period of HK\$156,096,000 and the weighted average number of ordinary shares of 563,034,356 in issue during the period.

## 9. INVESTMENT PROPERTIES

	<b>30 September 2011 HK\$'000</b>	31 March 2011 HK\$'000
Carrying amount at 1 April	<b>214,319</b>	210,330
Net loss from fair value adjustment	–	(5,314)
Exchange realignment	<b>5,403</b>	9,303
	<hr/>	<hr/>
Carrying amount at 30 September/31 March	<b>219,722</b>	214,319
	<hr/> <hr/>	<hr/> <hr/>

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	<b>30 September 2011 HK\$'000</b>	31 March 2011 HK\$'000
Long term lease	<b>156,160</b>	152,320
Medium term lease	<b>63,562</b>	61,999
	<hr/>	<hr/>
	<b>219,722</b>	214,319
	<hr/> <hr/>	<hr/> <hr/>

The Group's investment properties were revalued on 31 March 2011 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$214,319,000 on an open market, existing use basis.

As at 30 September 2011, the investment properties of the Group with aggregate carrying amounts of HK\$156,160,000 (31 March 2011: HK\$214,319,000) were pledged to secure certain banking facilities granted to the Group.

## 10. PROPERTIES HELD FOR SALE

	<b>30 September 2011 HK\$'000</b>	31 March 2011 HK\$'000
Completed properties	<b>219,239</b>	251,711
Properties under development	<b>655,825</b>	470,345
	<hr/>	<hr/>
	<b>875,064</b>	722,056
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2011, certain completed properties held for sale of the Group with aggregate carrying amounts of HK\$50,016,000 (31 March 2011: HK\$82,491,000) were pledged to secure certain banking facilities granted to the Group.

## 11. 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 works 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.

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>30 September</b>	31 March
	<b>2011</b>	2011
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Current to 90 days	<b>38,986</b>	24,257
91 to 180 days	<b>5,931</b>	5,606
181 to 360 days	<b>595</b>	3,605
Over 360 days	<b>5,247</b>	3,353
	<hr/>	<hr/>
Retention monies receivable	<b>50,759</b>	36,821
	<b>6,592</b>	5,840
	<hr/>	<hr/>
Total	<b>57,351</b>	42,661
	<hr/> <hr/>	<hr/> <hr/>

## 12. 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>30 September</b>	31 March
	<b>2011</b>	2011
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Current to 90 days	<b>13,920</b>	21,076
91 to 180 days	<b>98</b>	988
181 to 360 days	<b>1,374</b>	–
Over 360 days	<b>7,089</b>	7,064
	<hr/>	<hr/>
	<b>22,481</b>	29,128
	<hr/> <hr/>	<hr/> <hr/>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

We are pleased to announce another remarkable result for the Group during the period under review despite a volatile market. The Group's turnover for the six months ended 30 September 2011 was HK\$328,000,000 which represented an increase of 112% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$36,000,000 representing a decrease of 77% as compared with the same period last year, the significant drop is mainly due to the Group had disposed of two subsidiaries in last period, and the related non-recurrent gain on disposal of subsidiaries generated amounted to HK\$306 million. Earning per share is approximately HK6.39 cents.

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

During the six months ended 30 September 2011, the Group completed or substantially completed projects such as alteration and addition works for Bellevue Place, Repulse Bay, Hong Kong, alteration and addition works for Anfield International School, Shatin, Hong Kong, subcontract works for E&M installation for student hostel development phase 4, City University of Hong Kong at Cornwall Street, Kowloon Tong, Hong Kong, E&M installation for the construction of district open space in area 37, Tsueng Kwan O and local open space in area 25, Fanling and Sheung Shui, Hong Kong, E&M installation, plumbing and drainage for proposed warehouse development at Ping Tong Street South, Yuen Long, Hong Kong. In current period, segment operating profit generated from the property development and investment business increased by 448% as compared to the same period last year, this is mainly due to the Group had sold certain commercial units in section D of Phase II of Century Place, Kaifeng, PRC, and the related average selling price per square metre achieved is RMB18,500, which generated tremendous turnover and therefore satisfactory gross profit to the Group, whereas in same period last year, Phase II of Century Place, Kaifeng, PRC have not yet completed, and we were only selling remaining units of Phase I of Century Place, Kaifeng, PRC and Asian Villas City Square, Haikou, PRC.

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. In December 2009, the Company was awarded one of the "Chinese businessman top 500 in 2009" by 華商中國市場500強評選活動組委會.

## **FINANCIAL REVIEW**

### **Turnover**

For the six months ended 30 September 2011, the Group's turnover amounted to HK\$328 million, increased by 112% as compared to the same period last year. All three segments recorded at least 100% increment as compared to same period last year. The increase was mainly due to certain new construction contracting contracts were granted to the Group in last year, and those contracts contributed a lot of contract income to the Group in current period. Also, for the property development project, Phase II of Century Place, Kaifeng, PRC, the Group had sold certain commercial units in section D of Phase II of Century Place, which contributed tremendous turnover to the Group, whereas in same period last year, Phase II of Century Place have not yet completed, and we were only selling remaining units of Phase I of Century Place and Asian Villas City Square, Haikou, PRC. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$247 million, HK\$75 million, HK\$6 million respectively, which represent increase by 106%, 134% and 113% respectively as compared to the same period last year.

### **Gross profit margin**

During the six months ended 30 September 2011, the Group's gross profit margin was approximately 19%, up by 1% as compared to last period's 18%, this is mainly driven from the increase in the percentage of turnover from the property development and investment segment over the total turnover, from last period's 21% to this period's 23%, 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 period.

