



# **Deson Development International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 262)



## **INTERIM REPORT 2014**

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 2014, together with the comparative figures for the six months ended 30 September 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>REVENUE</b>	3	<b>551,228</b>	407,819
Cost of sales		<b>(472,595)</b>	(365,905)
Gross profit		<b>78,633</b>	41,914
Other income and gains	3	<b>28,336</b>	22,087
Fair value gain on investment properties, net		<b>126</b>	–
Gain on disposal of a subsidiary	13	–	15,445
Administrative expenses		<b>(54,901)</b>	(43,287)
Other operating income, net		<b>1,121</b>	725
Finance costs	5	<b>(843)</b>	(954)
Share of profits and losses of:			
A joint venture		–	(4)
Associates		<b>304</b>	355
<b>PROFIT BEFORE TAX</b>	4	<b>52,776</b>	36,281
Income tax expense	6	<b>(20,242)</b>	(9,037)
<b>PROFIT FOR THE PERIOD</b>		<b><u>32,534</u></b>	<b><u>27,244</u></b>
Attributable to:			
Owners of the Company		<b>31,912</b>	27,468
Non-controlling interests		<b>622</b>	(224)
		<b><u>32,534</u></b>	<b><u>27,244</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b><u>5.77 cents</u></b>	<b><u>4.93 cents</u></b>

Details of the interim dividend proposed for the six months ended 30 September 2014 are disclosed in note 7 to the financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	2014 HK\$'000	2013 HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>32,534</b>	27,244
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	(1,676)	1,472
Exchange differences on translation of foreign operations	5,389	9,191
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	(5,438)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<b>3,713</b>	5,225
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of leasehold land and buildings	8,405	–
Income tax effect	(1,387)	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<b>7,018</b>	–
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>10,731</b>	5,225
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>43,265</b>	32,469
Attributable to:		
Owners of the Company	42,586	32,587
Non-controlling interests	679	(118)
	<b>43,265</b>	32,469

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

		<b>30 September</b>	31 March
		<b>2014</b>	2014
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		<b>169,727</b>	164,181
Investment properties	9	<b>307,566</b>	305,000
Investment in a joint venture		–	–
Investments in associates		<b>1,625</b>	3,785
Available-for-sale investments		<b>21,641</b>	21,641
Deposits		–	244
		<hr/>	<hr/>
Total non-current assets		<b>500,559</b>	494,851
		<hr/>	<hr/>
CURRENT ASSETS			
Amounts due from associates		<b>4,735</b>	4,748
Amount due from an investee		<b>1,104</b>	100
Properties held for sale under development and properties held for sale	10	<b>1,176,165</b>	1,054,613
Gross amount due from contract customers		<b>19,076</b>	7,563
Inventories		<b>12,003</b>	12,103
Accounts receivable	11	<b>184,885</b>	77,206
Prepayments, deposits and other receivables		<b>106,527</b>	94,935
Pledged deposits		<b>50,726</b>	51,797
Cash and cash equivalents		<b>101,033</b>	129,474
		<hr/>	<hr/>
Total current assets		<b>1,656,254</b>	1,432,539
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2014

		<b>30 September</b>	31 March
		<b>2014</b>	2014
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		<b>98,058</b>	87,845
Accounts payable	12	<b>31,997</b>	59,191
Other payables and accruals		<b>226,703</b>	172,564
Amounts due to associates		<b>48</b>	48
Amounts due to non-controlling shareholders		<b>1,500</b>	1,500
Amount due to a related company		<b>3,718</b>	2,193
Tax payable		<b>96,200</b>	86,520
Interest-bearing bank borrowings		<b>440,309</b>	304,488
Total current liabilities		<b>898,533</b>	714,349
<b>NET CURRENT ASSETS</b>		<b>757,721</b>	718,190
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,258,280</b>	1,213,041
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>159,072</b>	157,041
Deferred tax liabilities		<b>76,202</b>	73,314
Total non-current liabilities		<b>235,274</b>	230,355
Net assets		<b>1,023,006</b>	982,686
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	14	<b>55,321</b>	55,321
Reserves		<b>955,650</b>	914,350
Proposed dividend	7	<b>5,532</b>	7,192
		<b>1,016,503</b>	976,863
<b>Non-controlling interests</b>		<b>6,503</b>	5,823
Total equity		<b>1,023,006</b>	982,686

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2013

	Attributable to owners of the Company											Non-controlling interests	Total equity	
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Reserve funds	Retained profits	Proposed dividend			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	56,077	118,408	15,262	120,059	(9,240)	13,514	58,365	3,764	3,260	456,526	6,695	842,690	5,817	848,507
Profit for the period	-	-	-	-	-	-	-	-	-	27,468	-	27,468	(224)	27,244
Other comprehensive income/(loss) for the period:														
Share of other comprehensive income of associates	-	-	-	-	-	-	-	1,472	-	-	-	1,472	-	1,472
Exchange differences on translation of foreign operations	-	-	-	-	-	-	9,085	-	-	-	-	9,085	106	9,191
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	-	-	(5,438)	-	-	-	-	(5,438)	-	(5,438)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	3,647	1,472	-	27,468	-	32,587	(118)	32,469
Release of revaluation reserve	-	-	-	(7,945)	-	-	-	-	-	7,945	-	-	-	-
Repurchase of shares	(629)	(3,380)	-	-	-	629	-	-	-	(629)	-	(4,009)	-	(4,009)
Share repurchase expenses	-	(33)	-	-	-	-	-	-	-	-	-	(33)	-	(33)
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	29	(6,695)	(6,666)	-	(6,666)
Proposed Interim 2014 dividend (note 7)	-	-	-	-	-	-	-	-	-	(5,541)	5,541	-	-	-
At 30 September 2013	<u>55,448</u>	<u>114,995*</u>	<u>15,262*</u>	<u>112,114*</u>	<u>(9,240)*</u>	<u>14,143*</u>	<u>62,012*</u>	<u>5,236*</u>	<u>3,260*</u>	<u>485,798*</u>	<u>5,541</u>	<u>864,569</u>	<u>5,702</u>	<u>870,271</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Period ended 30 September 2014

