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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 2015

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 2015, together with the comparative figures for the six months ended 30 September 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000 (Restated)
REVENUE	3	399,965	432,165
Cost of sales		(363,359)	(387,938)
Gross profit		36,606	44,227
Other income and gains	3	30,853	28,336
Fair value gain on investment properties, net		–	126
Administrative expenses		(47,132)	(54,901)
Other operating income, net		569	1,121
Finance costs	5	(8,441)	(843)
Share of profits and losses of:			
A joint venture		–	–
Associates		406	304
PROFIT BEFORE TAX	4	12,861	18,370
Income tax expense	6	(6,428)	(10,918)
PROFIT FOR THE PERIOD		6,433	7,452

* for identification only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the six months ended 30 September 2015*

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Attributable to:			
Owners of the Company		4,192	6,830
Non-controlling interests		2,241	622
		<u>6,433</u>	<u>7,452</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	8		
Basic		<u>0.64 cents</u>	<u>1.23 cents</u>
Diluted		<u>0.64 cents</u>	<u>1.23 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2015*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
PROFIT FOR THE PERIOD	6,433	7,452
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(400)	(1,676)
Exchange differences on translation of foreign operations	(16,070)	5,389
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(16,470)	3,713
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	–	7,018
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(16,470)	10,731
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(10,037)	18,183
Attributable to:		
Owners of the Company	(11,938)	17,504
Non-controlling interests	1,901	679
	(10,037)	18,183

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*30 September 2015*

		30 September	31 March
		2015	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		174,038	175,628
Investment properties	<i>9</i>	526,552	535,184
Investments in associates		641	1,035
Available-for-sale investments		21,643	21,641
Pledged deposits		469,700	316,200
		<hr/>	<hr/>
Total non-current assets		1,192,574	1,049,688
		<hr/>	<hr/>
CURRENT ASSETS			
Amounts due from associates		4,867	4,824
Amount due from an investee		100	100
Amount due from a related company		761	479
Properties held for sale under development and properties held for sale	<i>10</i>	1,340,387	1,350,608
Gross amount due from contract customers		25,019	25,655
Inventories		17,373	11,768
Accounts receivable	<i>11</i>	78,938	58,849
Prepayments, deposits and other receivables		236,149	97,626
Pledged deposits		29,700	69,901
Cash and cash equivalents		74,089	78,430
		<hr/>	<hr/>
Total current assets		1,807,383	1,698,240
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 September 2015

		30 September	31 March
		2015	2015
	<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Gross amount due to contract customers		93,725	88,455
Accounts payable	12	39,634	30,256
Other payables and accruals		263,211	140,313
Amounts due to associates		48	48
Amounts due to non-controlling shareholders		1,500	1,500
Tax payable		84,438	87,137
Interest-bearing bank borrowings		361,508	521,613
Total current liabilities		844,064	869,322
NET CURRENT ASSETS		963,319	828,918
TOTAL ASSETS LESS CURRENT LIABILITIES		2,155,893	1,878,606
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		888,770	597,680
Deferred tax liabilities		111,715	111,855
Total non-current liabilities		1,000,485	709,535
Net assets		1,155,408	1,169,071
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	65,192	65,184
Reserves		1,073,931	1,081,033
Proposed dividend	7	–	6,517
		1,139,123	1,152,734
Non-controlling interests		16,285	16,337
Total equity		1,155,408	1,169,071

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2014

	Attributable to owners of the Company													
	Issued capital HK\$ '000	Share premium account HK\$ '000	Contributed surplus HK\$ '000	Property revaluation reserve HK\$ '000	Capital reserve HK\$ '000	Capital redemption reserve HK\$ '000	Exchange fluctuation reserve HK\$ '000	Investment revaluation reserve HK\$ '000	Reserve funds HK\$ '000	Retained profits HK\$ '000	Proposed dividend HK\$ '000	Total	Non- controlling interests HK\$ '000	Total equity HK\$ '000
At 1 April 2014 (audited)	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	-	-	-	-	-	-	-	-	-	6,830	-	6,830	622	7,452
Other comprehensive income/(loss) for the period:	-	-	-	7,018	-	-	-	-	-	-	-	7,018	-	7,018
Surplus on revaluation of leasehold land and buildings, net of tax	-	-	-	-	-	-	-	-	-	-	-	(1,676)	-	(1,676)
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	-	-	(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)	-	6,830	-	17,504	679	18,183
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	-	-	-	-
At 30 September 2014	55,321	114,338	15,262	125,463	(9,240)	14,270	56,831	4,655	9,269	599,720	5,532	991,421	6,503	997,924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 September 2015

