投資項目 Investment Project

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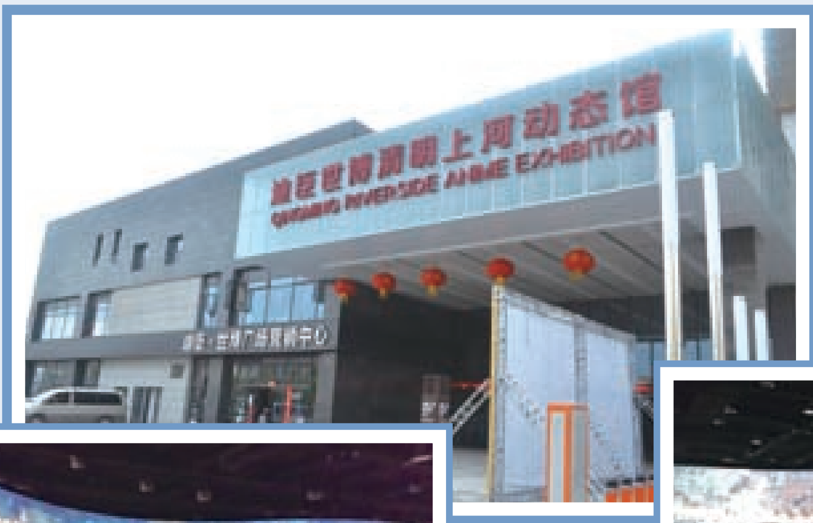
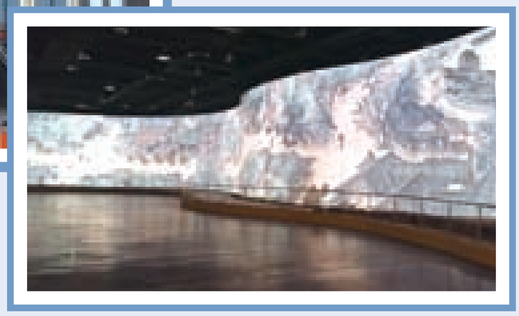
開封迪臣世博廣場－清明上河動態館
Kaifeng World Expo Plaza – Qing-Ming Riverside Anime Exhibition





開封迪臣世博廣場
商業區
Kaifeng World Expo Plaza
Commercial Area

投資項目 Investment Project

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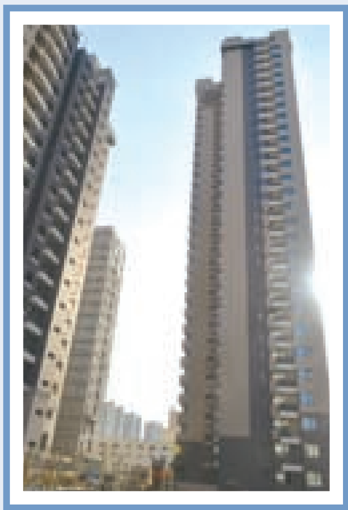

開封迪臣世博廣場
住宅區
Kaifeng World Expo Plaza
Residential Area

開封珠璣巷－面積13,000平方米商業街項目
Kaifeng Zhu Ji Lane – a Commercial Street Project

CONTENTS

BOARD OF DIRECTORS

Mr. Lu Quanzhang *(Chairman)*
Mr. Tjia Boen Sien
(Managing Director and Deputy Chairman)
Mr. Wang Jing Ning
Mr. Tjia Wai Yip, William
Dr. Ho Chung Tai, Raymond**
Ir Siu Man Po**
Mr. Siu Kam Chau**

*(** Independent non-executive Directors)*

COMPANY SECRETARY

Mr. Lam Wing Wai, Angus, *HKICPA*

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank, Limited

LEGAL ADVISERS

Appleby
Howse Williams Bowers

AUDITOR

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

STOCK CODE

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WEBSITE OF THE COMPANY

www.deson.com

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Deson Development International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**"), I have the pleasure to present to you the annual report for the year ended 31 March 2017 ("**Reporting Period**").

The market environment in 2016 remained complicated and fast-changing. On the one hand, the unanticipated geopolitical events abroad and the depreciation of the value of Renminbi ("**RMB**") have brought uncertainties to the operating environment. On the other hand, the supply-side structural reform and economic transformation in China has delivered initial results and started to provide new impetus for economic growth. However, China remains a crucial driver of growth and economic restructuring continues in full swing. While China's GDP growth rate cooled further to 6.7% in 2016, it remained among the fastest in the world. Adjustment to a "New Normal" of slower but higher-quality growth continued. The property market in China has rejuvenated with property sales increasing notably in the year. Though the recovery of the sector differs from city to city, the overall market sentiment and operating environment has improved. The housing market heated up for most of 2016 and the government introduced new measures late in the year to dampen further overheating. That raised new uncertainty over trading conditions. Furthermore, RMB devaluation reduced the appeal of onshore assets and fueled offshore investment. On the other hand, it also stimulated higher domestic consumption and lower overseas consumption.

The Board is optimistic about the property market in Mainland China and the Group intends to continue to place emphasis on strengthening its property development and investment business. In order to obtain more resources for property development, on 11 January 2017, we have placed 200,000,000 shares of Deson Construction International Holdings Limited ("**Deson Construction**") at HK$0.30 each to independent placees ("**Placing**"). The equity interest in Deson Construction has dropped from 51.18% to 31.18% after the completion of the Placing on 31 March 2017. The Group has classified the interest in Deson Construction as an investment in associate. The principal activities of Deson Construction are: (i) construction business as a main contractor, fitting-out works and the provision of electrical and mechanical engineering services, mainly in Hong Kong, the People's Republic of China (the "**PRC**") and Macau and other construction related businesses; and (ii) investment in securities. The net proceeds from the Placing has been applied for (i) the Group's property development project in Kaifeng, the PRC, which will be launched to the market by the end of 2017, and (ii) the repayment of existing bank borrowings.

The Board expects there will be huge challenges and uncertainties in the remainder of 2017. China's "Second Wave" is progressing at the "New Normal" GDP growth rate of 6.5%. The economy is rebalancing to be services-led and the urbanisation story is on-going. Maintaining stability is core.

We believe that based on our excellent market insight and execution capability together with the extensive experience in the real estate industry, the Group will further optimise its property portfolio, asset value, income foundation and financial strength, and endeavour to enhance our corporate image and brand popularity. Further, we will stringently implement and advance our effective business model and strategies, continue to develop high-quality integrated real estate and commercial property projects with potential, strive to create social values and bring satisfactory returns to shareholders and investors.

On behalf of the directors, I would like to express my heartfelt thanks for the long term support and trust of the Company's shareholders, business partners and customers. I would also like to thank my colleagues for their dedication, hard work and continuous commitment over the past few years in aiding the Group to achieve outstanding performance. The Group will carry on dedicating its efforts towards the Group's long-term development and hence deliver sustainable returns to its shareholders.

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
21 June 2017

BUSINESS REVIEW

The Group's major business segments during the year comprise (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; (iii) construction as a main contractor and decoration, as well as the provision of electrical and mechanical ("**E&M**") engineering services; and (iv) investment in securities.

On 11 January 2017, the Company, through its wholly owned subsidiary, signed a placing agreement with a placing agent, to place 200,000,000 shares of Deson Construction International Holdings Limited ("**Deson Construction**") at HK$0.30 each ("**Placing**") and all the 200,000,000 Deson Construction shares were successfully placed. Upon completion of the Placing, Deson Construction and its subsidiaries ("**Deson Construction Group**") ceased to be subsidiaries of the Group and the construction and investment in securities businesses have been discontinued. The Group (after the partial disposal of the DCIHL Group) will continue to concentrate on (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

Continuing operations

The Group's turnover for the year ended 31 March 2017 from continuing operations recorded at approximately HK$199,683,000 (2016: HK$91,467,000) which represented an increase of 118% compared with last year.

Property development and investment business

During the Reporting Period, China's property market sentiment was positive and the Group's projects in Mainland China, which benefited from favourable Government policies, performed satisfactorily. The Group's turnover for the year ended 31 March 2017 from this segment recorded at approximately HK$168,400,000 (2016: HK$59,546,000), which represented an increase of 183% as compared with last year. The significant increase was mainly due to the sales of six-floor offices (6,235 square ("**sq**") metres) to a customer with sales amounted to approximately HK$110 million and a profit recognised (before taxation) of approximately HK$23 million.

However, in the prior year, we transferred one of our properties held for sale to investment properties which in turn caused a significant increase in fair value gain on investment properties. In the current year, segment operating profit generated from the property development and investment business amounted to approximately HK$54,969,000 representing a decrease of 76% as compared to last year. This is mainly due to the combined effect of (i) the significant decrease in fair value gain on investment properties (after deferred taxation) in the amount of approximately HK$26,035,000 (2016: HK$196,756,000); and (ii) significant sale of offices of the World Expo Plaza at Kaifeng during the year.

Earnings per share from continuing operations is approximately HK0.34 cent.

On 30 September 2016, the Group entered into a sale and purchase agreement to dispose of Yew Siang Limited ("**Disposal**"), an indirect wholly-owned subsidiary, to an independent third party. Yew Siang Limited and its subsidiary own the Starway Parkview South Station Hotel. It is intended that it will be converted into and operated as service apartments.

The Disposal is expected to be completed in July 2017.

Discontinued operations

Construction business

During the Reporting Period, the Group's turnover from construction segment amounted to approximately HK$872,762,000 (2016: approximately HK$812,954,000), increased by approximately 7.4% as compared to last year. The increase in turnover was mainly due to (i) turnover was started to be recognised for several new E&M projects that were granted after last year end. These projects include fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong and the term contract for Building Services Works at the Sogo Department Store, Causeway Bay, Hong Kong; and (ii) more fitting-out projects were granted during the year. These projects include (i) Prada shop, Harbour City, Tsim Sha Tsui, Hong Kong (contract sum: approximately HK$41,000,000); (ii) residential house and club house at Stubbs Road, Hong Kong (contract sum: approximately HK$40,000,000); and (iii) residential house at Henderson Road, Hong Kong (contract sum: approximately HK$26,000,000). During the reporting period, the Group completed or substantially completed projects such as acting as the main contractor for the 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; main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong; main contractor for the development of eight residential houses, clubhouse and associated external work at Pik Sha Road, Sai Kung, Hong Kong; building services installation of 36-classroom at a primary school in Area 36, Fanling, New Territories; building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon; air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong for PRC Ministry of Foreign Affairs; fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau; fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Hong Kong; and fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, the PRC.

Investment in securities business

The investment in marketable securities commenced in the last quarter of the year ended 31 March 2016. As the overall market condition of the Hong Kong stock market improved, the Group recorded a realised gain and a net unrealised loss of approximately HK$47,042,000 and HK$2,174,000, respectively (2016: realised gain of HK$70,000 and unrealised gain of HK$724,000). Details of the profit from sale of marketable securities are disclosed under the section "**SIGNIFICANT INVESTMENTS**". As Deson Construction Group are no longer subsidiaries of the Group, the equity investments held by Deson Construction Group as at 31 March 2017 were not reflected on the consolidated statement of financial position of the Group.

Financial impact of the Placing

Upon completion of the Placing, Deson Construction Group ceased to be consolidated into the accounts of the Group. The Group classified its interest in Deson Construction as an investment in associate, which will be initially recognised at fair value and accounted for using the equity method subsequently. The gain on disposal of Deson Construction Group amounted to approximately HK$106,373,000.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2017, the Group's turnover from continuing operations amounted to HK$200 million, increased by 118% as compared to last year. The increase was due to the Group's one-off gain from disposal of a six-storey office premises in Kaifeng City, Henan Province of the People's Republic of China (the "**PRC**").

The Group's turnover from discontinued operations amounted to HK$918 million, increased by 13% as compared to last year. The increase was due to (i) more revenue was recognised from E&M projects that were granted after last year end; (ii) commencement of the investment in marketable securities business since last quarter of the year ended 31 March 2016; and (iii) the additional fitting-out works contracts granted.