	Attributable to owners of the Company												Non-controlling interests	Total equity	
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Reserve funds	Retained profits	Proposed dividend	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	55,321	114,338	15,262	120,117	(9,240)	14,270	51,499	6,331	3,260	598,513	7,192	976,863	5,823	982,686	
Profit for the period	-	-	-	-	-	-	-	-	-	31,912	-	31,912	622	32,534	
Other comprehensive income/(loss) for the period:															
Surplus on revaluation of leasehold land and buildings, net of tax	-	-	-	7,018	-	-	-	-	-	-	-	7,018	-	7,018	
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	(1,676)	-	-	-	(1,676)	-	(1,676)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	5,332	-	-	-	-	5,332	57	5,389	
Total comprehensive income/(loss) for the period	-	-	-	7,018	-	-	5,332	(1,676)	-	31,912	-	42,586	679	43,265	
Release of revaluation reserve	-	-	-	(1,672)	-	-	-	-	-	1,672	-	-	-	-	
Transfer to reserve	-	-	-	-	-	-	-	-	6,009	(1,763)	-	4,246	-	4,246	
Contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	1	1	
Final 2014 dividend declared	-	-	-	-	-	-	-	-	-	(7,192)	(7,192)	-	-	(7,192)	
Proposed Interim 2015 dividend (note 7)	-	-	-	-	-	-	-	-	-	(5,532)	5,532	-	-	-	
At 30 September 2014	<u>55,321</u>	<u>114,338*</u>	<u>15,262*</u>	<u>125,463*</u>	<u>(9,240)*</u>	<u>14,270*</u>	<u>56,831*</u>	<u>4,655*</u>	<u>9,269*</u>	<u>624,802*</u>	<u>5,532</u>	<u>1,016,503</u>	<u>6,503</u>	<u>1,023,006</u>	

\* These reserve accounts comprise the consolidated reserves of HK\$955,650,000 (31 March 2014: HK\$914,350,000) in the condensed consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group reorganisation on 21 May 1997.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China. The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Notes	2014 HK\$'000	2013 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		52,776	36,281
Adjustments for:			
Finance costs	5	843	954
Share of profits and losses of:			
A joint venture		–	4
Associates		(304)	(355)
Interest income	3	(1,479)	(1,021)
Fair value gain on investment properties, net	9	(126)	–
Gain on disposal of a subsidiary	13	–	(15,445)
Loss on disposal of items of property, plant and equipment	4	284	12
Depreciation	4	2,902	3,145
Provision for inventories	4	900	512
Reversal of impairment of other receivables	4	(630)	–
Reversal of impairment of accounts receivable	4	(51)	(18)
		<hr/>	<hr/>
		55,115	24,069
Increase in properties held for sale under development and properties held for sale		(90,510)	(47,955)
Decrease/(increase) in gross amount due from contract customers		(10,660)	1,413
Increase in inventories		(800)	(2,656)
Decrease/(increase) in accounts receivable		(107,598)	41,822
Increase in prepayments, deposits and other receivables		(10,146)	(82,300)
Increase in gross amount due to contract customers		10,213	5,342
Decrease in accounts payable		(27,287)	(4,604)
Increase/(decrease) in other payables and accruals		44,981	(4,594)
		<hr/>	<hr/>
Cash used in operations		(136,692)	(69,463)
Interest paid		(25,837)	(18,865)
Taxes paid		(9,840)	(35,567)
		<hr/>	<hr/>
Net cash flows used in operating activities – page 8		(172,369)	(123,895)



## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 September 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Net cash flows used in operating activities – page 7		<b>(172,369)</b>	(123,895)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>1,479</b>	1,021
Dividends received from associates		<b>600</b>	400
Purchases of items of property, plant and equipment		<b>(303)</b>	(477)
Disposal of a subsidiary	13	–	68,391
Disposal of an associate		<b>188</b>	–
Repayment from/(advances to) associates, net		<b>13</b>	(66)
Advances to an investee		<b>(1,004)</b>	–
Contribution from a non-controlling shareholder		<b>1</b>	–
Capital injection from a pre-listing investor		<b>12,128</b>	–
Decrease in pledged deposits		<b>1,071</b>	7,883
Net cash flows from investing activities		<b>14,173</b>	77,152
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase of the Company's shares		–	(4,009)
Share repurchase expenses		–	(33)
New bank borrowings		<b>244,285</b>	177,299
Repayment of bank and other borrowings		<b>(118,412)</b>	(174,845)
Movement in balances with a related company, net		<b>1,525</b>	4,628
Dividends paid		<b>(7,192)</b>	(6,666)
Net cash flows from/(used in) financing activities		<b>120,206</b>	(3,626)
NET DECREASE IN CASH AND CASH EQUIVALENTS – page 9		<b>(37,990)</b>	(50,369)