Attributable to owners of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Other revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Capital fluctuation reserve HK\$'000	Exchange revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	65,184	173,678	15,262	23,061	123,810	14,407	43,105	3,792	4,529	698,629	-	6,517	1,152,734	16,337	1,169,071	
Profit for the period	-	-	-	-	-	-	-	-	-	4,192	-	-	-	4,192	2,241	6,433
Other comprehensive income/(loss) for the period:	-	-	-	-	-	-	-	(400)	-	-	-	-	-	(400)	-	(400)
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(15,730)	-	-	-	-	-	-	(15,730)	(340)	(16,070)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(15,730)	(400)	4,192	-	4,192	-	-	(11,938)	1,901	(10,037)
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	-	-	-	-	4,771	-	4,771	-	4,771
Issue of shares upon exercise of share options	58	436	-	-	-	-	-	-	-	-	-	(82)	-	412	-	412
Issued shares expenses	(50)	(10)	-	-	-	-	-	-	-	-	(50)	-	-	(10)	-	(10)
Repurchase of shares	-	(272)	-	-	-	50	-	-	-	-	(50)	-	-	(322)	-	(322)
Share repurchases expenses	-	(7)	-	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Release of revaluation reserve	-	-	-	-	(2,621)	-	-	-	-	2,621	-	-	-	-	-	-
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,953)	(1,953)
Final 2015 dividend declared	-	-	-	-	-	-	-	-	-	-	-	-	(6,517)	(6,517)	-	(6,517)
At 30 September 2015	65,192	173,825*	15,262*	23,061*	121,189*	14,457*	27,375*	3,392*	4,529*	695,392*	4,689*	-	-	1,139,123	16,285	1,155,408

* These reserve accounts comprise the consolidated reserves of HK\$1,073,931,000 (31 March 2015: HK\$1,081,033,000) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These unaudited condensed consolidated 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 consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2015.

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 2015, 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.

Amendments to HKAS 19 Defined Benefit Plans — *Employee Contributions*
Amendments to HKFRSs Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs Annual Improvements to HKFRSs 2011–2013 Cycle

The adoption of these new and revised HKFRSs in current period has had no significant financial effect on these financial statements.

The financial information for the period ended 30 September 2014 has been amended to reflect the default in payment of the balance of the purchase consideration by the purchaser of the property development and investment business segment. Please refer to the announcement of the Company dated 17 March 2015 for detail.

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 of construction market.

2. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, dividend income, finance costs, share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude 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.

For the six months ended 30 September

	Construction business		Property development and investment business		Others		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Segment revenue:								
Sales to external customers	370,025	369,760	15,264	50,885	14,676	11,520	399,965	432,165
Other income and gains	648	1,133	21,086	24,357	460	415	22,194	25,905
Revenue	370,673	370,893	36,350	75,242	15,136	11,935	422,159	458,070
Segment results								
Operating profit	8,431	8,768	8,846	15,403	3,536	892	20,813	25,063
<i>Reconciliation:</i>								
Interest income							8,659	1,479
Dividend income							-	952
Unallocated expenses							(8,576)	(8,585)
Finance costs							(8,441)	(843)
Share of profits of associates							406	304
Profit before tax							12,861	18,370

2. OPERATING SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2015 and 31 March 2015:

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
30 September 2015				
Segment assets	144,701	2,222,160	34,053	2,400,914
<i>Reconciliation:</i>				
Investments in associates				641
Corporate and other unallocated assets				598,402
Total assets				<u>2,999,957</u>
Segment liabilities	155,630	1,391,190	16,831	1,563,651
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				280,898
Total liabilities				<u>1,844,549</u>
31 March 2015				
Segment assets	128,697	2,106,047	24,119	2,258,863
<i>Reconciliation:</i>				
Investments in associates				1,035
Corporate and other unallocated assets				488,030
Total assets				<u>2,747,928</u>
Segment liabilities	132,691	1,116,931	10,063	1,259,685
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				319,172
Total liabilities				<u>1,578,857</u>

2. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 September

	Construction business		Property development and investment business		Others		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Other segment information:								
Loss on disposal of items of property, plant and equipment	44	284	-	-	-	-	44	284
Reversal of impairment of accounts receivable	-	-	-	-	-	(51)	-	(51)
Reversal of impairment of other receivables	-	(630)	-	-	-	-	-	(630)
Provision for inventories	-	-	-	-	41	900	41	900
Depreciation	417	2,273	1,755	594	36	35	2,208	2,902

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:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Revenue		
Income from construction contracting and related business	370,025	369,760
Income from property development and investment business	15,264	50,885
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 of construction market	14,676	11,520
	399,965	432,165
Other income and gains		
Bank interest income	8,659	1,479
Dividend income	-	952
Gross rental income	19,989	24,010
Others	2,205	1,895
	30,853	28,336

4. PROFIT BEFORE TAX

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

	2015	2014
	HK\$'000	HK\$'000
		(Restated)
Cost of properties sold	5,266	35,024
Cost of construction contracting	348,800	345,618
Cost of inventories sold and services provided	9,293	7,296
Depreciation	2,208	2,902
Minimum lease payments under operating leases on land and buildings	704	903
Loss on disposal of items of property, plant and equipment [^]	44	284
Employee benefit expense (including directors' remuneration):		
Wages and salaries	24,832	25,552
Equity-settled share option expenses	4,771	–
Pension schemes contributions*	512	621
Less: Amount capitalised	(6,457)	(6,544)
	<u>23,658</u>	<u>19,629</u>
Directors' remuneration:		
Fee	188	228
Salaries and allowances	1,781	2,367
Equity-settled share option expenses	1,600	–
Pension schemes contributions	23	40
	<u>3,592</u>	<u>2,635</u>
Foreign exchange differences, net [^]	(613)	(724)
Provision for inventories, included in cost of inventories sold	41	900
Reversal of impairment of accounts receivable [^]	–	(51)
Reversal of impairment of other receivables [^]	–	(630)
	<u><u> </u></u>	<u><u> </u></u>

* At 30 September 2015 there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2014: Nil).

[^] These amounts are included in "Other operating income, net" on the face of the condensed consolidated statement of profit or loss.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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	43,326	25,837
Less: Interest capitalised	<u>(34,885)</u>	<u>(24,994)</u>
	<u><u>8,441</u></u>	<u><u>843</u></u>

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 (2014: 16.5%), 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Current – Hong Kong		
Charge for the period	400	1,310
Current – Elsewhere		
Charge for the period	3,653	7,149
Underprovision in prior periods	–	194
Deferred	373	1,257
LAT in Mainland China	<u>2,002</u>	<u>1,008</u>
Total tax charge for the period	<u><u>6,428</u></u>	<u><u>10,918</u></u>

7. INTERIM DIVIDEND

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Proposed interim – Nil (2014: HK1 cent) per ordinary share	<u><u>–</u></u>	<u><u>5,532</u></u>

The Board of Directors does not recommend the payment of interim dividend in respect of the six months ended 30 September 2015 (six months ended 30 September 2014: HK1 cent).

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

The calculation of the 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 651,721,360 (2014: 553,210,267) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. 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.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>4,192</u>	<u>6,830</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	651,721,360	553,210,267
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>(2,549,763)*</u>	<u>–</u>
	<u>649,171,597</u>	<u>553,210,267</u>

* The computation of diluted earnings per share does not assume the conversion of the Company's share options because the exercise price of these share options was higher than the average market price of shares for the six months ended 30 September 2015.

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

9. INVESTMENT PROPERTIES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Carrying amount at 1 April	535,184	305,000
Net gain from fair value adjustment	–	141,436
Transferred from completed properties held for sale	–	91,239
Exchange realignment	(8,632)	(2,491)
	<hr/>	<hr/>
Carrying amount at 30 September/31 March	526,552	535,184
	<hr/> <hr/>	<hr/> <hr/>

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

As at 30 September 2015, investment properties of the Group with a carrying amount of HK\$526,552,000 (31 March 2015: HK\$535,184,000) were leased to independent third parties.

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Completed properties held for sale	780,193	797,687
Properties held for sale under development	560,194	552,921
	<hr/>	<hr/>
	1,340,387	1,350,608
	<hr/> <hr/>	<hr/> <hr/>
Properties held for sale under development – expected to be recovered:		
Within one year	1,340,387	1,350,608
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As at 30 September 2015, certain completed properties held for sale and properties held for sales under development of the Group with an aggregate carrying amount of HK\$390,896,000 (31 March 2015: HK\$516,900,000) 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.