Turnover generated from property development and investment business, trading of medical equipment and home securities and automation products as well as trading of various granite and marble products, stone slabs and products for construction market, construction contracting business and investment in securities business amounted to approximately HK$169 million, HK$31 million, HK$873 million and HK$45 million, respectively, which represent an increase of 183%, decrease of 2%, increase of 7% and increase of 94%, respectively as compared to last year.

Gross profit margin

During the year ended 31 March 2017, the Group's gross profit margin from the continuing operations was approximately 31%, decrease by 7 percentage points as compared to last year's 38%, mainly driven by rental proportion in turnover from property development and investment segment is higher in last year where the gross profit margin of rental is much higher than the sale of property, as a result, the overall gross profit margin is lower than last year.

Liquidity and financial resources

As at 31 March 2017, the Group had total assets of HK$2,783,058,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,326,345,000, HK$1,456,593,000 and HK$120,000, respectively. The Group's current ratio at 31 March 2017 was 1.73 compared to 1.30 at 31 March 2016.

The gearing ratio for the Group is 23% (31 March 2016: 35%). It was calculated based on the non-current liabilities of HK$424,402,000 (31 March 2016: HK$732,639,000) and long term capital (equity and non-current liabilities) of HK$1,881,115,000 (31 March 2016: HK$2,113,888,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2017 was approximately HK$4,344,000, and was mainly used in the purchase of items of property, plant and equipment.

Contingent liabilities

At the end of the reporting date, the Group had no significant contingent liabilities.

Commitments

At the end of the reporting date, the Group had no significant capital commitments.

Charges on group assets

Details of the charges on assets of the Group are set out in note 31 to the financial statements.

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintaining 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, in the PRC, the Group will take into consideration the RMB fund planning to adequately finance this project. Interest for the current bank borrowings was mainly on a floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and RMB. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

The Group mainly exposes to the RMB currency, arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

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 significant foreign currency exposures should the need arise.

SIGNIFICANT INVESTMENTS

During the year ended 31 March 2017, the Group disposed of certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$127 million, giving rise to a net gain recognised of approximately HK$47 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds	Realised gain/(loss)
			HK$'000	*HK$'000*
Wealth Glory Holdings Limited	8269	Cayman Islands	7,712	(412)
AP Rentals Holdings Limited	1496	Cayman Islands	5,796	2,009
Hypebeast Limited	8359	Cayman Islands	25,320	21,380
Expert Systems Holdings Limited	8319	Cayman Islands	5,728	3,455
Master Glory Group Limited	275	Bermuda	933	(32)
Huisheng International Holdings Limited	1340	Cayman Islands	2,880	(90)
Ever Harvest Group Limited	1549	Cayman Islands	5,241	468
Sandmartin International Holdings Limited	482	Bermuda	1,118	(165)
Royal Catering Group Holdings Company Limited	8300	Cayman Islands	9,339	4,793
CROSSTEC Group Holdings Limited	3893	Cayman Islands	2,552	280
Shun Wo Group Holdings Limited	1591	Cayman Islands	9,995	1,076
Goal Forward Holdings Limited	8240	Cayman Islands	3,946	537
Allied Sustainability and Environmental Consultants Group Limited	8320	Cayman Islands	3,058	795
Altus Holdings Limited	8149	Cayman Islands	13,011	9,148
China Art Financial Holdings Limited	1572	Cayman Islands	7,011	950
Jia Meng Holdings Limited	8101	Cayman Islands	1,123	218
Pantronics Holdings Limited	1611	British Virgin Islands	2,805	(498)
CMON Limited	8278	Cayman Islands	5,321	675
K W Nelson Interior Architect Group Limited	8411	Cayman Islands	2,794	774
Winto Group (Holdings) Limited	8238	Cayman Islands	5,206	116
OOH Holdings Limited	8091	Cayman Islands	6,475	1,565
			127,364	47,042

PROSPECT

Property development and investment

On 9 June 2005, the Group was 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 square ("**sq.**") metres. Up to now, a gross floor area of 190,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB755 million. The remaining of the land is under construction, and it is expected the construction will be completed by end of 2017 and will be started to be sold in the fourth quarter of 2017.

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 intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, gross floor area of 20,000 sq. metres was completed. It includes two commercial buildings with gross floor area of 15,000 sq. metres and an animation theatre with gross floor area of around 5,000 sq. metres. The total sales contract sum achieved from the sales of commercial properties amounted to approximately RMB156 million. The animation theatre is named "**Qing-Ming Riverside Anime Exhibition**" and is used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. It is intended to become a tourist spot at Kaifeng City. It is expected that the construction of the whole project will be completed by 2018.

In September 2014, the Group was granted another land use right in city of Kaifeng, the PRC, named as Zhu Ji Lane ("**珠璣巷**"). The Directors intend to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use during 27th World Hakka Conference which was held in October 2014. As of now, the project has been completed. The total contract sum achieved for the sales of this area amounted to approximately RMB2 million. Most of the units have already been rented out during the year.

The Central People's Government of the PRC continued its relaxation policies towards the property sector in the mainland, with the lowering of down-payment proportion, alleviation of tax charges and easing of credit. This served to spur demand across all cities, which rendered an overall increase in price and volume in the property market. The local governments adopted different policies to regulate the market demand and supply to cope with their own conditions and specific needs. To bring about the long term and healthy development of the property market, many significant policies were put forward by the Central People's Government of the PRC during the period, which included the stimulation of both end-user and upgrading demands, the establishment of a housing regime to accommodate rental and buying demands, the implementation of the reform from Business Tax to Value Added Tax in the real estate sector, as well as the comprehensive registration of the immovable assets nationwide.

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. The Group may acquire additional land to enrich the Group's land reserve, specifically in the second and third-tier cities in the 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.

Regarding the disposal of the Starway Parkview South Station Hotel ("**Target Property**") in Shanghai, it is intended that the Target Property will be converted into and operated as service apartments. The Board considers that the Disposal will bring in a strategic shareholder with strong real estate management background which will help to improve the long term growth potential of the Target Property, which will in turn be beneficial to the Group and shareholders as a whole. The Target Property is a mature asset, which whilst providing a stable rental income, does not have the growth in terms of earnings expected by the Board. The Group wishes to realise the full value of the Target Property. The Disposal enables the Group to recycle capital into future investment opportunities. The Directors are of the view that the Disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. On the other hand, the Group would retain 30% equity interest at Yew Siang Limited which enables the Group to continue to have a share of profit from the long term growth potential of the Target Property.

Trading of medical equipment and home security and automation products

With rising affluence especially in Hong Kong and the major cities in the PRC, consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipment, and the Group's efforts on trading of medical equipment should continue to pay off in terms of sales growth and market penetration in the PRC. In the coming year, the Group will expand its distribution channels and introduce 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, it is expected 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 slowdown 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 that the economy of the PRC will sustain healthy growth, and 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 maximise the best interests for the shareholders of the Company.

USE OF PROCEEDS FROM THE OPEN OFFER

On 27 November 2015, the Company entered into an underwriting agreement for an open offer of shares with an underwriter, pursuant to which the Company agreed to issue not less than 325,960,133 shares and not more than 330,670,133 shares of the Company through the underwriter at HK$0.32 each. On 13 January 2016, 325,960,133 ordinary shares of the Company of HK$0.10 each were issued for cash of HK$0.32 per share for a total cash consideration, after related expenses, of HK$101.8 million.

As at 31 March 2017, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	Amount utilised up to 31 March 2017 *HK$ million*	Balance as at 31 March 2017 *HK$ million*
Repayment of the term loan and accrued interest	**20.0**	**20.0**	**–**
Injection to the e-commerce projects	**36.2**	**36.2**	**–**
General working capital	**45.6**	**45.0**	**0.6**
Total	**101.8**	**101.2**	**0.6**

The planned use of proceeds as stated in the prospectus dated 18 December 2015 ("**Prospectus**") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

HUMAN RESOURCES

As at 31 March 2017, the Group had 144 employees, 99 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses (including discontinued operations) including directors' emoluments for the year under review amounting to approximately HK$61 million as compared to HK$63 million in last year, the decrease was mainly due to expenses on share options granted to certain directors and employees of the Group in last year.

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

The Directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (a) property development and investment; (b) 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; (c) the construction business, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau; and (d) investment in securities. On 31 March 2017, the Group disposed of and discontinued its construction business and investment in securities business following the partial disposal of Deson Construction International Holdings Limited ("**DCIHL**") and its subsidiaries on the same date.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 March 2017 and the Group's financial position at that date are set out in the financial statements on pages 52 to 140.

No interim dividend was paid during the year and the Directors recommends the payment of a final dividend of HK0.5 cent per share in respect of the year (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 10 August 2017 to 15 August 2017, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 9 August 2017.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from 21 August 2017 to 23 August 2017, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 August 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE					
Continuing operations	**199,683**	91,467	100,123	158,811	247,869
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**36,575**	206,413	143,656	183,896	80,891
Share of profits and losses of a joint venture	**–**	–	–	(16)	(16)
Share of profits and losses of associates	**1,616**	483	577	679	450
PROFIT BEFORE TAX	**38,191**	206,896	144,233	184,559	81,325
Income tax expense	**(35,069)**	(73,171)	(48,629)	(49,888)	(35,971)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**3,122**	133,725	95,604	134,671	45,354
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**174,863**	14,061	(3,213)	11,047	3,435
	177,985	147,786	92,391	145,718	48,789
Attributable to:					
Owners of the Company	**144,934**	140,998	94,476	145,712	49,135
Non-controlling interests	**33,051**	6,788	(2,085)	6	(346)
	177,985	147,786	92,391	145,718	48,789

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,783,058**	3,302,666	2,747,928	1,927,390	1,683,797
Total liabilities	**(1,326,345)**	(1,921,417)	(1,578,857)	(944,704)	(835,290)
Non-controlling interests	**(120)**	(20,983)	(16,337)	(5,823)	(5,817)
	1,456,593	1,360,266	1,152,734	976,863	842,690

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 26.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options during the year are set out in notes 33 and 34 to the financial statements, respectively.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2017.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2017, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$166,538,000 of which HK$4,890,000 has been proposed as a final dividend. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK$257,497,000, may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions from its contributed surplus in certain circumstances.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2017 is set out in the section headed "**Management Discussion and Analysis**" on pages 4 to 11 of this report. These discussions form part of this "**Report of the Directors**".

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that are considered to be of significance and have potential to affect the Group's businesses, results of operations and financial conditions. However, this list is non-exhaustive as there may be other risks and uncertainties which may arise as a result of changes in economic and other conditions over time. The Group employs a risk management and internal control framework to identify current and foreseeable risks at different levels of the organisation so as to take preventive actions to avoid or mitigate their adverse impacts.

Risks relating to properties development and investment segment

Property segment is one of the major businesses of the Group, particularly in Mainland China. Accordingly, this segment is subject to economic, political and legal developments in Mainland China as well as in the economies in the surrounding region. In recent years, the properties market movements in Mainland China have been concurrently affected by the economic trend and government policies including but not limited to the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes in mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in Mainland China. The Group's property segment is expected to continue being exposed to these risks, which may affect the Group's investment strategy as well as its performance. In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets in other provinces in Mainland China in deciding viable acquisitions and selling strategies. For each potential project, detailed feasibility studies and stress tests with regard to all aspects will be carried out before an acquisition to minimise the risks.

Risk relating to financial conditions and results of operation

(i) The Group's finance costs and interest expenses fluctuate with changes in interest rates. In the PRC, the Group's borrowings also include amounts denominated in RMB. The People's Bank of China adjusts its benchmark lending rates from time to time in response to domestic and global economic changes. The Group may be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and customers' mortgage interest rates and may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

(ii) The Group is required to reassess the fair value of its investment properties at the end of every reporting period to which financial statements are made up. Pursuant to Hong Kong Financial Reporting Standards, investment properties are stated at their fair value, and the variation in their changes should be taken to the consolidated statement of profit or loss of the financial period in which it is incurred. Based on the valuation conducted by independent property valuers, the Group recognises the aggregate market value of investment properties at fair value and the related deferred tax in the consolidated statement of financial position, while the variation in changes in fair value and the related deferred tax of investment properties are recognised in the consolidated statement of profit or loss. Therefore, the assumptions made in the valuation of investment properties would change under changing market conditions. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalents. The amount of revaluation adjustment has been and will continuously be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties. If a property market in the region where the Group operates slows down, the fair value of the Group's investment properties may decline.