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 September 2014

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS – page 8	<b>(37,990)</b>	(50,369)
Cash and cash equivalents at beginning of year	<b>129,464</b>	91,479
Effect of foreign exchange rate changes, net	<b>750</b>	1,778
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b>92,224</b>	42,888
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the statement of financial position	<b>101,033</b>	46,710
Bank overdrafts, secured	<b>(8,809)</b>	(3,822)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of cash flows	<b>92,224</b>	42,888
	<hr/> <hr/>	<hr/> <hr/>

## 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 classified as property, plant and equipment, and investment properties, 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 2014.

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 2014, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on these 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 and decoration, as well as the provision of 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 home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

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 a subsidiary, gain on disposal of an available-for-sale investment, finance costs, share of profits and losses of a joint venture and associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investments in associates, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank 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.

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

During the period, the Group's operating segments changed as a result of the change in the Group's internal business reporting structure for more efficient use of the managerial resources. The corresponding information for the six months ended 30 September 2013 has been re-presented accordingly.

For the six months ended 30 September

	Construction business		Property development and investment business		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	369,760	327,196	169,948	61,697	11,520	18,926	551,228	407,819
Other income and gains	1,132	963	24,357	19,083	415	520	25,904	20,566
Revenue	<u>370,892</u>	<u>328,159</u>	<u>194,305</u>	<u>80,780</u>	<u>11,935</u>	<u>19,446</u>	<u>577,132</u>	<u>428,385</u>
<b>Segment results</b>								
Operating profit	8,768	6,151	49,809	13,976	892	2,125	59,469	22,252
<u>Reconciliation:</u>								
Interest income							1,479	1,021
Gain on disposal of a subsidiary							-	15,445
Gain on disposal of an available-for-sale investment							-	500
Dividend income							952	-
Unallocated income							396	396
Unallocated expenses							(8,981)	(2,730)
Finance costs							(843)	(954)
Share of losses of a joint venture							-	(4)
Share of profits of associates							304	355
Profit before tax							<u>52,776</u>	<u>36,281</u>

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2014 and 31 March 2014:

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
<b>30 September 2014</b>				
<b>Segment assets</b>	278,855	1,673,430	27,559	1,979,844
<i>Reconciliation:</i>				
Investment in associates				1,625
Corporate and other unallocated assets				175,344
Total assets				<b>2,156,813</b>
<b>Segment liabilities</b>	147,379	197,351	14,231	358,961
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				774,846
Total liabilities				<b>1,133,807</b>

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
<b>31 March 2014</b>				
<b>Segment assets</b>	261,460	1,438,428	20,202	1,720,090
<i>Reconciliation:</i>				
Investment in associates				3,785
Corporate and other unallocated assets				203,515
Total assets				<u>1,927,390</u>
<b>Segment liabilities</b>	172,907	139,614	5,774	318,295
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				626,409
Total liabilities				<u>944,704</u>

### For the six months ended 30 September

	Construction business		Property development and investment business		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Loss on disposal of items of property, plant and equipment	284	-	-	-	-	12	284	12
Reversal of impairment of accounts receivable	-	-	-	-	(51)	(18)	(51)	(18)
Reversal of impairment of other receivables	(630)	-	-	-	-	-	(630)	-
Provision for inventories	-	-	-	-	900	512	900	512
Depreciation	<u>2,273</u>	<u>2,525</u>	<u>594</u>	<u>569</u>	<u>35</u>	<u>51</u>	<u>2,902</u>	<u>3,145</u>

### 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; the net invoiced value of goods sold, after allowance for returns and trade discounts; and provision of related installation and maintenance services.

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Income from construction contracting and related business	<b>369,760</b>	327,196
Income from property development and investment business	<b>169,948</b>	61,697
Income from trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market	<b>11,520</b>	18,926
	<b>551,228</b>	407,819
<b>Other income and gains</b>		
Bank interest income	<b>1,479</b>	1,021
Dividend income	<b>952</b>	–
Gross rental income	<b>24,010</b>	18,831
Gain on disposal of an available-for sale investment	<b>–</b>	500
Others	<b>1,895</b>	1,735
	<b>28,336</b>	22,087



#### 4. PROFIT BEFORE TAX

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Cost of properties sold	<b>119,681</b>	45,031
Cost of construction contracting	<b>345,618</b>	306,345
Cost of inventories sold and services provided	<b>7,296</b>	14,529
Depreciation	<b>2,902</b>	3,145
Minimum lease payments under operating leases on land and buildings	<b>903</b>	915
Loss on disposal of items of property, plant and equipment <sup>^</sup>	<b>284</b>	12
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>25,552</b>	22,742
Pension schemes contributions*	<b>621</b>	542
Less: Amount capitalised	<b>(6,544)</b>	(5,095)
	<b>19,629</b>	18,189
Directors' remuneration:		
Fee	<b>228</b>	156
Salaries and allowances	<b>2,367</b>	2,249
Pension schemes contributions	<b>40</b>	38
	<b>2,635</b>	2,443
Foreign exchange differences, net <sup>^</sup>	<b>(724)</b>	(719)
Provision for inventories, included in cost of inventories sold	<b>900</b>	512
Reversal of impairment of accounts receivable <sup>^</sup>	<b>(51)</b>	(18)
Reversal of impairment of other receivable <sup>^</sup>	<b>(630)</b>	–

\* At 30 September 2014 there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2013: Nil).