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:

	30 September	31 March
	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	55,052	39,616
91 to 180 days	5,015	2,237
181 to 360 days	5,414	1,328
Over 360 days	1,814	1,412
	<hr/>	<hr/>
Retention monies receivable	67,295	44,593
	11,643	14,256
	<hr/>	<hr/>
Total	78,938	58,849
	<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:

	30 September	31 March
	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	27,687	14,820
91 to 180 days	1,472	2,781
181 to 360 days	590	511
Over 360 days	9,885	12,144
	<hr/>	<hr/>
	39,634	30,256
	<hr/> <hr/>	<hr/> <hr/>

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

13. SHARE CAPITAL

Shares

	30 September 2015 <i>HK\$'000</i>	31 March 2015 <i>HK\$'000</i>
Authorised:		
1,500,000,000 (31 March 2015: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
651,920,267 (31 March 2015: 651,840,267) ordinary shares of HK\$0.10 each	<u>65,192</u>	<u>65,184</u>

A summary of the transactions during the current period with reference to the movements in the Company's issued ordinary share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015		651,840,267	65,184	173,678	238,862
Repurchase of shares	<i>(i)</i>	(500,000)	(50)	(272)	(322)
Exercise of share options	<i>(ii)</i>	580,000	58	436	494
		<u>651,920,267</u>	<u>65,192</u>	<u>173,842</u>	<u>239,034</u>
Share repurchase expenses	<i>(i)</i>	–	–	(7)	(7)
Share issue expenses	<i>(ii)</i>	–	–	(10)	(10)
		<u>651,920,267</u>	<u>65,192</u>	<u>173,825</u>	<u>239,017</u>
At 30 September 2015		<u>651,920,267</u>	<u>65,192</u>	<u>173,825</u>	<u>239,017</u>

Notes:

- (i) During the period, the Company repurchased a total of 500,000 of its own shares on the Stock Exchange at prices ranging from HK\$0.64 to HK\$0.65 per share at a total consideration, before expenses, of HK\$322,000. The repurchase shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$50,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$272,000 paid on the repurchase shares and share repurchase expenses of HK\$7,000 were charged against the share premium account.
- (ii) The subscription rights attaching to 580,000 share options were exercised at the subscription price of HK\$0.71 per share, resulting in the issue of 580,000 shares for a total cash consideration, before expenses, of HK\$412,000. An amount of HK\$82,000 was transferred from the share option reserve to share premium account upon the exercise of the share options and share issue expenses of HK\$10,000 was charged against the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2015 recorded at HK\$399,965,000, which represented a decrease of 7% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$4,192,000 representing an decrease of 39% as compared with the same period last year. The decrease was mainly due to the general slow down in the property market in the People's Republic of China (the "PRC"). In addition, HK\$4,771,000 share option expenses were incurred due to the grant of share options to certain directors and employees of the Group during the period, which contributed to the decrease of net profit attributable to equity holders of the Company. Earnings per share is approximately HK0.64 cents.

The Group's major business segments during the period comprised of (i) property development and investment; (ii) 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; and (iii) construction as a main contractor and decoration, as well as the provision of electrical and mechanical ("E&M") engineering services.

During the six months ended 30 September 2015, segment operating profit generated from the property development and investment business decreased by 43% as compared to same period last year. This is mainly due to the combined effect of the slow down of the PRC property market during the period and the decrease in rental income earned during the period. Turnover generated from the sale of property decreased by 70% from HK\$50,885,000 for the period ended 30 September 2014 to HK\$15,264,000 for same period in current year. The Group's rental income earned during the period decreased by 17% from HK\$24,010,000 for the period ended 30 September 2014 to HK\$19,989,000 for the same period in current year.

Due to the default in payment of the balance of the purchase consideration by the purchaser, on 17 March 2015, the Group issued a notice of termination to the relevant purchaser confirming the termination of the sale of certain commercial units at the Zhu Ji Lane (「珠璣巷」) project in the city of Kaifeng, PRC in accordance with the terms and conditions of the relevant agreement. The turnover and gross profit of approximately HK\$126 million and HK\$34 million, respectively, which were initially recognised in the interim results for the six months ended 30 September 2014 has been reversed as from the date of termination. Please refer to the Company's announcement dated 17 March 2015 for details. The financial information for the period ended 30 September 2014 have been restated accordingly.