(iii) Properties developed by the Group for sale in the PRC are subject to Land Appreciation Tax ("**LAT**"). LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. Pending settlement with the relevant tax authorities, the Group makes provisions for the amount of LAT in accordance with the relevant PRC tax laws and regulations from time to time. Provisions for LAT are made on the Group's own estimates based on, among other things, its own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. The Group only prepays a portion of such provisions each year as required by the local tax authorities. The Group cannot assure that the relevant tax authorities will agree with its calculation of LAT, nor can it assure that the LAT provisions will be sufficient to cover its LAT obligations in respect of its past LAT liabilities in relation to its combined property business. If the relevant tax authorities determine that its LAT exceed the LAT prepayments and provisions, and seek to collect that excess amount, the Group's cash flow, results of operations and financial position may be materially and adversely affected. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict the Group's cash flow position, its ability to finance its land acquisitions and to execute its business plans.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials.

The Group and its business activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

The Group's major business is property development in the PRC which is a heavily regulated industry. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments. To engage in property development, the Group must apply to relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a real estate development enterprise
- Qualification of a real estate developer
- Land for property development
- Sale of commodity properties
- Transfer of real estate
- Mortgages of real estate
- Real estate management
- Measures on stabilising property prices
- PRC taxation
- Foreign currency exchange
- Labour protection

The Company is committed to complying with the above laws and regulations and for the year ended 31 March 2017, there was no reported case of material non-compliance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2017, the Group had a headcount of 144 employees (2016: 308). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Group and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonably remunerated and continues to improve and regularly review and update its policies on remuneration and benefits, training, and occupational health and safety.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, sales to the Group's five largest customers accounted for approximately 37% (2016: 41%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 9% (2016: 14%). Purchases from the Group's five largest suppliers accounted for approximately 29% (2016: 25%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 8% (2016: 9%).

None of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. LU Quanzhang	*(Chairman)*
Mr. TJIA Boen Sien[#@]	*(Managing Director and Deputy Chairman)*
Mr. WANG Jing Ning[#@]	
Mr. TJIA Wai Yip, William	

Independent non-executive Directors

Dr. HO Chung Tai, Raymond*[#@]
Ir SIU Man Po*[#@]
Mr. SIU Kam Chau*[#@]

* audit committee members
[#] remuneration committee members
[@] nomination committee members

Mr. Lu Quanzhang, Mr. Tjia Wai Yip, William and Dr. Ho Chung Tai, Raymond will retire by rotation according to the Company's Bye-Laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company considers that Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are independent pursuant to the criteria set out in the Listing Rules and that it has received annual confirmations of independence from each of them.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group. For further details of the Directors' emoluments, please refer to note 8 to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in paragraph headed "**Continuing Connected Transactions**" and note 40 to the financial statements, no Director, a connected entity of a Director nor a controlling shareholder of the Company had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2017.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2017, the interests and short positions of the Directors in the share capital and share options 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 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:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Options** *(Note 1)*	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia Boen Sien *(Note 2)*	68,661,600	349,935,000	320,000	418,916,600	42.84
Mr. Lu Quanzhang	150,000	–	1,000,000	1,150,000	0.12
Mr. Wang Jing Ning	22,259,400	–	4,000,000	26,259,400	2.69
Mr. Tjia Wai Yip, William	2,400,000	–	4,000,000	6,400,000	0.65
Dr. Ho Chung Tai, Raymond	727,500	–	320,000	1,047,500	0.11
Ir Siu Man Po	920,000	–	320,000	1,240,000	0.13
Mr. Siu Kam Chau	–	–	320,000	320,000	0.03

Notes:

1. The options were granted on 17 April 2015 with consideration of HK$1 under the Scheme (defined below in section headed ("**Share Option Scheme**") adopted by the Company. The above options could be exercised from the date of grant to 16 April 2018 in accordance with the rules of the Scheme to subscribe for ordinary shares of HK$0.10 each in the Company at an initial exercise price of HK$0.71 per share.

2. Sparta Assets Limited ("**Sparta Assets**"), a company incorporated in the British Virgin Islands ("**BVI**") and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.

Long positions in ordinary shares of DCIHL:

Name of Directors	Number of shares held, capacity and nature of interest Directly beneficially owned	Through controlled corporation	Options	Total	Percentage of the DCIHL's issued share capital
Mr. Tjia Boen Sien*	22,887,200	338,414,868#	–	361,302,068	36.13
Mr. Lu Quanzhang	50,000	–	–	50,000	0.01
Ir Siu Man Po	150,000	–	–	150,000	0.02

Long positions in ordinary shares of Sparta Assets:

Name of Director	Number of shares held, capacity and nature of interest Directly beneficially owned	Through controlled corporation	Total	Percentage of the Sparta Assets's issued share capital
Mr. Tjia Boen Sien*	1,000	–	1,000	100.00

* Sparta Assets, a company incorporated in the BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.

\# Mr. Tjia Boen Sien beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. Sparta Assets directly beneficially owned 26,645,000 shares in DCIHL and it beneficially owned 349,935,000 shares in the Company, representing 35.79% of the issued share capital of the Company. By virtue of the SFO, Mr. Tjia is deemed to be interested in 338,414,868 shares in DCIHL (being aggregate of 26,645,000 shares in DCIHL held by Sparta Assets and 311,769,868 shares in DCIHL indirectly owned by the Company (through Deson Development Holdings Limited ("**DDHL**") which Sparta Assets is deemed to be interested in)).

The interests of the Directors in the share options of the Company are separately disclosed in the section headed "**Share Option Scheme**" below.

Save as disclosed above and note 34 to the financial statements, 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 heading "**Share Option Scheme**" and share option scheme disclosures set out in note 34 to the financial statements, at no time during the year 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, nor were any such rights exercised by them; nor 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following share options were outstanding under the Scheme during the year:

	Number of share options						Price of the Company's shares**	
Name or category of participant	At 1 April 2016	Granted during the year	Expired during the year	At 31 March 2017	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Directors:								
Lu Quanzhang	500,000	–	(500,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	500,000	–	–	500,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	500,000	–	–	500,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Tjia Boen Sien	180,000	–	(180,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Wang Jing Ning	1,000,000	–	(1,000,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	2,000,000	–	–	2,000,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	2,000,000	–	–	2,000,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71

Name or category of participant	Number of share options: At 1 April 2016	Granted during the year	Expired during the year	At 31 March 2017	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Directors: (continued)								
Tjia Wai Yip, William	1,000,000	–	(1,000,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	2,000,000	–	–	2,000,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	2,000,000	–	–	2,000,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Ho Chung Tai, Raymond	180,000	–	(180,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Man Po	160,000	–	–	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Kam Chau	180,000	–	(180,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	160,000	–	–	160,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
	13,320,000	–	(3,040,000)	10,280,000				

Name or category of participant	Number of share options: At 1 April 2016	Granted during the year	Expired during the year	At 31 March 2017	Date of grant of share options	Exercise period of share options	Price of the Company's shares**: Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Other employees, in aggregate	6,380,000	–	(6,380,000)	–	17 April 2015	17 April 2015 to 16 April 2016	0.71	0.71
	10,120,000	–	–	10,120,000	17 April 2015	17 April 2016 to 16 April 2017	0.71	0.71
	9,600,000	–	–	9,600,000	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Total	39,420,000	–	(9,420,000)	30,000,000				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

Further details of the Scheme are included in note 34 to the financial statements.

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

At 31 March 2017, so far as is known to the Directors of the Company, 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 (*Note 1*)	Beneficial owner	349,935,000	35.79
Mr. Tjia Boen Sien	Interests of controlled corporation	349,935,000	35.79
	Directly beneficially own	68,661,600	7.02
Granda Overseas Holding Co. Ltd. ("**Granda**") (*Note 2*)	Beneficial owner	173,698,740	17.76
Mr. Chen Huofa	Interests of controlled corporation	173,698,740	17.76

Notes:

1. Sparta Assets, a company incorporated in the BVI and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 349,935,000 ordinary shares of the Company.

2. Granda, a company incorporated in the BVI and wholly owned by Mr. Chen Huofa, is beneficially interested in 173,698,740 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 31 March 2017, 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.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Except as disclosed above and as disclosed in the paragraph headed "**Capital structure**", neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2017.

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the year ended 31 March 2017 are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

On 30 May 2014, the Group entered into a tenancy agreement with Fitness Concept Limited, a company wholly-owned by Mr. Tjia Boen Sien ("**Mr. Tjia**"), the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Hong Kong. The tenancy agreement is contracted for three years commencing 1 April 2014, and the monthly rent payable is HK$25,500. The rental income earned during the year ended 31 March 2017 from this tenancy agreement was approximately HK$306,000. This tenancy agreement was renewed ("**Revised Tenancy Agreement**") on 15 April 2017 and contracted for three years commencing 1 April 2017, and the monthly rent payable is HK$25,500.

On 29 March 2014, the Group entered into a tenancy agreement with 上海美格菲健身中心有限公司, a company wholly-owned by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Shanghai. The tenancy agreement is contracted for three years commencing 1 April 2014, and the annual rent payable is RMB100,000. The rental income earned during the year ended 31 March 2017 from this tenancy agreement was RMB48,000. This tenancy agreement was early terminated on 30 September 2016.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 42.81% equity interest in the Company at the time entering into the Revised Tenancy Agreement, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules, the transactions therefore constitute connected transactions of the Company. As each of the applicable percentage ratios of the transactions was less than 5% and the total considerations involved were less than HK$3,000,000, pursuant to Rule 14A.33 of the Listing Rules, the transactions were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

PARTICULARS OF PROPERTIES

The properties held for sale under development of the Group are as follows:

Location	Attributable interest of the Group	Stage of completion	Expected completion date	Expected use	Gross floor area
Section G 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	Removal stage	2018	Residential/ commercial complex	The total gross floor area is 20,336 square metres ("**sq. m.**")
Residential Zone 1-3 Commercial Zone C and D Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	Construction stage	2018	Residential/ commercial complex	The total gross floor area is 80,000 sq. m.

The properties held for sale of the Group are as follows:

Location	Attributable interest of the Group	Tenure	Current use	Gross floor area
Phase I to IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential/ commercial complex	The total gross floor area is 87,647 sq. m.
Sections B to F 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 June 2005 and expiring on 15 June 2075	Residential/ commercial complex	The total gross floor area is 136,591 sq. m.
Commercial Zone A and B Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	The properties are held for a term of 40 years, commencing on 3 June 2013 and expiring on 13 May 2053	Commercial	The total gross floor area is 15,000 sq. m.
Zhu Ji Lane North of Confucian Temple Street West of the Yousiguankou	100%	The properties are held for a term of 40 years, commencing on 14 November 2014 and expiring on 9 October 2054	Commercial	The total gross floor area is 13,000 sq. m.

The investment properties of the Group are as follows:

Location	Attributable interest of the Group	Tenure	Lease term	Current use	Gross floor area
12 Haixiu Avenue Meilan District Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 September 2006 and expiring on 14 September 2076	Long	Commercial	The total gross floor area is 22,803 sq. m.
Section A 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 June 2005 and expiring on 15 June 2075	Long	Commercial	The total gross floor area is 53,624 sq. m.
Phase I to IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Long	Commercial	The total gross floor area is 29,325 sq. m.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the year ended 31 March 2017.

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 annual results for the year ended 31 March 2017, and adequacy of resources and qualifications of the Group's accounting staff. The audit committee comprise three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The annual results of the Group for the year ended 31 March 2017 have been reviewed by the audit committee members who have provided advice and comment thereon.

AUDITOR

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There has been no change in the Company's auditor in any of the preceding three years.

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
21 June 2017

EXECUTIVE DIRECTORS

LU Quanzhang ("Mr. Lu"), aged 61, is an executive Director of the Company since 9 November 2011. He is also the Chairman of the Board. Mr. Lu has over 21 years of experience in legal practice in the PRC. Mr. Lu is a registered lawyer in the PRC and holds a master post graduate certificate of law from China University of Political Science and Law (Practicing). Mr. Lu was a founding partner of Jun Yan Law Firm in Guangdong where he has practiced since 2003. Currently, Mr. Lu is the senior partner of S D & Partners, a private leading law firm in Shenzhen and South China. He is an arbitrator of the China International Economic and Trade Arbitration Commission, Shenzhen Court of International Arbitration and Shanghai International Arbitration Centre.