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years and total interest expense on financial liabilities not at fair value through profit or loss	<b>25,837</b>	18,865
Less: Interest capitalised	<b>(24,994)</b>	(17,911)
	<b>843</b>	954

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>1,310</b>	–
Current – Elsewhere		
Charge for the period	<b>14,709</b>	7,070
Underprovision in prior periods	<b>194</b>	4
Deferred	<b>1,257</b>	(971)
LAT in Mainland China	<b>2,772</b>	2,934
Total tax charge for the period	<b>20,242</b>	9,037

## 7. INTERIM DIVIDEND

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Proposed interim – HK1 cent (2013: HK1 cent) per ordinary share	<u><b>5,532</b></u>	<u>5,541</u>

The Board of Directors has resolved to declare an interim dividend of HK1 cent (2013: HK1 cent) in respect of the six months ended 30 September 2014 per ordinary share in issue payable on or around 31 December 2014 to shareholders whose names appear on the register of members of the Company on 17 December 2014.

## 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 553,210,267 (2013: 556,693,136) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 September 2014 and 2013 in respect of a dilution as the Group has no potential dilutive ordinary shares issued during these periods.

## 9. INVESTMENT PROPERTIES

	<b>30 September</b> <b>2014</b> <b>HK\$'000</b>	31 March 2014 HK\$'000
Carrying amount at 1 April	<b>305,000</b>	169,375
Net gain from fair value adjustment	<b>126</b>	122,554
Transferred from completed properties held for sale	–	14,923
Exchange realignment	<b>2,440</b>	(1,852)
Carrying amount at 30 September/31 March	<u><b>307,566</b></u>	<u>305,000</u>

The Group's investment properties are situated in Mainland China and are held under long term lease.

As at 30 September 2014, certain investment properties of the Group with an aggregate carrying amount of HK\$296,478,000 (31 March 2014: HK\$294,125,000) were pledged to secure certain banking facilities granted to the Group.

## 9. INVESTMENT PROPERTIES (CONTINUED)

As at 30 September 2014, investment properties of the Group with a carrying amount of HK\$307,566,000 (31 March 2014: HK\$305,000,000) were leased to an independent third party.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 30 September 2014 using				
Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>		Total <i>HK\$'000</i>
Recurring fair value measurement for:				
Hotel properties	-	-	296,478	296,478
Commercial properties	-	-	11,088	11,088
			<b>307,566</b>	<b>307,566</b>

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Hotel properties <i>HK\$'000</i>	Commercial properties <i>HK\$'000</i>
Carrying amount at 1 April 2014	294,125	10,875
Net gain from a fair value adjustment recognised in other operating income, net in profit or loss	-	126
Exchange realignment	2,353	87
Carrying amount at 30 September 2014	<b>296,478</b>	<b>11,088</b>

## 9. INVESTMENT PROPERTIES (CONTINUED)

### Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Hotel properties and commercial properties	Investment method	Estimated rental value (per square metre and per month)	RMB35 to RMB189
		Term yield	2% to 6.25%
		Reversionary yield	5.75% to 6.75%
Car park spaces	Direct comparison approach	Market unit selling price	RMB350,000

#### *The direct comparison approach*

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input was the market price, which a significant increase (decrease) in the market price would result in a significant increase (decrease) in the fair value of the investment properties.

#### *The investment approach*

Under the investment method, fair value is estimated on the basis of capitalisation of existing rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

The valuation takes into account the characteristic of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the estimated rental value and reversionary yield, while it takes into account the rental value generated from the existing lease term to arrive at the term yield.

The key inputs were the estimated rental value, term yield and reversionary yield, which a significant increase (decrease) in these inputs would result in a significantly increase (decrease) in the fair value of the investment properties.

## 10. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	<b>30 September 2014</b>	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties held for sale	<b>620,694</b>	571,097
Properties held for sale under development	<b>555,471</b>	483,516
	<b><u>1,176,165</u></b>	<b><u>1,054,613</u></b>
Properties held for sale under development		
– expected to be recovered:		
Within one year	<b>264,491</b>	240,933
After one year	<b>72,714</b>	64,888
– pending for construction expected to be recovered after one year	<b>218,266</b>	177,695
	<b><u>555,471</u></b>	<b><u>483,516</u></b>

As at 30 September 2014, certain completed properties held for sale and properties held for sales under development of the Group with an aggregate carrying amount of HK\$550,433,000 (31 March 2014: HK\$345,149,000) 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 14 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Accounts receivable are non-interest-bearing.