During the six months ended 30 September 2015, the Group completed or substantially completed projects such as the design and build foundation works for residential houses on Stubbs Road, Hong Kong, superstructure works for residential houses on Stubbs Road, Hong Kong, fitting-out works for residential houses on South Bay Road, Hong Kong, electrical installation for residential building at Kwai Fong Street, Happy Valley, Hong Kong, nominated sub-contractor for mechanical ventilation air conditioning services for the proposed student halls VII & IX development at Clear Water Bay for the Hong Kong University of Science and Technology, Hong Kong, fitting-out works for Prada shop at Causeway Bay, Hong Kong and fitting-out works for Miu Miu retail stores and Prada retail stores at Beijing, the PRC.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2015, the Group's turnover amounted to HK\$400 million, decreased by 7% as compared to the same period last year. The decrease was mainly contributed by (i) the decrease in the sale of properties at the PRC; (ii) the completion of certain substantial projects for the electrical and mechanical engineering works last year while the new contracts granted during the period were still at the preliminary stage, and had not had revenue recognised yet; and (iii) the slow down of the sale of luxury goods resulting in the decreased demand of fitting-out work from luxury brand. Turnover generated from property development and investment business, construction contracting business and other business amounted to approximately HK\$15 million, HK\$370 million, HK\$15 million respectively, which represent a decrease of 70%, an increase of 0.1% and an increase of 27% respectively as compared the same period last year.

Gross profit margin

During the six months ended 30 September 2015, the Group's gross profit margin was approximately 9%, down by 1% as compared to last period's 10%. This was mainly driven by the decrease in the percentage of turnover generated from the property development and investment segment, from last period's 12% to this period's 4%. The gross profit margin of this segment is generally much higher than the other main segment – construction contracting segment, and as a result of the change, the overall gross profit margin decrease.

Liquidity and financial resources

As at 30 September 2015, the Group had total assets of HK\$2,999,957,000, which has been financed by total liabilities, shareholders' equity and non-controlling interests of HK\$1,844,549,000, HK\$1,139,123,000 and HK\$16,285,000, respectively. The Group's current ratio at 30 September 2015 was 2.14 compared to 1.95 at 31 March 2015.

The gearing ratio for the Group as at 30 September 2015 is 46% (31 March 2015: 38%). It was calculated based on the non-current liabilities of HK\$1,000,485,000 (31 March 2015: HK\$709,535,000) and long term capital (equity and non-current liabilities) of HK\$2,155,893,000 (31 March 2015: HK\$1,878,606,000).

Capital expenditure

Total capital expenditure for the six months ended 30 September 2015 was approximately HK\$721,000, which are mainly used in the purchase of office equipment.

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\$152,369,000 (31 March 2015: HK\$153,800,000);
- (ii) the pledge of certain of the Group's properties held for sale situated in Mainland China of HK\$390,896,000 (31 March 2015: HK\$516,900,000); and
- (iii) the pledge of the Group's deposits of HK\$499,400,000 (31 March 2015: HK\$386,101,000).

Treasury policies

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy level of liquidity to ensure that the Group is well-placed to take advantage of growth opportunities. In view of the expected development for the property development project in Kaifeng, the PRC, the Group will consider the feasibility of solutions that would assist on the adequacy of our Renminbi fund to finance this project. Interest for the current bank borrowings are mainly on a floating rate basis and the bank borrowings are principally denominated in Hong Kong dollars and Renminbi. Hence, the Group has no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

In term of foreign currencies, the Group mainly deals with Renminbi, which arise from relevant group entities' monetary assets and liabilities in relation to the Group's operating activities that are denominated in foreign currencies.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging against significant foreign currency exposures should the need arise.

PROSPECT

Property development and investment

On 9 June 2005, the Group has been granted with 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, a total of gross floor area of 190,000 sq. metres has completed construction and the total sales contract sum achieved amounted to approximately RMB751 million. The remaining portions of the complex is under construction. The process is going well and it is expected that the construction will be completed by 2017.

On 16 February 2012, the Group successfully won a bid for the acquisition of the 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. It is expected that the construction will be completed by 2016.

On 14 November 2014, the Group has been granted another land use right in city of Kaifeng, PRC. The Directors has developed a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use in the 27th World Hakka Conference held in October 2014. As of now, the project has been completed.