TJIA Boen Sien ("Mr. Tjia"), aged 73, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Company. Mr. Tjia is the member of remuneration committee and the member of nomination committee of the Board. Mr. Tjia is well respected and has established connections in the PRC construction industry through his extensive experience. He has over 34 years' experience in the construction industry in the PRC and Hong Kong. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management.

He graduated from chemistry studies at the Huaqiao University (華僑大學) in the PRC in July 1966. He was admitted as member of The Chartered Institute of Building in November 1996 and is a professional member of The Royal Institution of Chartered Surveyors since October 2002. Mr. Tjia previously served as the vice chairman and honourable member of Zhan Tian You Civil Engineering Science and Technology Development Fund Management Committee (詹天佑土木工程科學技術發展基金管理委員會).

WANG Jing Ning ("Mr. Wang"), aged 61, is an executive Director of the Company and was appointed as a director of the Company in September 1993. He joined the Group in July 1989. He is also a director of various main operating subsidiaries of the Group, among others, Deson Ventures (HK) Ltd., Winsome Properties Ltd., Honour Advance Ltd. and Yew Siang Ltd. Mr. Wang has over 37 years' experience in hotel management and construction engineering in Mainland China and Hong Kong. He is responsible for managing the Group's projects in Mainland China.

TJIA Wai Yip, William ("Mr. William Tjia"), aged 41, is an executive Director of the Company since January 2015. Mr. William Tjia joined the Group in February 2000. He is a director of Deson Innovative Limited since July 2005, one of the subsidiaries of the Company. He is responsible for intelligent building and security systems business of the Group, and has over 16 years' experience in this field. He graduated from the City University of Hong Kong with a Bachelor of Arts with Honours Degree in Information Systems in 1998. He is the son of Mr. Tjia, the Managing Director and Deputy Chairman of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Raymond HO Chung-Tai ("Dr. Ho"), SBS, MBE, S.B. St. J., JP, aged 78, is an independent non-executive Director of the Company and was appointed as a director of the Company in September 1993. Dr. Ho has over 50 years' experience in the fields of civil, structural, environmental and geotechnical engineering and direct project management of mega size engineering projects including 44 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in the $3.0 billion (cost at the time) project of Electrification and Modernisation of Kowloon-Canon Railway from the mid-70's till early 80's, all the government-funded infrastructure works for Shatin New Town and Tseung Kwan O New Town from early 80's till the end of 1993, major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, geotechnical work, environmental studies and projects. Dr. Ho holds a doctorate degree in civil engineering from the City University of London, United Kingdom, Honorary Doctor of Business Administration from the City University of Hong Kong, Honorary Doctor of Laws from University of Manchester, United Kingdom, a postgraduate diploma in geotechnical engineering from Manchester University, United Kingdom and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly Hong Kong Deputy to the 10th & 11th National People's Congress of the PRC, member of the 1st, 2nd, 3rd & 4th terms of Legislative Council (Engineering Functional Constituency) (1998-2012), member of the Provisional Legislative Council (1996-1998), President of the Hong Kong Institution of Engineers (1987/1988), Founding Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, board member of the Hong Kong Airport Authority, member of the Court of the City University of Hong Kong, member of the Chinese Medicine Consultative Committee of the School of Chinese Medicine of Hong Kong Baptist University, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Currently, Dr. Ho is Chairman of Guangdong Daya Bay Nuclear Plant, LingAo Nuclear Plant Safety Consultative Committee and Professional Advisor (Architecture, Engineering and Surveying) to the Ombudsman, Hong Kong.

Dr. Ho currently is an Independent Non-executive director of the following companies which are listed on The Stock Exchange of Hong Kong Limited:

China State Construction International Holdings Limited (Stock Code: 3311);
GCL-Poly Energy Holdings Limited (Stock Code: 3800);
ChinLink International Holdings Limited (Stock Code: 997); and
AP Rentals Holdings Limited (Stock Code: 1496)

Ir SIU Man Po ("Ir Siu"), is an independent non-executive Director of the Company since September 2001. Ir SIU is the member of the audit committee and member of the remuneration committee, and chairman of the nomination committee of the Board.

Ir Siu was awarded the MEDAL OF HONOUR (MH) by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR) in July 2004 for his dedication and meritorious services to the development of engineering profession in Hong Kong.

Ir Siu, aged 79, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A.

Ir Siu has extensive experience in construction field including the construction of Tsing Yi Power Station in 1966-1977, MTR stations in 1977-1987, and Hong Kong Baptist University campus development in 1989-1999.

Ir Siu is a Fellow Member of the Hong Kong Institution of Engineers and the American Society of Civil Engineers.

Ir Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

SIU Kam Chau ("Mr. Siu"), aged 52, joined the Company in March 2014 as an independent non-executive Director. Mr. Siu is the Chairman of the Audit Committee and the Chairman of the Remuneration Committee, and member of the Nomination Committee of the Board. Mr. Siu is graduated from the City University of Hong Kong with a Degree of Bachelor of Arts in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. Mr. Siu has over 27 years of working experience in auditing, accounting, company secretarial and corporate finance. Mr. Siu is currently an independent non-executive director of Wang On Group Limited (Stock Code: 1222) which is a company listed on The Stock Exchange of Hong Kong Limited. He was an executive director of Jun Yang Financial Holdings Limited (Stock Code: 0397) from October 2011 to February 2016, an independent non-executive director of China New Economy Fund Limited (Stock Code: 0080) from July 2010 to October 2014 and China Demeter Investments Limited (Stock Code: 8120) from May 2013 to October 2014.

SENIOR MANAGEMENT

LAM Wing Wai, Angus ("Mr. Lam"), aged 41, joined the Group in September 2005. He is the Company Secretary and the Financial Controller of the Group. He is responsible for monitoring all the Group's accounting, finance, listing compliance and company secretarial functions. He holds a Bachelor Degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He has several years' experience with an international accounting firm. Mr. Lam is the company secretary and financial controller of Deson Construction International Holdings Limited (Stock Code: 8268), a company listed on the GEM.

TSE Hoi Ying, Irene ("Ms. Tse"), aged 44, joined the Group in August 1999. She is the Director of Medical Technologies Limited since 23 September 2002, which is one of the subsidiaries of the Company. Ms. Tse is responsible for trading of medical equipment and related consulting business of the Group, and has over 15 years' experience in this field. She graduated from the University of British Columbia (Canada) with a Bachelor of Arts (Psychology) in May 1995. She is the daughter of Mr. Tjia, the Managing Director and Deputy Chairman of the Group.

KWOK Chun Fai ("Mr. Kwok"), aged 73, joined the Group in February 1991. He is the project manager of the Group and is responsible for the Group's construction projects in Mainland China. He has over 43 years' experience in the industry. He graduated from Fujian Overseas Chinese University in Mainland China in Civil Industrial and Civil Building. He obtained the International Engineering and Professional Manager Qualification Certificate and the Member of Architectural Society of Chinese.

The Company is committed to a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Company's corporate governance practices are based on the principles ("**Principles**") and the code provisions ("**Code Provisions**") as set out in the CG Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The Company has complied with most of the Code Provisions 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 independent 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.

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the important role of its Board of Directors ("**Board**") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholders' interests while the day-to-day operations of the Company are delegated to the management with proper supervision from the Board. The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate governance, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the management. The delegated functions and work tasks are periodically reviewed by the Board after being reported on by management. Approval has to be obtained from the Board prior to any significant decisions being made or significant transactions or commitments being entered into by the abovementioned officers, who cannot exceed any authority given to them by resolutions of the Board or the Company.

The Board has the full support of the Managing Director and the management to discharge its responsibilities.

The Company has arranged for appropriate insurance cover in respect of legal actions against the Board and to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Company had adopted a Board diversity policy aims to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board of the Company comprises the following Directors as at 31 March 2017:

Executive Directors

Mr. Lu Quanzhang *(Chairman)*
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman) (Member of Remuneration Committee and Nomination Committee)*
Mr. Wang Jing Ning *(Member of Remuneration Committee and Nomination Committee)*
Mr. Tjia Wai Yip, William

Independent Non-Executive Directors

Dr. Ho Chung Tai, Raymond *(Member of Audit Committee, Remuneration Committee and Nomination Committee)*
Ir Siu Man Po *(Member of Audit Committee, Remuneration Committee and Chairman of Nomination Committee)*
Mr. Siu Kam Chau *(Chairman of Audit Committee, Remuneration Committee and member of Nomination Committee)*

Save for Mr. Tjia Boen Sien and Mr. Tjia Wai Yip, William, who are father and son, none of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

During the year ended 31 March 2017, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors brings independent judgement on issues of strategies direction, policies, development, performance and risk management through their contribution at Board Meetings.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors will scrutinise the performance of the Company in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

The Board values the contribution of the independent non-executive Directors, and strives to ensure constructive relations between them and the executive Directors. All Directors are encouraged to contribute their views during Board meetings.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Directors to be appointed will receive a formal letter of appointment setting out the key terms and conditions of their appointment. Any Board member is entitled to recommend suitable candidate that meet the requirements of the Listing Rules for consideration by the Board.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. In accordance with the Company's Bye-Laws, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Although the independent non-executive Directors do not have a specific term of appointment, all Directors of the Company retire by rotation once every three years. 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.

Training for Directors and Company Secretary

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the year ended 31 March 2017, the Directors are regularly updated and appraised with any new regulations and guideline, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors specifically. On an ongoing basis, Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Company is aware of the requirement to regularly review and agrees with each Director their training needs. The continuing professional training program of the Company for Directors will be reviewed on an ongoing basis by the Nomination Committee. During the year ended 31 March 2017, all Directors have individually attended seminars and training courses conducted by qualified professions on accounting, taxation and Listing Rules.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

For the financial year ended 31 March 2017, the Company Secretary of the Company has taken no less than 15 hours of relevant professional training.

Board Meetings

Code Provision A.1.1 stipulates that the Company should hold at least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

Regular Board meetings were held during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year under review, five full board meetings were held. Details of the attendance of the Directors are as follows:

Executive Directors	**Directors' Attendance**
Mr. Lu Quanzhang *(Chairman)*	5/5
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman)*	5/5
Mr. Wang Jing Ning	5/5
Mr. Tjia Wai Yip, William	5/5
Independent Non-Executive Directors	
Dr. Ho Chung Tai, Raymond	5/5
Ir Siu Man Po	5/5
Mr. Siu Kam Chau	5/5

Notices of regular Board meetings were served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting so as to ensure that there is timely access to relevant information. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. The Board and the senior management are also obligated to keep the Directors appraised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary in a timely manner.

The Company Secretary, who is an employee of the Company, is responsible to take and keep minutes of all Board meetings and Board committee meetings, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. At Board meetings, all Directors have ample opportunities to express their respective views, voice any concerns and discuss the matters under consideration, and the results of voting at Board meetings fairly reflects the consensus of the Board. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Directors' commitments

Each Director has confirmed that he can give sufficient time and attention to the Group's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Managing Director, who performs similar role as Chief Executive Officer, to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Managing Director are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chairman is primarily responsible for ensuring good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and non-executive Directors.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Group's day-to-day management and operations. The Managing Director is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements. The position of the Chairman is held by Mr. Lu Quanzhang while the position of the Managing Director is held by Mr. Tjia Boen Sien.

The Chairman has held a meeting with the independent non-executive Directors without the executive Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, Nomination Committee and Audit Committee, for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have complied with the Code provisions and are available on the Stock Exchange website www.hkexnews.hk and the Company's website www.deson.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. These Board committees will report back to the Board on their decisions or recommendations.