## 11. 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>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Current to 90 days	<b>167,865</b>	61,298
91 to 180 days	<b>500</b>	1,285
181 to 360 days	<b>1,148</b>	64
Over 360 days	<b>1,221</b>	1,057
	<hr/>	<hr/>
Retention monies receivable	<b>170,734</b>	63,704
	<b>14,151</b>	13,502
	<hr/>	<hr/>
Total	<b>184,885</b>	77,206
	<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 2014 HK\$'000</b>	31 March 2014 HK\$'000
Current to 90 days	<b>17,747</b>	49,594
91 to 180 days	<b>7</b>	14
181 to 360 days	<b>407</b>	2,807
Over 360 days	<b>13,836</b>	6,776
	<hr/>	<hr/>
	<b>31,997</b>	59,191
	<hr/> <hr/>	<hr/> <hr/>

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

### 13. DISPOSAL OF A SUBSIDIARY

	2013 <i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	4,066
Investment properties	67,691
Prepayments, deposits and other receivables	3
Other payables and accruals	(6,302)
Deferred tax liabilities	(7,074)
	<hr/>
	58,384
Exchange fluctuation reserve	(5,438)
Legal and professional fee and transaction costs directly attributable to disposal	2,140
Gain on disposal of a subsidiary	15,445
	<hr/>
	70,531
	<hr/> <hr/>
Satisfied by:	
Cash	70,531
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 <i>HK\$'000</i>
Cash consideration	70,531
Less: Legal and professional fee and transaction costs paid	(2,140)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	68,391
	<hr/> <hr/>



### 13. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Notes:

On 1 February 2013, Yew Siang Limited (“Yew Siang”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with an independent third party to dispose of its entire interest in 美格菲(成都)康體發展有限公司 (“Disposal Group”), a wholly-owned subsidiary of Yew Siang, together with the shareholder’s loan for a total consideration of RMB56,453,000 (equivalent to HK\$70,531,000). The Disposal Group is principally engaged in property investment at the date of disposal. Details of the disposal are set out in the announcement of the Company dated 4 February 2013.

The disposal was completed on 29 May 2013.

### 14. SHARE CAPITAL

#### Shares

	<b>30 September 2014 HK\$’000</b>	31 March 2014 HK\$’000
Authorised:		
1,500,000,000 (31 March 2014: 1,500,000,000) ordinary shares of HK\$0.10 each	<b><u>150,000</u></b>	<u>150,000</u>
Issued and fully paid:		
553,210,267 (31 March 2014: 553,210,267) ordinary shares of HK\$0.10 each	<b><u>55,321</u></b>	<u>55,321</u>

#### Share options

Details of the Company’s share option scheme and the share options issued under the scheme are included in the section headed “Share Option Scheme”.

## 15. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years.

At 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2014</b>	31 March 2014
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>831</b>	1,021
In the second to fifth years, inclusive	<b>1,516</b>	1,343
After five years	<b>1,179</b>	1,344
	<u><b>3,526</b></u>	<u>3,708</u>

## 16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
Management fees received from an associate	<i>(i)</i>	<b>396</b>	396
Management fees received from a related company	<i>(i)</i>	<b>28</b>	28
Rental income from a related company	<i>(ii)</i>	<b>153</b>	153
		<u><b>153</b></u>	<u>153</u>

*Notes:*

- (i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) During the period, the rental income was charged to Fitness Concept Limited ("FCL") at HK\$26,000 (2013: HK\$26,000) per month. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and FCL while Mr. Keung Kwok Cheung is the director of the Company and FCL.

## 16. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Outstanding balances with related parties:

Details of the Group's balances with its joint venture, associates, non-controlling shareholders and related companies as at the end of the reporting period are included in the financial statements;

- (c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors and chief executive of the Company. Details of the remuneration of the directors are disclosed in note 4 to the financial statements.

The related party transactions in respect of item (a)(ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Carrying amounts		Fair values	
30 September	31 March	30 September	31 March
2014	2014	2014	2014
HK\$'000	HK\$'000	HK\$'000	HK\$'000

### Financial liabilities

Interest-bearing bank borrowings

<u>189,583</u>	<u>187,779</u>	<u>189,583</u>	<u>187,779</u>
----------------	----------------	----------------	----------------

Management has assessed that the fair values of cash and cash equivalents, the pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to subsidiaries, a joint venture, associates and a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

As at 30 September 2014 and 31 March 2014, the Group did not have any financial assets measured at fair value.

### **Fair value hierarchy**

The Group did not have any financial liabilities measured at fair value as at 30 September 2014 and 31 March 2014. As at 30 September 2014, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK\$552,549,000 (31 March 2014: HK\$433,404,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2014: Nil).

## 18. POST BALANCE SHEET EVENT

On 1 August 2014, the Board announced that the Company was considering to restructure the construction and engineering contracting business of the Group (the "Spun-off Group") and explore the possibility of a separate listing of the shares (the "DCIHL Shares") of Deson Construction International Holdings Limited ("DCIHL"), an indirect wholly-owned subsidiary of the Company.

## 18. POST BALANCE SHEET EVENT (CONTINUED)

On 10 September 2014, the Company announced that the Company had submitted a spin-off proposal to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange had confirmed that the Company may proceed with the listing application which was submitted to the Stock Exchange to apply for the listing of, and permission to deal in, the DCIHL Shares on the Growth Enterprise Market ("GEM") of the Stock Exchange. It was initially proposed that the listing of the DCIHL Shares will be by way of introduction to be achieved by a distribution in specie by the Company of up to 32% of the issued share capital of DCIHL upon listing. Following completion of the proposed spin-off, DCIHL will continue to be a subsidiary of the Company.