The first half of 2015 was a tough period with the gradual slow growth of the PRC economy. The business performance of the Group for the period ended 30 September 2015 was not satisfactory. In the first half of 2015, the Central People's Government continued its relaxation policies towards the property sector implemented in the second half of 2014. Starting from the second quarter of this year, the property market has generally stabilised and signified growth momentum. In order to resolve the basic issue of excess supply over demand in many cities, the Central People's Government and local governments pursued adjustment measures to address both supply and demand. Land supply and land usage were optimised. Smaller down payments for the purchase of second homes, as well as tax concessions, were also in place so as to stimulate end-users' demands for upgrading. Coupled with the lowering of the interest rate and required reserve ratio which served to facilitate a stable economic development, the property industry stood to benefit as a whole.

The Board remains optimistic about the property market in Mainland China and the Group will continue to place emphasis on strengthening the property development and investment business. We may acquire additional land to richen our land reserve, specifically in the second and third tier cities in PRC where the markets continue to be bullish and growth potential is consistently increasing. However, the Group has no specific investment plan in relation to any particular project currently.

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. To cope with the difficulties encountered in the construction and engineering industry, the Company had adopted a prudent strategy in project tendering.

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”, 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” and Specialist Contractor (site formation works category) by the Building Department, enables the Group is well-equipped to take an active part in the construction business development.

During the period, new projects such as main contractor for development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at Wynn Palace, Macau, fire services and MVAC installation of Multimedia Production And Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong and electrical, low voltage switchboard, fire services, plumbing and MVAC installation for a primary school, Fanling, New Territories, Hong Kong, fitting-out works of an office at Shenzhen, the PRC, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for staff social center at Suning, Hebei, the PRC and the fitting-out works for a hotel at Beijing, the PRC. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$1,616 million.

With the Group’s proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers.

The Group is currently operating in the developed cities in the PRC. Urbanisation of the PRC is expected to continue at a rapid pace, in particular, in the third-and fourth-tier cities of the country. With the Group’s expertise and experience in the PRC market, the Directors believe that the Group can seize such opportunities and focus on expanding in the third-and fourth-tier cities in the PRC.

In order to provide comprehensive services to our customers, we intend to expand our services under the building construction works from time to time and apply for additional licences, permits or qualifications which may be required.

Trading of medical equipment and home security and automation products

The increasing standards of living around the globe, especially in Hong Kong and the major cities in the PRC, and increasing health awareness, in particular from high-income consumers living in the urban areas, together create additional demand for medical equipment. Consequently, this segment should continue a worthwhile investment. In the coming year, we will expand our distribution channels and introduce a broader range of products to boost sales growth.

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

Going forward, the uncertainty in the global economy and the decline in economic growth in the PRC 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, has caused certain negative impact on the mainland property market. However, it is expected the economy of the PRC will still maintain a healthy growth. 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 measures to cope with challenges and to improve competitiveness within the volatile operating environment. The Directors will continue to make every effort to maximize the interests of the shareholders of the Group.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this announcement, during the six months ended 30 September 2015, there has been no significant investment held, material acquisition, disposal of subsidiaries and affiliated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2015.

HUMAN RESOURCES

As at 30 September 2015, the Group has 297 employees, 185 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review increased to approximately HK\$30 million from approximately HK\$26 million in the same period last year. The increase was mainly due to the share option expenses incurred due to the grant of share options during the 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 capable and motivated workforce, the Company offers discretionary bonuses and share options to staff based on their individual performance and the achievements in relation to the Company's targets.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (for the six months ended 30 September 2014: HK1 cent).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2015, the Company purchased some of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it was 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 summarised details of those transactions are as follows:

	Number of Shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2015	<u>500,000</u>	0.65	0.64	<u>322</u>

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$50,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$272,000 paid on the repurchases shares and share repurchase expenses of HK\$7,000 were charged against the share premium account.

The purchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with an aim to benefit 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 period.

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the six months ended 30 September 2015 are set out in the note 13 to the financial statements.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2015, 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 2015, 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 of the Company have not been appointed for a specific term. However, all non-executive directors are subject to 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 2015.

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 2015, 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.

The interim results of the Company for the six months ended 30 September 2015 have not been audited by the Company's auditors. The Audit Committee held a meeting on 10 November 2015. The Audit Committee has considered and reviewed the interim report and interim financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the 2015 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

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 appropriate 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.

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The interim results announcement is published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.deson.com>). The interim report for the six months ended 30 September 2015 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
Deson Development International Holdings Limited
Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong, 10 November 2015

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. Tjia Wai Yip, William, the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Siu Kam Chau.