Remuneration Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are the members of the Remuneration Committee and Mr. Siu Kam Chau is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives after consultation with the Chairman/Managing Director and accessed to professional advice, at the Group's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Remuneration Committee normally meets towards the end of each year to reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, independent non-executive Directors and senior management and other related matters. The Group's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process. The Remuneration Committee met one time during the year ended 31 March 2017 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive Directors, independent non-executive Directors and senior management for the year under review. Recommendations have been made to the Board.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of member	Members' Attendance
Mr. Tjia Boen Sien	1/1
Mr. Wang Jing Ning	1/1
Dr. Ho Chung Tai, Raymond	1/1
Ir Siu Man Po	1/1
Mr. Siu Kam Chau	1/1

Nomination Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are the members of the Nomination Committee and Ir Siu Man Po is the chairman of the committee. The primary objectives of the Nomination Committee include 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 also assesses the independence of independent non-executive Directors and make recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience. The Nomination Committee met one time during the year ended 31 March 2017 and reviewed the structure, size and composition of the Board for the year under review.

Details of attendance record of members of the Nomination Committee are set out below:

Name of member	Members' Attendance
Mr. Tjia Boen Sien	1/1
Mr. Wang Jing Ning	1/1
Dr. Ho Chung Tai, Raymond	1/1
Ir Siu Man Po	1/1
Mr. Siu Kam Chau	1/1

Audit Committee

The Audit Committee comprises the three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Siu Kam Chau is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any) or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees, terms of engagement and independence, and make recommendation to the Board on the appointment, reappointment and removal of external auditor;

(c) to review the adequacy and effectiveness of the Group's financial reporting system, and risk management system, internal control system and associated procedures; and

(d) to review the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, their training programs, and budget.

The Audit Committee held two meetings during the year ended 31 March 2017 to review the financial results and reports, financial reporting and compliance procedures, and discussed matters concerning the effectiveness of internal control systems and the re-appointment of the external auditor. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Details of the attendance record of the Audit Committee Meetings are as follows:

Name of Member	**Members' Attendance**
Mr. Siu Kam Chau	2/2
Dr. Ho Chung Tai, Raymond	2/2
Ir Siu Man Po	2/2

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the Group had engaged the Group's external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out below:

Fee charged for the year ended 31 March 2017:

	HK$
Types of services:	
Annual audit for the Group	2,755,000
Other audit/review-related services for the Group	935,000
Non-audit services – taxation services	76,000
Total	3,766,000

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2017. 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.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group and its financial performance and cash flow for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Group's consolidated financial statements are prepared in accordance with the Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates.

The Directors endeavour to ensure a balanced, clear and understandable assessment of the Company's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2017. The statement of the external auditor of the Group about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 47 to 51. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make informed assessment of relevant matters.

RISK MANAGEMENT AND INTERNAL MONITORING

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016/17, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organisations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016/17, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("**IA**") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INVESTOR RELATIONS

The Company is committed to maintaining an open and effective investor relations policy and to updating investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replied to any enquiries from shareholders in a timely manner. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company at www.deson.com provides a communication platform via which the public and investor community can access up-to-date information regarding the Group.

Shareholders may also send any enquiries, suggestions or concerns to the Board at any time through the Company Secretary, whose contact details are as follows:

Address	:	The Company Secretary Deson Development International Holdings Limited 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Email	:	deson@deson.com
Telephone no.	:	(852) 2570 1118
Fax no.	:	(852) 3184 3402

The Company Secretary will forward such communications to the Board, the relevant Board committees and/or the Chief Executive Officer, as appropriate.

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the annual general meeting. Voting at the forthcoming annual general meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Poll results will be counted by Hong Kong Branch Share Registrar, Tricor Tengis Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditor to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

In addition to regular Board meetings, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company Secretary, at the Company's head office at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s). Shareholders may also use this same method to put forward proposals for the next general meeting.

There was no significant change in the Company's constitutional documents during the year ended 31 March 2017.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

ABOUT THE REPORT

This is the first Environmental, Social and Governance Report (the "**ESG Report**") of Deson Development International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**We**"). The ESG Report summarises the efforts and achievement made by the Group in corporate social responsibility and sustainable development. As for the information of corporate governance, please refer to the "Corporate Governance Report" on pages 31 to 42 of this Annual Report.

Scope of the Report

The ESG Report focuses on the environmental and social performance of the property development and investment, and construction businesses of the Group in Hong Kong and the People's Republic of China (the "**PRC**"). The ESG Report presents our sustainability approach and performance in the environmental and social aspects of our businesses in the reporting period from 1 April 2016 to 31 March 2017 (the "**Year**"). The Group will continue to strengthen information collection in order to enhance the performance in environmental realm and to disclose relevant information in sustainable development.

Reporting Framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" pursuant to Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Stakeholder Engagement

The engagement of our employees from different divisions of the Group helps us recognise our sustainability performance. The diligently collected and carefully analysed data underscores not only the Group's sustainable initiatives for the year, but also the Group's short-term and long-term sustainability strategy. The Group will increase the involvement of stakeholders via constructive conversation with a view to charting a course for long term prosperity.

PROTECTING OUR ENVIRONMENT

Environmental Principle

The Group recognises the importance of environmental impact reduction and is committed to embedding its corporate responsibility into its business operation. To ensure environmental compliance and proper implementation of protection measures in our projects, we require our contractors to strictly comply with the laws and regulations in relation to environmental protection, including the Air Pollution Control Ordinance of Hong Kong, Water Pollution Control Ordinance of Hong Kong, Waste Disposal Ordinance of Hong Kong, Environmental Impact Assessment Ordinance of Hong Kong, Law of the PRC on Prevention and Control of Atmospheric Pollution, Law of the PRC on Prevention and Control of Water Pollution and Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste.

We attach great importance to the environmental protection, therefore contractors are required to organise discussions and reviews on any environmental and site hygiene issues regarding the management system as well as the on-site performance, in order to effectively control the environmental impact from our business.

Emission Treatment

The non-hazardous waste from the office operation of the Group is mainly general refuse. Recyclable materials, such as waste paper and empty containers, are collected separately and transferred to recycling company for further treatment. Notice or posters are displayed in the office to encourage the use of reusable dishware rather than disposable one and further promote the concept of minimising the waste disposal. The wastewater from the office is mainly domestic sewage, which is directly discharged to the municipal drainage system.

As for the site operation, the contractors are required to handle the hazardous waste and non-hazardous waste separately to avoid the contamination. Containers and labels for the package of hazardous waste, such as chemical waste, shall meet the requirement set out by the laws and regulations relating to waste handling. To reduce construction waste generated on site, the contractors are encouraged to reuse the useful materials to the greatest extent. It is also the responsibility of contractors to conduct proper treatment of waste water to reduce the impact to the environment. For example, they are required to take measures, such as installation of sand trap filters, to ensure the quality of treated wastewater is up to standard before discharge. The air emission from our operation is mainly dust in construction site. Thus, we require the contractors to comply with the laws and regulations relating to air emissions to maintain the air quality of the site and the surrounding area. For example, to prevent the spread of dust, dusty materials should be covered or sheltered. Also, water is sprayed on dusty materials before loading and unloading.

Resources Conservation

To reduce the paper use, the Group encourages the employees to reduce the number of photocopies to a minimum and print double-sided for internal documents and external document, where appropriate. There is waste paper collection box to collect non-reusable waste paper for recycling to protect the environment. Meanwhile, we encourage the employees to switch off the lighting and air-conditioning when not in use to lower the electricity consumption, and also remind them to turn off the faucet tightly to avoid water waste.

CARING OUR EMPLOYEES

Employment and Welfare

The Group always believes that employees are our most valuable and indispensible assets in our pursuit of success. To protect the rights and benefits of the employees, we strictly abide by the laws and regulations, such as the Employment Ordinance of Hong Kong, Labour Law of the PRC and Labour Contract Law of the PRC.

We have established sound recruitment system to ensure our recruitment work is conducted according to the work requirements set out by each department. Regardless of nationality, gender, age, race, religious belief or disability, candidates with relevant professional qualifications and working experience receive equal consideration for employment. To prevent child labour, we comply with the Employment of Children Regulations of Hong Kong and Provisions on the Prohibition of Using Child Labor of the PRC, and the identification documents of candidates are closely examined. Before contract signing, the duties and responsibilities of the job position offered are clearly stated on the contract to avoid forced labour.

Upon joining the Group, we offer employees competitive remuneration packages. The remuneration is reviewed and determined with reference to the performance of employees and the Group as well as the market practice and condition. Employees with outstanding performance in appraisal are given promotion opportunity. We offer employees various benefits, such as medical insurance and personal accident insurance to Hong Kong employees while providing “Five Social Insurances and One Housing Fund” to the PRC employees. The Group adheres to the relevant employment laws and regulations that deal with working hours and rest periods. Employees are entitled to annual leave, wedding leave, funeral leave, maternity leave as well as statutory holidays. Upon receipt of resignation, an exit interview is arranged to understand the reason of quitting and payment of the outstanding wages is made on time pursuant to the requirements of the relevant laws and regulations.

Health and Safety

The Group is people-oriented. To raise the awareness of our employees, occupational health and safety posters issued by Occupational Safety & Health Council (OSHC), such as tips for stress management at work, proper use of computer and stretching exercise, are put up at prominent positions within the headquarters area.

As a property developer, the Group cares about the on-site health and safety. During the tendering process, contractors are required to hold valid safety production licenses. Also, we pay considerable attention to the health and safety of site workers, thereby the contractors are required to strictly comply with the laws and regulations associated with health and safety, such as the Factories and Industrial Undertakings Ordinance of Hong Kong, Law of the PRC on the Prevention and Control of Occupational Diseases and Production Safety Law of the PRC. To provide a healthy and safe workplace, the contractors are required to establish clear safety policies for handling and reporting of emergency, accident and occupational disease, providing suitable personal protective equipment for site workers, storing and labeling the hazardous substances properly, and holding regular meetings with safety committee to understand and monitor the implementation of the health and safety policies.

Training and Development

Driven by our firm belief in the profound importance of continuing education to service quality, the Group provides education subsidies to motivate its employees to pursue continuing education.

Safety is the highest priority in site, therefore, we provide sufficient safety trainings to site workers to promote and enhance the safety knowledge of workers, and ensure a high standard of safety awareness at all times. Safety trainings, such as induction training and toolbox talks, are conducted to make sure the new workers fully understand the health and safety practice and comply with relevant laws and regulations, before their assumptions of duty. The content of the safety trainings mainly covers the guidelines on the use of personal protective equipment, fire drills, proper manual handling procedure and safe machineries operation.

OPERATING PRACTICES

Supply Chain Management

To maintain the quality of our services, the Group is careful in choosing experienced and qualified contractors. Selection criteria for contractors include their certificates, qualifications, and licenses relating safety production. A list of approved contractors is maintained and reviewed at least once a year. Contractors with unsatisfactory performance will be removed or replaced from the list. We endeavor to minimise the risks from supply chain that may affect the quality of our services.

Quality Assurance

The Group understands the importance of quality controls. Therefore, we require the contractors to establish series of measures for quality controls and comply with relevant laws and regulations related to quality management, such as the Buildings Ordinance of Hong Kong, Codes of Practice and Design Manuals of Hong Kong and Construction Law of the PRC.

During the project implementation stage, we require the contractors to perform regular inspection to monitor progress of the project and ensure the compliance with their guidelines. Regular meetings are also required so as to address material issues including quality issues as soon as possible and ensure sufficient resources are allocated for timely completion of the project.

To maintain customer satisfaction, we maintain good communication with the customers to keep them informed of the status of the project as well to get their feedback. Based on the feedback from the customers, follow-up actions, such as remedial and preventive actions, should be taken by the contractors.

As for the advertising and labeling, we strictly abide by the relevant laws and regulations, so as to protect customers from any misleading or incomplete information in the course of sales.

Information Protection

With integrity being our intrinsic business value, we comply strictly with relevant laws and regulations, such as the Personal Data (Privacy) Ordinance of Hong Kong. The personal information of our customers is collected and used in a responsible and non-discriminatory manner by restricting the actual use of information to be consistent with the purposes stated in the contract. The confidential information of our customers is stored properly in the office and the employees are not allowed to take away customers' data from the office without the permissions of the managers.