On 3 November 2014, with a view to maximise the percentage of the DCIHL Shares held by the public immediately after the listing, the Company announced that it proposed to change the method of listing of DCIHL Shares to "listing by way of placing". Given the change in the method of listing, the Company has on 24 October 2014 informed the Stock Exchange by way of an update to the spin-off proposal to the Stock Exchange pursuant to Practice Note 15, which spin-off proposal was previously approved on 2 September 2014. On 30 October 2014, the Stock Exchange confirmed that such a change of listing method will not affect the Stock Exchange's previous decision to allow the Company to proceed with the Proposed Spin-off. It is currently proposed that pursuant to the proposed placing, approximately 12.5% of the DCIHL's enlarged issued share capital (the "Placing Shares") will be placed with professional institutional and other investors in Hong Kong, who are independent third parties. In accordance with the requirements of Practice Note 15 of the Listing Rules, the Board will continue to give due regard to the interests of the shareholders by providing qualifying shareholders of the Company with an assured entitlement to the DCIHL Shares by way of a distribution in specie of up to 27.66% of the issued share capital of DCIHL as enlarged by Placing Shares if the Proposed Spin-off proceeds.

Up to the date of this report, the proposed spin-off is in progress and is subjected to, among others, the approval of the Stock Exchange for the listing of, and permission to deal in, the DCIHL Shares in issue and to be issued on GEM, and may or may not proceed.

Details of the transaction are set out in announcements of the Company dated 1 August 2014, 10 September 2014, 16 September 2014 and 3 November 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2014 surged to the highest in history and recorded at HK\$551 million, which represented an increase of 35% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$32 million representing an increase of 16% as compared with the same period last year. Earning per share is approximately HK5.77 cents.

The Group's major business segment during the period comprises (i) construction as a main contractor and decoration, as well as the provision of electrical and mechanical ("E&M") engineering services; (ii) property development and investment; and (iii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

During the six months ended 30 September 2014, the Group completed or substantially completed projects such as 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, alternation and addition works for a factory building at Tsun Yip Street, Kwun Tong, Hong Kong, biennial term contract for maintenance and repair of, alternations and additions to, fire services installations for health services buildings in Kowloon and New Territories East region, Hong Kong, fitting out works for Citistore at Yuen Long, electrical, mechanical ventilation air conditioning and fire services for transformation of the former married quarters on Hollywood Road into a creative industries landmark at Central, new school campus in Sai Kung for Hong Kong Academy, Hong Kong, fitting out works for Miu Miu shop and Prada shop at Tianjin and Shanghai, the PRC. In the current period, turnover generated from the construction business segment surged to the highest in history, this is mainly because more different types of building construction contracts and fitting out contracts with higher aggregate contract sum are granted to the Group.

## BUSINESS REVIEW (CONTINUED)

In the current period, segment operating profit generated from the property development and investment business increased by 256% as compared to the same period last year. This is mainly due to the Group had completed the Zhu Ji Lane (「珠璣巷」) project in the city of Kaifeng, PRC and sold certain commercial units which generated tremendous turnover and satisfactory gross profit to the Group, whereas in the same period of last year, we only sold the remaining completed properties of section B, D to F of Phase II of Century Place, Kaifeng, the PRC. Also, the Group earned more temporary rental income for the completed properties held for sales before sales is made, as a result, the operating profit generated from this segment increased.

On 1 August 2014, the Board announced that the Company was considering to restructure the construction and engineering business of the Group and explore the possibility of separate listing of the shares of Deson Construction International Holdings Limited (“DCIHL”), an indirect wholly-owned subsidiary of the Company. As part of the restructuring, a Subscription Agreement was entered into between the Company and Huge Energy Holdings Limited (“Huge Energy”), a company incorporated in British Virgin Islands and a strategic investor who is independent of and is not a connected person of the Company, regarding the subscription of 9.9% of the enlarged issued share capital of Latest Ventures Limited (“LVL”), an indirect wholly-owned subsidiary of the Company, with the subscription price of HK\$12,450,000. Immediate after completion of the subscription, LVL is owned as to 90.1% by the Company and 9.9% by Huge Energy. LVL is proposed to be a subsidiary of DCIHL and to act as the intermediate holding company of the Construction and Engineering Group.

## FINANCIAL REVIEW

### Turnover

For the six months ended 30 September 2014, the Group's turnover amounted to approximately HK\$551 million, increased by 35% as compared to the same period last year. The increase was mainly contributed by the construction business segment, which more building construction contracts and fitting out contracts with higher aggregate contract sum were granted to the Group during the current period. Also, for the property development and investment segment, the Group had completed the Zhu Ji Lane (「珠璣巷」) project in the city of Kaifeng, PRC and sold certain commercial units which generated tremendous turnover and satisfactory gross profit to the Group, whereas in the same period of last year, we only sold the remaining completed properties of sections B, D to F of Phase II of Century Place, Kaifeng, the PRC. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$370 million, HK\$170 million, HK\$11 million respectively, which represent an increase 13% and 175% and a decrease 39% respectively as compared to the same period last year.

### Gross profit margin

During the six months ended 30 September 2014, the Group's gross profit margin was approximately 14%, up by 4% as compared to the last period's 10%, this is mainly driven from the increase in the percentage of turnover generated from the property development and investment segment over the total turnover, from the last period's 15% to this period's 31%, where the gross profit margin of this segment generally has 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 the last period.