### **Liquidity and financial resources**

As at 30 September 2011, the Group had total assets of HK\$1,606,987,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$892,605,000, HK\$711,064,000 and HK\$3,318,000, respectively. The Group's current ratio at 30 September 2011 was 1.90 compared to 2.06 at 31 March 2011.

The gearing ratio for the Group is 24% (31 March 2011: 26%). It was calculated based on the non-current liabilities of HK\$231,050,000 (31 March 2011: HK\$236,685,000) and long term capital (equity and non-current liabilities) of HK\$945,432,000 (31 March 2011: HK\$927,878,000).

### **Capital expenditure**

Total capital expenditure for the six months ended 30 September 2011 was approximately HK\$537,000, which are mainly used in the purchase of office equipments and motor vehicles.

## **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.

## **Charges on group assets**

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong of HK\$82,252,000 (31 March 2011: HK\$83,600,000);
- (ii) the pledge of certain of the Group's investment properties situated in Mainland China of HK\$156,160,000 (31 March 2011: HK\$214,319,000);
- (iii) the pledge of one of the Group's financial assets at fair value through profit or loss of HK\$1,220,000 (31 March 2011: HK\$1,190,000);
- (iv) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of HK\$50,016,000 (31 March 2011: HK\$82,491,000); and
- (v) the pledge of the Group's deposits of HK\$92,388,000 (31 March 2011: HK\$31,364,000).

## **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 building construction and E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, the Group obtained “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.

During the period, new projects such as alteration and addition works for Anfield International School, Shatin, Hong Kong, improvement works on the air-conditioning system at various beaches and swimming pools in Hong Kong, comprehensive maintenance and repair of fire services installations for sewage treatment facilities in Hong Kong, and fitting out works for several offices at Beijing, PRC were granted. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$991 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 prior year. Up to the date of this announcement, the total sales contract sum achieved amounted to approximately RMB348 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 42,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB229 million. The remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2013.

Barring introduction of further austerity measures by the Central Government, property prices are not expected to decrease substantively. In anticipation of progressive appreciation of Renminbi as well as enormous domestic demand, the Board remains optimistic to the property market in Mainland China 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.

## **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 Global economy remains full of uncertainties especially in some European countries and the United States due to the sovereign debt crisis, which generated concerns over the global economy and is likely to hit some Asian markets with a slowdown in economic growth. The tightening policies, such as interest rate hikes, restrictions on home purchase and raise of reserve requirement ratio for major banks, as a part of its efforts to adjust economic structure, control inflation, and maintain a stable and healthy economic growth, also caused certain negative impact on the mainland property market, the Group will adopt a more cautious attitude towards new investment. However, with the GDP growth recorded at 9.6% for the first half year for PRC, it is expected the economy of the PRC will sustain a healthy and impressive growth, also, Hong Kong remains well positioned to benefit from the PRC's continuing growth and development, particularly given its positioning and advantages, during the National 12th Five Year Plan period, as such, the Group remains optimistic about the global recovery in the long run and has confidence in the growth momentum in the PRC and Hong Kong

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the fluctuated operating environment.

## **HUMAN RESOURCES**

As at 30 September 2011, the Group has 127 employees, 15 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review amounted to HK\$15 million as compared to HK\$23 million in the same period last year, the significant drop is mainly due to the Group provided a discretionary bonus and granted share options to employees in last period.

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.

## **CONTINUING CONNECTED TRANSACTIONS**

On 23 March 2011, the Group has entered into two tenancy agreements with 上海美格菲健身中心有限公司 and Fitness Concept Limited, companies wholly-owned by Mr. Tjia Boen Sien ("Mr. Tjia"), the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of two properties of the Group at Sichuan, PRC and Hong Kong. The two tenancy agreements are contracted for three years commencing 1 April 2011, and the monthly rent payable are RMB150,000 and HK\$25,500 respectively. The rental income earned during the six months ended 30 September 2011 from the above tenancy agreements were HK\$1,242,000.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 48.44% equity interest in the Company at the time entering into the tenancy agreements, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transactions therefore constitute connected transactions of the Company. As each of the applicable percentage ratios of the transactions was more than 2.5% but less than 25% and the total considerations involved were less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transactions were exempted from the independent shareholders' approval requirement and were only subject to the reporting and disclosure requirements of the Listing Rules. The transactions also constituted discloseable transactions for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that this continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **INTERIM DIVIDEND**

The Board is pleased to recommend the payment of an interim dividend of HK1 cent (2010: HK3 cents) per ordinary share in issue for the six months ended 30 September 2011 to be payable on or around Friday, 30 December 2011 to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 22 December 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 16 December 2011 to Thursday, 22 December 2011 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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 Thursday, 15 December 2011.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2011, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of Shares repurchased	Price per share		Total price paid <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
July 2011	<u>2,810,000</u>	0.65	0.61	<u>1,763</u>

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$281,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$1,482,000 paid on the repurchases shares and share repurchase expenses of HK\$16,000 were charged against the share premium account.

The purchase of the Company's shares during the six months ended 30 September 2011 was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2011.

## CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2011, the Company's corporate governance practices are based on the principles and 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"). The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2011, 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 six months ended 30 September 2011.

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, risk management and financial reporting matters including the review of the interim results for the six months ended 30 September 2011, and adequacy of resources and qualifications of the Company's accounting staff. 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 interim results announcement is published on the Stock Exchange website (<http://www.hkex.com.hk>) and the Company's website (<http://www.deson.com>). The interim report for the six months ended 30 September 2011 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, 30 November 2011

*As at the date of this announcement, the executive Directors of the Company are Mr. Lu Quanzhang, 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.*