Anti-corruption

The Group strictly abides by the relevant laws and regulations regarding anti-corruption, such as the Prevention of Bribery Ordinance of Hong Kong and Criminal Law of the PRC. We forbid employees to solicit or accept any advantage, including money, gifts, loans, commissions, offices, contracts, services or favours, in connection with their duties, without our permission. In order to deter corruption, employees are highly recommended to report to us if they receive any gifts from our customers, suppliers or any parties conducting business with us.

Apart from the internal actions taken to achieve the goal of anti-corruption, the Group also places great emphasis on the honesty of contractors. For example, during the tendering process in the PRC, we comply with the Law of the PRC on Tenders and Bids. Tenders are required to provide the record of bribery and crime, which is issued by People's Procuratorate.

CONTRIBUTING TO OUR COMMUNITY

Apart from our pursuit of the business development, the Group spared no efforts in making charitable commitment which can be reflected by our active participation in various charitable activities to contribute to the community. During the Year, we have participated in "Run for Caritas Wellness Link – North District Run" (「明愛樂晴跑」) to promote the mental and emotional benefits of exercise and raise public awareness of mental well-being. Also, we have participated in "The Samaritan Befrienders Hong Kong-McDull Charity Run 2017" (「麥兜 • 豬肉在前」香港撒瑪利亞防止自殺會慈善跑) in support of the suicide prevention initiatives and the message of cherishing the life and caring for the others.

Apart from taking part in a variety of charitable activities, our philanthropy and community involvement have also expanded to causes that support the education development. During the Year, the Group has donated around 300 pairs of sneakers to Zhanzhuang Primary School in Gangli Village of Weishi County (尉氏縣崗李鄉占莊小學) to celebrate the Children's Day with the students.

Independent Auditor's Report
To the shareholders of Deson Development International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Deson Development International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 52 to 140, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
On 31 March 2017, the Group lost its control on Deson Construction International Holdings Limited ("DCIHL") and its subsidiaries (the "DCIHL Group") and recorded a profit for the year from discontinued operations amounting to HK$174,863,000 for the year ended 31 March 2017. The DCIHL Group is involved in the construction business and has accounted for its construction contracts by applying the percentage-of-completion method. During the year, the DCIHL Group has recognised HK$872,762,000 as revenue from construction contracting and related businesses. The percentage-of-completion method involves the use of significant management judgements and estimates, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and costs to complete. Relevant disclosures are included in notes 3, 4 and 12 to the financial statements.	Amongst our audit procedures, we assessed the significant judgements made by management, through an examination of project documentation and discussion of the status of projects under construction with management, finance, and technical personnel of the DCIHL Group. We tested the controls of the DCIHL Group over its processes to record contract costs and contract revenues, the calculation of the stage of completion and the identification of contract losses. Our testing also included vouching construction costs to invoices or other supporting documents, and a comparison of the actual costs incurred with total expected costs, to assess the status of the projects.
Valuation on investment properties	
As at 31 March 2017, the Group's investment properties measured at fair value amounted to HK$887,841,000, with a net gain arising from the change in fair value recognised in the statement of profit or loss of HK$34,713,000. The valuation process is inherently subjective, and dependent on a number of estimates. To support management's determination of the fair value, the Group has engaged independent professionally qualified valuers to perform the valuation of investment properties. Relevant disclosures are included in notes 3 and 15 to the financial statements.	Amongst our audit procedures, we considered the objectivity, independence and expertise of the valuers, and assessed the appropriateness of their valuation methodology. We challenged the data used as inputs for the valuation, which included reference to the market unit selling price of comparable properties nearby used in the valuation and performed market value benchmarking against comparable properties. We also involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies for the valuation of investment properties held by the Group.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment on properties held for sale under development and properties held for sale	
As at 31 March 2017, the Group's properties held for sale under development and properties held for sale amounted to HK$470,088,000 and HK$605,884,000, respectively. Properties held for sale under development and properties held for sale are stated at the lower of cost and net realisable value. The impairment of these properties is assessed by management and is heavily influenced by developments in the housing market in Mainland China and economic considerations. Management's impairment assessment is significant to our audit, considering the complexity of the estimation process where construction budgeting is involved; the estimation of sales proceeds and the assumptions used in the estimates; and the degree of judgement involved. Relevant disclosures are included in notes 3 and 21 to the financial statements.	Our audit procedures included the understanding and review of management's assessment process and assumptions adopted; referring to externally available industry and market data; and considering actual sales transactions of the Group's properties during the year and subsequent to the end of the reporting period. We have also reviewed the costs incurred and the cost allocation report prepared by management to assess the total costs of properties.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Allen Yuk Leung Pang.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

21 June 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**199,683**	91,467
Cost of sales		**(137,650)**	(56,671)
Gross profit		**62,033**	34,796
Other income and gains	5	**32,168**	49,500
Fair value gain on investment properties, net		**34,713**	262,341
Administrative expenses		**(70,564)**	(70,059)
Other operating income/(expenses), net		**3,024**	(37,146)
Finance costs	7	**(24,799)**	(33,019)
Share of profits and losses of associates		**1,616**	483
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**38,191**	206,896
Income tax expense	10	**(35,069)**	(73,171)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**3,122**	133,725
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**174,863**	14,061
PROFIT FOR THE YEAR		**177,985**	147,786
Attributable to:			
Owners of the Company		**144,934**	140,998
Non-controlling interests		**33,051**	6,788
		177,985	147,786
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted			
– For profit for the year		**HK14.82 cents**	HK17.68 cents
– For profit from continuing operations		**HK0.34 cent**	HK16.76 cents

	Notes	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR		**177,985**	147,786
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of associates		**(2,801)**	(991)
Exchange differences on translation of foreign operations		**(67,145)**	(31,638)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(69,946)**	(32,629)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Surplus/(deficit) on revaluation of leasehold land and buildings	*14*	**25,034**	(3,002)
Income tax effect	*32*	**(4,630)**	655
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**20,404**	(2,347)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(49,542)**	(34,976)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**128,443**	112,810
Attributable to:			
Owners of the Company		**96,025**	107,394
Non-controlling interests		**32,418**	5,416
		128,443	112,810

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**217,258**	221,282
Investment properties	15	**887,841**	1,056,900
Goodwill	16	**–**	–
Investments in associates	17	**98,260**	127
Available-for-sale investments	18	**21,641**	21,641
Pledged deposits	27	**–**	462,000
Total non-current assets		**1,225,000**	1,761,950
CURRENT ASSETS			
Due from associates	17	**356**	4,964
Due from an investee	19	**–**	100
Due from related companies	20	**2,637**	1,347
Properties held for sale under development and properties held for sale	21	**1,075,972**	1,075,959
Gross amount due from contract customers	22	**–**	31,929
Inventories	23	**8,444**	14,456
Accounts receivable	24	**34,586**	110,635
Prepayments, deposits and other receivables	25	**35,445**	80,896
Equity investments at fair value through profit or loss	26	**4,329**	8,124
Tax recoverable		**–**	2,490
Pledged deposits	27	**182,900**	152,127
Cash and cash equivalents	27	**67,073**	57,689
		1,411,742	1,540,716
Assets of a disposal group classified as held for sale	37	**146,316**	–
Total current assets		**1,558,058**	1,540,716
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**–**	114,914
Accounts payable	28	**9,149**	47,353
Other payables and accruals	29	**254,471**	288,821
Due to associates	17	**5,549**	48
Due to a non-controlling shareholder	30	**–**	1,500
Tax payable		**51,075**	82,301
Interest-bearing bank and other borrowings	31	**512,978**	653,841
		833,222	1,188,778
Liabilities directly associated with the assets classified as held for sale	37	**68,721**	–
Total current liabilities		**901,943**	1,188,778
NET CURRENT ASSETS		**656,115**	351,938

	Notes	2017 HK$'000	2016 HK$'000
NET CURRENT ASSETS		**656,115**	351,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,881,115**	2,113,888
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*31*	**277,415**	560,040
Deferred tax liabilities	*32*	**146,987**	172,599
Total non-current liabilities		**424,402**	732,639
Net assets		**1,456,713**	1,381,249
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*33*	**97,788**	97,788
Reserves	*35*	**1,358,805**	1,262,478
		1,456,593	1,360,266
Non-controlling interests		**120**	20,983
Total equity		**1,456,713**	1,381,249

Tjia Boen Sien
Director

Wang Jing Ning
Director

Consolidated Statement of Changes in Equity
Year ended 31 March 2017

		Attributable to owners of the Company														
	Notes	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Other reserve *HK$'000*	Property revaluation reserve *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Reserve funds *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2015		65,184	173,678	15,262	23,061	123,810	(9,240)	14,407	–	43,105	3,792	4,529	695,146	1,152,734	16,337	1,169,071
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	140,998	140,998	6,788	147,786
Other comprehensive income/(loss) for the year:																
Deficit on revaluation of leasehold land and buildings, net of tax		–	–	–	–	(1,688)	–	–	–	–	–	–	–	(1,688)	(659)	(2,347)
Share of other comprehensive loss of associates		–	–	–	–	–	–	–	–	–	(991)	–	–	(991)	–	(991)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(30,925)	–	–	–	(30,925)	(713)	(31,638)
Total comprehensive income/(loss) for the year		–	–	–	–	(1,688)	–	–	–	(30,925)	(991)	–	140,998	107,394	5,416	112,810
Release of revaluation reserve		–	–	–	–	(5,242)	–	–	–	–	–	–	5,242	–	–	–
Equity-settled share option arrangement	*34*	–	–	–	–	–	–	–	4,771	–	–	–	–	4,771	1,183	5,954
Shares repurchased	*33(i)*	(50)	(272)	–	–	–	–	50	–	–	–	–	(50)	(322)	–	(322)
Shares repurchase expenses	*33(i)*	–	(7)	–	–	–	–	–	–	–	–	–	–	(7)	–	(7)
Share options exercised	*33(ii)*	58	436	–	–	–	–	–	(82)	–	–	–	–	412	–	412
Issue of shares	*33(iii)*	32,596	71,711	–	–	–	–	–	–	–	–	–	–	104,307	–	104,307
Share issue expenses	*33(ii),(iii)*	–	(2,506)	–	–	–	–	–	–	–	–	–	–	(2,506)	–	(2,506)
Final 2015 dividend paid		–	–	–	–	–	–	–	–	–	–	–	(6,517)	(6,517)	–	(6,517)
Dividend paid to non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	(1,953)	(1,953)
At 31 March 2016		97,788	243,040*	15,262*	23,061*	116,880*	(9,240)*	14,457*	4,689*	12,180*	2,801*	4,529*	834,819*	1,360,266	20,983	1,381,249

		Attributable to owners of the Company														
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016		97,788	243,040	15,262	23,061	116,880	(9,240)	14,457	4,689	12,180	2,801	4,529	834,819	1,360,266	20,983	1,381,249
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	144,934	144,934	33,051	177,985
Other comprehensive income/(loss) for the year:																
Surplus on revaluation of leasehold land and buildings, net of tax		-	-	-	-	19,612	-	-	-	-	-	-	-	19,612	792	20,404
Share of other comprehensive loss of associates		-	-	-	-	-	-	-	-	-	(2,801)	-	-	(2,801)	-	(2,801)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(65,720)	-	-	-	(65,720)	(1,425)	(67,145)
Total comprehensive income/(loss) for the year		-	-	-	-	19,612	-	-	-	(65,720)	(2,801)	-	144,934	96,025	32,418	128,443
Release of revaluation reserve		-	-	-	-	(4,979)	-	-	-	-	-	-	4,979	-	-	-
Equity-settled share option arrangement	34	-	-	-	-	-	-	-	1,300	-	-	-	-	1,300	-	1,300
Expiry of share options	34	-	-	-	-	-	-	-	(1,333)	-	-	-	1,333	-	-	-
Capital injection to a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	294	294
Disposal of subsidiaries	38	-	-	-	-	(8,146)	-	-	-	(998)	-	(856)	9,002	(998)	(53,575)	(54,573)
At 31 March 2017		97,788	243,040*	15,262*	23,061*	123,367*	(9,240)*	14,457*	4,656*	(54,538)*	-	3,673*	995,067*	1,456,593	120	1,456,713

* These reserve accounts comprise the consolidated reserves of HK$1,358,805,000 (2016: HK$1,262,478,000) in the 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 ("**PRC**"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