### Liquidity and financial resources

As at 30 September 2014, the Group had total assets of HK\$2,156,813,000, which is financed by total liabilities, shareholders' equity and non-controlling interests of HK\$1,133,807,000, HK\$1,016,503,000 and HK\$6,503,000, respectively. The Group's current ratio at 30 September 2014 was 1.84 as compared to 2.01 at 31 March 2014.



## FINANCIAL REVIEW (CONTINUED)

### Liquidity and financial resources (Continued)

The gearing ratio for the Group is 19% (31 March 2014: 19%). It was calculated based on the non-current liabilities of HK\$235,274,000 (31 March 2014: HK\$230,355,000) and long term capital (equity and non-current liabilities) of HK\$1,258,280,000 (31 March 2014: HK\$1,213,041,000).

### Capital expenditure

Total capital expenditure for the six months ended 30 September 2014 was approximately HK\$303,000, which are mainly used in the purchase of office equipments.

### 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\$147,800,000 (31 March 2014: HK\$141,400,000);
- (ii) the pledge of certain of the Group's investment properties situated in Mainland China of HK\$296,478,000 (31 March 2014: HK\$294,125,000);
- (iii) the pledge of certain of the Group's properties held for sale situated in Mainland China of HK\$550,433,000 (31 March 2014: HK\$345,149,000); and
- (iv) the pledge of the Group's deposits of HK\$50,726,000 (31 March 2014: HK\$51,797,000).

## FINANCIAL REVIEW (CONTINUED)

### 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, the 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 increases 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 and fitting out works)

The Group will uphold an on-going parallel development of its construction business (including building construction, E&M and fitting out 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 Works Branch Development 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 Works Branch Development Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development.

## PROSPECT (CONTINUED)

### **Construction business (including E&M and fitting out works)** *(Continued)*

During the period, new projects such as triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations in General Engineering Services Division Venues in Hong Kong and Islands for the Government of the HKSAR, triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations on Hong Kong and outlying islands for the Government of the HKSAR, triennial term contract for the maintenance and repair of, alterations and additions to, fire service installations in Venues of Hong Kong Police Force, Correctional Services Department and Independent Commission Against Corruption and Security Bureau in Hong Kong Island and Outlying Islands, alternation, addition and fitting out works for Prada shop at Causeway Bay, Hong Kong, fitting out works for Miu Miu shop and Prada shop at Beijing, PRC, fitting out works for bank at Beijing, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,191 million.

### **Property development and investment**

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 221,000 sq. metres. Up to now, gross floor area of 190,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB742 million. The remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2015.

On 16 February 2012, the Group has successfully won a bid for the acquisition of land use right of a residential and commercial site in 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 104,000 sq. metres.

During the period, the Group has been granted another land use right in city of Kaifeng, the PRC. The Directors intend to develop a commercial street project with a total gross floor area of approximately 13,000 sq. meters. It was put in use in the 27th World Hakka Conference which was held in October 2014. Up to now, all the gross floor area had completed construction and the total sales contract sum achieved amounted to approximately RMB100 million.

## **PROSPECT (CONTINUED)**

### **Property development and investment (Continued)**

Although customer demand is affected by austerity measures posed by the Central Government and macro-economic uncertainties, property prices are not expected to decrease substantively. In anticipation of 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 enrich its land reserve, specifically in the second and third tier cities in the 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 and home security and automation products**

With rising affluence especially in Hong Kong and the major cities in the 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 the PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

Also, with the increasing safety awareness in Hong Kong and the major cities in the PRC, we expect there will be high demand for wired and wireless security devices and systems, which are applicable to residential estates, commercial offices, shops, hotels, hospitals, museums and prisons.

Going forward, the uncertainty in the world economy and the slow down in economic growth in the mainland will continue to pose challenges to the business. The tightening policies such as restrictions on home purchase as a part of its efforts to control inflation and maintain a stable and healthy economic growth, also caused certain negative impact on the mainland property market. However, it is expected the economy of the PRC will sustain a healthy growth, also, Hong Kong remains well positioned to benefit from the PRC's continuing growth and development, as such, the Group remains optimistic 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. The Directors will continue to dedicate their best effort to maximize the best interests for the shareholders of the Group.

---

## HUMAN RESOURCES

As at 30 September 2014, the Group has 307 employees, 181 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review increased to HK\$26 million from HK\$23 million in the same period last year, the increase is mainly due to the provision of bonus during the period under review.

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.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 1 August 2014, the Board announced that the Company was considering to restructure the construction and engineering contracting business of the Group (the "Spun-off Group") and explored the possibility of a separate listing of the shares (the "DCIHL Shares") of Deson Construction International Holdings Limited ("DCIHL"), an indirect wholly-owned subsidiary of the Company.

On 10 September 2014, the Company announced that the Company had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange had confirmed that the Company may proceed with the listing application which was submitted to the Stock Exchange to apply for the listing of, and permission to deal in, the DCIHL Shares on the Growth Enterprise Market ("GEM") of the Stock Exchange. It was initially proposed that the listing of the DCIHL Shares will be by way of introduction to be achieved by a distribution in specie by the Company of up to 32% of the issued share capital of DCIHL upon listing. Following completion of the proposed spin-off, DCIHL will continue to be a subsidiary of the Company.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD *(CONTINUED)*

On 3 November 2014, with a view to maximise the percentage of the DCIHL Shares held by the public immediately after the listing, the Company announced that it proposed to change the method of listing of DCIHL Shares to “listing by way of placing”. Given the change in the method of listing, the Company has on 24 October 2014 informed the Stock Exchange by way of an update to the spin-off proposal to the Stock Exchange pursuant to Practice Note 15, which spin-off proposal was previously approved on 2 September 2014. On 30 October 2014, the Stock Exchange confirmed that such a change of listing method will not affect the Stock Exchange’s previous decision to allow the Company to proceed with the Proposed Spin-off. It is currently proposed that pursuant to the proposed placing, approximately 12.5% of the DCIHL’s enlarged issued share capital (the “Placing Shares”) will be placed with professional institutional and other investors in Hong Kong, who are independent third parties. In accordance with the requirements of Practice Note 15 of the Listing Rules, the Board will continue to give due regard to the interests of the shareholders by providing qualifying shareholders of the Company with an assured entitlement to the DCIHL Shares by way of a distribution in specie of up to 27.66% of the issued share capital of DCIHL as enlarged by Placing Shares if the Proposed Spin-off proceeds.

Up to the date of this report, the proposed spin-off is in progress and is subjected to, among others, the approval of the Stock Exchange for the listing of, and permission to deal in, the DCIHL Shares in issue and to be issued on GEM, and may or may not proceed.

Accordingly, shareholders of the Company and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

## SHARE OPTION SCHEME

On 13 August 2012, the share option scheme of the Company adopted on 14 August 2002 ceased to operate and a new share option scheme (the “Scheme”) was adopted on 15 August 2012 to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. There is no outstanding share option under the old scheme upon its cessation.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, the Company’s shareholders and other employees of the Group. The Scheme became effective on 15 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Group at the adoption date of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

---

## **SHARE OPTION SCHEME (CONTINUED)**

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option was granted during the six months ended 30 September 2014.

At the date of approval of these financial statements, no share option was outstanding under the Scheme.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2014, the interests and short positions of the Directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions in ordinary shares of the Company:

Name of Director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	45,774,400	233,290,000	279,064,400	50.44
Mr. Wang Jing Ning	14,839,600	–	14,839,600	2.68
Mr. Lu Quanzhang	100,000	–	100,000	0.02
Mr. Keung Kwok Cheung	200,000	–	200,000	0.04
Dr. Raymond Ho, Chung Tai	500,000	–	500,000	0.09
Mr. Siu Man Po	500,000	–	500,000	0.09

\* Sparta Assets Limited (“Sparta Assets”), a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 233,290,000 ordinary shares of the Company.

The interests of the Directors in the share options of the Company are separately disclosed in the section headed “Share Option Scheme”.

Save as disclosed above and in the section headed “Share Option Scheme”, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Directors interests and short positions in shares and underlying shares” above and in the share option scheme disclosures in section headed “Share Option Scheme”, at no time during the six months ended 30 September 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets ( <i>Note 1</i> )	Beneficial Owner	233,290,000	42.17
Mr. Tjia Boen Sien	Interests of controlled corporation	233,290,000	42.17
	Directly beneficially own	45,774,400	8.27
Granda Overseas Holding Co. Ltd. ("Granda") ( <i>Note 2</i> )	Beneficial Owner	115,799,160	20.93
Mr. Chen Huofa	Interests of controlled corporation	115,799,160	20.93

### Notes:

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 233,290,000 ordinary shares of the Company.
2. Granda, a company incorporated in the British Virgin Islands and wholly owned by Mr. Chen Huofa, is beneficially interested in 115,799,160 ordinary shares of the Company.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, at 30 September 2014, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## INTERIM DIVIDEND

The Board is pleased to recommend the payment of an interim dividend of HK1 cent (2013: HK1 cent) per ordinary share in issue for the six months ended 30 September 2014 to be payable on or around Wednesday, 31 December 2014 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 17 December 2014.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15 December 2014 to Wednesday, 17 December 2014 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 12 December 2014.

## 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 six months ended 30 September 2014.

## CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2014, 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 2014, save for the deviation from the Code Provision A.4.1, 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 A.4.1*

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 2014.

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 2014, 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. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

## NOMINATION COMMITTEE

The Company has a nomination committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. The nomination 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. Siu Kam Chau. Mr. Siu Kam Chau 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. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

## DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The followings are the changes in the information of Directors since the announcement of the Company dated 18 September 2014, which are required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules:

### Mr. Siu Kam Chau

- (a) resigned as an independent non-executive director of China New Economy Fund Limited (Stock Code: 0080), a company which shares are listed on the main board of the Stock Exchange, on 22 October 2014;
- (b) resigned as an independent non-executive director of Oriental Unicon Agricultural Group Limited (Stock Code: 8120), a company which shares are listed on the GEM board of the Stock Exchange, on 27 October 2014.

### BOARD OF DIRECTOR

As at the date of this report, the executive Directors of the Company are Mr. Lu Quanzhang, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung, the non-executive Director of the Company is Mr. Wong Shing Kay, Oliver, the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Siu Kam Chau.

By Order of the Board

**Tjia Boen Sien**

*Managing Director and Deputy Chairman*

Hong Kong, 25 November 2014