Consolidated Statement of Cash Flows
Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**38,191**	206,896
From discontinued operations	12	**176,897**	13,221
Adjustments for:			
Finance costs		**27,754**	33,486
Share of profits and losses of associates		**(1,616)**	(483)
Interest income		**(17,657)**	(16,874)
Fair value gain on investment properties, net	15	**(35,461)**	(261,921)
Dividend income		**(217)**	(764)
Loss on disposal of items of property, plant and equipment		**355**	43
Depreciation		**9,844**	6,849
Impairment/(reversal of impairment) of properties held for sale	6	**(12,650)**	35,574
Provision for inventories	6	**304**	1,980
Impairment of other receivables	6	**10,096**	2,112
Fair value gain on equity investments at fair value through profit or loss, net		**(45,398)**	(794)
Fair value loss on the derivative component of convertible bonds		**876**	–
Impairment of accounts receivable		**651**	3,903
Equity-settled share option expenses		**1,300**	5,954
Gain on disposal of subsidiaries	12	**(106,373)**	–
		46,896	29,182
Decrease/(increase) in properties held for sale under development and properties held for sale		**6,164**	(85,058)
Decrease/(increase) in gross amount due from contract customers		**4,538**	(5,374)
Decrease/(increase) in inventories		**5,708**	(4,668)
Increase in accounts receivable		**(54,751)**	(55,754)
Decrease/(increase) in prepayments, deposits and other receivables		**(10,182)**	12,322
Increase in equity investments at fair value through profit or loss		**(16,108)**	(7,330)
Increase in gross amount due to contract customers		**9,926**	26,459
Increase/(decrease) in accounts payable		**(9,471)**	17,485
Increase in other payables and accruals		**46,750**	152,471
Cash generated from operations		**29,470**	79,735
Interest paid		**(67,707)**	(83,512)
Hong Kong taxes paid		**–**	(4,434)
Overseas taxes paid		**(17,359)**	(10,663)
Dividend received		**174**	–
Net cash flows used in operating activities		**(55,422)**	(18,874)

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**17,657**	16,874
Dividend received		**43**	764
Dividend received from an associate		**3,345**	400
Purchases of items of property, plant and equipment		**(4,344)**	(970)
Proceeds from disposal of items of property, plant and equipment		**53**	10
Proceeds from disposal of subsidiaries	38	**10,053**	–
Advances to associates, net		**10,109**	(140)
Decrease/(increase) in pledged deposits		**366,457**	(239,005)
Net cash flows from/(used in) investing activities		**403,373**	(222,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**–**	104,719
Share issue expenses		**–**	(2,506)
Repurchase of the Company's shares	33	**–**	(322)
Share repurchase expenses	33	**–**	(7)
New bank and other borrowings		**250,920**	483,275
Repayment of bank and other borrowings		**(582,139)**	(367,729)
Proceeds from issue of convertible bonds		**30,900**	–
Transaction costs of issue of convertible bonds		**(725)**	–
Increase in amounts due from related companies		**(7,076)**	(868)
Dividends paid		**–**	(8,470)
Net cash flows from/(used in) financing activities		**(308,120)**	208,092
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**39,831**	(32,849)
Cash and cash equivalents at beginning of year		**29,503**	63,054
Effect of foreign exchange rate changes, net		**(1,547)**	(702)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**67,787**	29,503
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	27	**67,073**	57,689
Cash and cash equivalents of a disposal group classified as held for sale	37	**714**	–
Bank overdrafts, secured	31	**–**	(28,186)
Cash and cash equivalents as stated in the statement of cash flows		**67,787**	29,503

1. CORPORATE AND GROUP INFORMATION

Deson Development International Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was involved in the following activities:

- the construction business, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau;
- property development and investment;
- 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
- investment in securities.

As further set out in note 12 to the financial statements, following the partial disposal of Deson Construction International Holdings Limited ("**DCIHL**") and its subsidiaries (the "**DCIHL Group**") on 31 March 2017, the Group has ceased the construction business as a main contractor, decoration, as well as the provision of electrical and engineering services, and the investment in securities as its principal activities, starting from the same date onwards.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as of the end of the reporting period are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Deson Development Holdings Limited*	British Virgin Islands ("**BVI**")/ Hong Kong	US$200	Ordinary	100	–	Investment holding
Deson Property Development (Kaifeng) Co., Ltd. (a)*	The People's Republic of China (the "**PRC**")/Mainland China	HK$311,880,000	N/A	–	100	Property development
Deson Ventures Limited*	BVI/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Ventures (Hong Kong) Limited*	Hong Kong	HK$1	Ordinary	–	100	Investment holding
Grand On Enterprise Limited	Hong Kong	HK$1	Ordinary	–	100	Property holding
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. (a)*	PRC/ Mainland China	US$6,400,000	N/A	–	100	Property development

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment
Deson Innovative Limited*	Hong Kong	HK$1,000,000	Ordinary	–	100	Selling, distribution and marketing of home security and automation products
Super Sight Investments Inc.*	BVI/ Mainland China	US$1	Ordinary	–	100	Property development
Win Glory Properties Limited	Hong Kong	HK$10,000	Ordinary	–	100	Human resources
Wonderful Hope Limited*	BVI/ Mainland China	US$1	Ordinary	–	100	Property development
海南亞豪置業有限公司 (a)*	PRC/ Mainland China	RMB10,000,000	N/A	–	100	Property investment
迪臣跨境商貿(開封)有限公司 (a)*	PRC/ Mainland China	RMB30,000,000	N/A	–	100	E-commence

(a) Registered as wholly-foreign-owned enterprises under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

On 31 March 2017, as a result of the placing of 200,000,000 shares of DCIHL, as further explained in note 12 to the financial statements, the subsidiaries operating the construction business, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau and investment in securities have become associates of the Group from the same date onwards. Particulars of these associates as of 31 March 2017 are set out in note 17 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if it this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in HKAS 1;

  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfer of Investment Property*[2]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRS[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and a disposal group classified as hold for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis or reducing balance basis to write off the cost or valuation amount of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation amount of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised is equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating income/(expenses), net in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables, certain accruals, amounts due to associates, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion related to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Properties held for sale under development and properties held for sale

Properties under development which are intended for sale are included in properties held for sale under development and properties held for sale and are stated at the lower of cost and net realisable value, which is estimated by the directors based on the prevailing market conditions. Costs include all costs directly incurred in the properties under development, including development expenditure, borrowing costs and other direct costs.

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from the rendering of services, when the services are rendered or on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(d) from the sale of property interests, when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(e) rental income, on a time proportion basis over the lease terms;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(g) dividend income, when the shareholders' right to receive payment has been established; and

(h) realised fair value gain or loss on investment in securities, on the trade date basis, whilst unrealised fair value gain or loss on change in fair value at the end of the reporting period.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme (the "ORSO Scheme") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.5% (2016: 6.3%) has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value does not exist; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Operating lease commitments – Group as lessor

The Group has entered into leases for certain of its properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Revenue recognition for construction contracts

For the year ended 31 March 2017, the Group recognised revenue from construction contracting and related businesses under discontinued operations amounting to HK$872,762,000. The Group had accounted for its construction contracts by applying the percentage-of-completion method. This involved the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete and profit margin.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties (continued)

The carrying amount of investment properties at 31 March 2017 was HK$887,841,000 (2016: HK$1,056,900,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax (''LAT'') implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaged in the property development business in Mainland China are subject to LAT, which have been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions of LAT in the period in which such determination is made.

Estimates regarding the realisability of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Impairment of accounts receivable

Impairment of accounts receivable is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

Outcome of construction contracts

The Group determined whether the outcome of a construction contract could be estimated reliably. This required a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The Group discontinued its operation of the construction contracting and related businesses on 31 march 2017 and no longer had gross amounts due from nor due to contract customers as at 31 March 2017. In the prior year, the contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date as at 31 March 2017 amounted to approximately HK$3,290,327,000. Further details are given in note 22 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group was organised into business units based on their products and services and had four reportable operating segments as follows:

(a) the property development and investment business segment is engaged in property development of residential and commercial properties and the holding of investment properties;

(b) the "others" segment comprises, principally, the trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as the trading of various granite and marble products, stone slabs and products for construction market;

(c) the construction business segment is engaged in construction contract works, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services; and

(d) the securities investment segment is engaged in investment in securities.

During the year, management of the Group reassessed the Group's segment reporting and decided that for financial reporting purposes, there was a new reportable operating segment as the resources allocation, performance assessment and decision making of the investment in securities operation were considered separately. On 31 March 2017, the Group disposed of and discontinued its operations of the construction business and securities investment. Further details regarding the discontinued operations are set out in note 12 to the financial statements.

Management monitors the results of the Group's 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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that interest and dividend income, certain fair value gain on equity investments at fair value through profit or loss, unallocated expenses, 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 and assets of a disposal group classified as held for sale as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities and liabilities directly associated with the assets classified as held for sale, 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2017

	Continuing operations			Discontinued operations			
	Property development and investment business	Others	Total	Construction business	Securities investment	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	168,400	31,283	199,683	872,762	45,042	917,804	1,117,487
Other income and gains	13,165	1,001	14,166	953	–	953	15,119
	181,565	32,284	213,849	873,715	45,042	918,757	1,132,606
Segment results							
Operating profit	54,969	1,465	56,434	31,135	43,522	74,657	131,091
Reconciliation:							
Interest income			17,429			228	17,657
Dividend income			43			–	43
Gain on disposal of subsidiaries			–			106,373	106,373
Fair value gain on equity investments at fair value through profit or loss			530			–	530
Unallocated expenses			(13,062)			(1,406)	(14,468)
Finance costs			(24,799)			(2,955)	(27,754)
Share of profits and losses of associates			1,616			–	1,616
Profit before tax			38,191			176,897	215,088
Segment assets	2,226,190	25,337	2,251,527	–	–	–	2,251,527
Reconciliation:							
Investments in associates			98,260			–	98,260
Corporate and other unallocated assets			286,955			–	286,955
Assets of a disposal group classified as held for sale			146,316			–	146,316
Total assets			2,783,058			–	2,783,058

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2017 *(continued)*

	Continuing operations			Discontinued operations			
	Property development and investment business	Others	Total	Construction business	Securities investment	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	928,353	10,318	938,671	–	–	–	938,671
Reconciliation:							
Corporate and other unallocated liabilities	–	–	318,953	–	–	–	318,953
Liabilities directly associated with the assets classified as held for sale	–	–	68,721	–	–	–	68,721
Total liabilities			1,326,345			–	1,326,345
Other segment information:							
Fair value gain on investment properties, net	(34,713)	–	(34,713)	(748)	–	(748)	(35,461)
Loss on disposal of items of property, plant and equipment	347	8	355	–	–	–	355
Impairment of other receivables	10,096	–	10,096	–	–	–	10,096
Impairment of accounts receivable	–	651	651	–	–	–	651
Provision for inventories	110	194	304	–	–	–	304
Reversal of impairment of properties held for sale	(12,650)	–	(12,650)	–	–	–	(12,650)
Depreciation	7,260	1,776	9,036	808	–	808	9,844
Capital expenditure*	64	4,130	4,194	150	–	150	4,344

* Capital expenditure represents additions of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2016

	Continuing operations			Discontinued operations			
	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*	Construction business *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*	Total *HK$'000* *(Restated)*
Segment revenue:							
Sales to external customers	59,546	31,921	91,467	812,954	794	813,748	905,215
Other income and gains	30,606	1,511	32,117	942	–	942	33,059
	90,152	33,432	123,584	813,896	794	814,690	938,274
Segment results							
Operating profit	233,530	4,064	237,594	14,314	794	15,108	252,702
Reconciliation:							
Interest income			16,619			255	16,874
Dividend income			764			–	764
Unallocated expenses			(15,545)			(1,675)	(17,220)
Finance costs			(33,019)			(467)	(33,486)
Share of profits and losses of associates			483			–	483
Profit before tax			206,896			13,221	220,117
Segment assets	2,344,982	29,193	2,374,175	219,563	8,124	227,687	2,601,862
Reconciliation:							
Investments in associates			127			–	127
Corporate and other unallocated assets			660,456			40,221	700,677
Total assets			3,034,758			267,908	3,302,666

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2016 *(continued)*

	Continuing operations			Discontinued operations			
	Property development and investment business	Others	Total	Construction business	Securities investment	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	1,335,017	11,776	1,346,793	195,108	–	195,108	1,541,901
Reconciliation:							
Corporate and other unallocated liabilities			342,622			36,894	379,516
Total liabilities			1,689,415			232,002	1,921,417
Other segment information:							
Fair value loss/(gain) on investment properties, net	(262,341)	–	(262,341)	420	–	420	(261,921)
Loss on disposal of items of property, plant and equipment	19	3	22	21	–	21	43
Impairment of other receivables	2,112	–	2,112	–	–	–	2,112
Impairment of accounts receivable	–	–	–	3,903	–	3,903	3,903
Provision for inventories	–	1,980	1,980	–	–	–	1,980
Impairment of properties held for sale	35,574	–	35,574	–	–	–	35,574
Depreciation	5,940	79	6,019	830	–	830	6,849
Capital expenditure*	669	203	872	98	–	98	970

* Capital expenditure represents additions of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Hong Kong		Mainland China		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		*(Restated)*
Segment revenue:						
Sales to external customers	**713,813**	560,439	**403,674**	344,776	**1,117,487**	905,215
Attributable to discontinued operations	**(699,771)**	(545,517)	**(218,033)**	(268,231)	**(917,804)**	(813,748)
Revenue from continuing operations	**14,042**	14,922	**185,641**	76,545	**199,683**	91,467

The revenue information above is based on locations of the operations.

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**153,581**	154,762
Mainland China	**951,518**	1,585,420
	1,105,099	1,740,182

The non-current assets information above is based on the locations of the assets and excludes investments in associates and available-for-sale investments.

5. REVENUE, OTHER INCOME AND GAINS

Revenue from continuing operations represents income from property development and investment; the net invoiced value of goods sold, after allowances for returns and trade discounts; and the provision of related installation and maintenance services.

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Income from property development and investment business	**168,400**	59,546
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	**31,283**	31,921
	199,683	91,467
Other income and gains		
Bank interest income	**17,429**	16,619
Dividend income	**43**	764
Gross rental income	**11,540**	28,270
Fair value gain on equity investments at fair value through profit or loss	**530**	–
Others	**2,626**	3,847
	32,168	49,500

6. PROFIT BEFORE TAX

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

	2017 HK$'000	2016 HK$'000 (Restated)
Cost of properties sold	**117,278**	34,041
Cost of inventories sold and services provided	**20,372**	22,630
Auditor's remuneration	**1,455**	1,300
Depreciation	**9,036**	6,019
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**3,205**	3,935
Minimum lease payments under operating leases on land and buildings	**498**	439
Rental income on investment properties less direct operating expenses of HK$3,205,000 (2016: HK$3,935,000)	**(22,516)**	(32,280)
Loss on disposal of items of property, plant and equipment^	**355**	22
Employee benefit expense (including directors' and chief executive's remuneration-note 8):		
Wages and salaries	**25,967**	26,006
Pension schemes contributions*	**396**	375
Equity-settled share option expenses (note 34)	**1,300**	4,771
Less: Amount capitalised	**(2,493)**	(2,571)
	25,170	28,581
Provision for inventories, included in cost of inventories sold above	**304**	1,980
Impairment of accounts receivable (note 24)^	**651**	–
Impairment of other receivables (note 25)^	**10,096**	2,112
Impairment/(reversal of impairment) of properties held for sale^	**(12,650)**	35,574
Foreign exchange differences, net^	**(1,476)**	(562)

* At 31 March 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2016: Nil).

^ These amounts are included in "Other operating income/(expenses), net" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Interest on bank and other borrowings	**67,222**	82,119
Less: Interest capitalised	**(42,423)**	(49,100)
	24,799	33,019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, bonuses and allowances*	**7,186**	6,809
Equity-settled share option expenses	**452**	1,600
Pension schemes contributions	**46**	45
	7,684	8,454
	8,044	8,814

* An executive director of the Company is entitled to bonus payment which is determined with reference to the profit after tax of the Group.

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

	Fees *HK$'000*	Equity-settled share option expenses *HK$'000*	Total remuneration *HK$'000*
2017			
Independent non-executive directors:			
Dr. Ho Chung Tai, Raymond	**120**	**14**	**134**
Ir Siu Man Po	**120**	**14**	**134**
Mr. Siu Kam Chau	**120**	**14**	**134**
	360	**42**	**402**
2016			
Independent non-executive directors:			
Dr. Ho Chung Tai, Raymond	120	61	181
Ir Siu Man Po	120	61	181
Mr. Siu Kam Chau	120	61	181
	360	183	543

There were no other emoluments paid or payable to independent non-executive directors during the year (2016: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and chief executive

	Salaries, bonuses and allowances *HK$'000*	Pension scheme contributions *HK$'000*	Equity-settled share option expenses *HK$'000*	Total remuneration *HK$'000*
2017				
Mr. Lu Quanzhang	**300**	**–**	**44**	**344**
Mr. Tjia Boen Sien ("Mr. Tjia")*#	**5,082**	**–**	**14**	**5,096**
Mr. Wang Jing Ning	**1,100**	**18**	**176**	**1,294**
Mr. Tjia Wai Yip, William	**704**	**28**	**176**	**908**
	7,186	**46**	**410**	**7,642**
2016				
Mr. Lu Quanzhang	300	–	182	482
Mr. Tjia*#	4,755	–	61	4,816
Mr. Wang Jing Ning	1,070	18	587	1,675
Mr. Tjia Wai Yip, William	684	27	587	1,298
	6,809	45	1,417	8,271

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

* Mr. Tjia is also the chief executive of the Group as defined in the Listing Rules.

\# This executive director of the Company is entitled to performance related bonus payment of HK$3,200,000 (2016: HK$2,909,000) which is determined with reference to the profit after tax of the Group.

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year included one director who is the chief executive (2016: two directors, including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**5,747**	3,806
Pension schemes contributions	**125**	132
Equity-settled share option expenses	**397**	1,027
	6,269	4,965

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**4**	3
	4	3

Other than the directors' remuneration and five highest paid employees disclosed above, the amounts paid to the senior management as disclosed in the "**Biographical Details of Directors and Senior Management**" section were as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**808**	2,327
Pension schemes contributions	**33**	33
Equity-settled share option expenses	**79**	868
	920	3,228

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current – Elsewhere		
Charge for the year	**4**	6,743
Overprovision in prior years	**(2,059)**	–
Deferred	**8,137**	64,508
LAT in Mainland China	**28,987**	1,920
Total tax charge from continuing operations for the year	**35,069**	73,171

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit before tax from continuing operations	**38,191**	206,896
Tax at the applicable statutory tax rates	**11,831**	54,222
Adjustment in respect of current tax of previous period	**(2,059)**	–
Profits and losses attributable to associates	**(267)**	(80)
Income not subject to tax	**(12,292)**	(4,827)
Expenses not deductible for tax	**2,040**	11,054
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries	**(542)**	(806)
Tax losses utilised from previous periods	**(302)**	(695)
Tax losses and temporary differences not recognised	**7,720**	12,409
LAT	**28,987**	1,920
Others	**(47)**	(26)
Tax charge at the Group's effective rate of 91.8% (2016: 35.4%)	**35,069**	73,171

The share of tax charge attributable to associates amounting to HK$1,176,000 (2016: credit HK$479,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

11. DIVIDEND

	2017 HK$'000	2016 HK$'000
Proposed final – HK0.5 cent per ordinary share (2016: Nil)	**4,890**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. DISCONTINUED OPERATIONS

On 11 January 2017, Deson Development Holdings Limited, a wholly-owned subsidiary of the Company, entered into a placing agreement with a placing agent for the placing of 200,000,000 shares of DCIHL to independent placees (the "**Placing**"). Upon the completion of the Placing on 31 March 2017, the Group indirectly holds 311,769,868 ordinary shares of DCIHL, representing approximately 31.18% of the existing issued share capital of DCIHL and the Group's equity interest in DCIHL has decreased from 51.18% to 31.18%. As such, the Group no longer has control over the DCIHL Group which ceased to be subsidiaries of the Group and have become associates of the Group. As the DCIHL Group was disposed of on 31 March 2017, the construction business and securities investment operations of the DCIHL Group were classified as discontinued operations.

The results of the discontinued operations for the year are presented below:

	2017 HK$'000	2016 HK$'000
Revenue	**917,804**	813,748
Cost of sales	**(815,150)**	(765,653)
Other income and gains	**1,181**	1,197
Fair value gain/(loss) on investment properties	**748**	(420)
Administrative expenses	**(30,261)**	(31,273)
Other operating expenses, net	**(843)**	(3,911)
Finance costs	**(2,955)**	(467)
Profit of the discontinued operations	**70,524**	13,221
Gain on disposal of the DCIHL Group	**106,373**	–
Profit before tax from the discontinued operations	**176,897**	13,221
Income tax credit/(expense)	**(2,034)**	840
Profit for the year from discontinued operations	**174,863**	14,061

12. DISCONTINUED OPERATIONS *(continued)*

The net cash flows incurred by the DCIHL Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Operating activities	**10,628**	1,532
Investing activities	**(2,975)**	416
Financing activities	**19,754**	(7,649)
Net cash inflow/(outflow)	**27,407**	(5,701)
Earnings per share:		
Basic, from the discontinued operations	**HK14.48 cents**	HK0.91 cent
Diluted, from the discontinued operations	**HK14.48 cents**	HK0.91 cent

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2017	2016
Profit attributable to ordinary equity holders of the parent from the discontinued operations (note 13)	**HK$141,630,000**	HK$7,272,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 13)	**977,880,400**	797,696,205
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 13)	**977,880,400**	797,696,205

The carrying amounts of assets and liabilities of the DCIHL Group at the date of completion of the Placing are set out in note 38.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (2016: 797,696,205) in issue during the year.

No adjustment was made to the basic earnings per share amount presented for the years ended 31 March 2017 and 31 March 2016 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount for the years ended 31 March 2017 and 31 March 2016.

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**3,304**	133,726
From discontinued operations	**141,630**	7,272
Profit attributable to ordinary equity holders of the parent	**144,934**	140,998

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2017							
At 31 March 2016 and at 1 April 2016:							
Cost or valuation	216,780	3,600	3,131	5,948	2,746	4,255	236,460
Accumulated depreciation	–	(2,514)	(2,357)	(4,674)	(2,513)	(3,120)	(15,178)
Net carrying amount	216,780	1,086	774	1,274	233	1,135	221,282
At 1 April 2016, net of accumulated depreciation	216,780	1,086	774	1,274	233	1,135	221,282
Additions	–	3,989	104	247	4	–	4,344
Assets included in a disposal group (note 37)	–	–	–	(27)	–	–	(27)
Disposals	–	(6)	–	(314)	–	(88)	(408)
Disposal of subsidiaries (note 38)	(18,300)	(15)	(198)	(412)	(22)	(782)	(19,729)
Surplus on revaluation	25,034	–	–	–	–	–	25,034
Depreciation provided during the year	(7,232)	(1,813)	(274)	(363)	(32)	(130)	(9,844)
Exchange realignment	(3,201)	(101)	(29)	(36)	(10)	(17)	(3,394)
At 31 March 2017	213,081	3,140	377	369	173	118	217,258
At 31 March 2017:							
Cost or valuation	213,081	6,817	1,065	2,536	1,193	1,185	225,877
Accumulated depreciation	–	(3,677)	(688)	(2,167)	(1,020)	(1,067)	(8,619)
Net carrying amount	213,081	3,140	377	369	173	118	217,258

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2016							
At 1 April 2015:							
Cost or valuation	170,912	3,720	2,806	5,712	2,745	4,329	190,224
Accumulated depreciation	–	(2,435)	(2,197)	(4,425)	(2,514)	(3,025)	(14,596)
Net carrying amount	170,912	1,285	609	1,287	231	1,304	175,628
At 1 April 2015, net of accumulated depreciation	170,912	1,285	609	1,287	231	1,304	175,628
Additions	–	–	346	555	38	31	970
Transfer from completed properties held for sale (note 21)	54,674	–	–	–	–	–	54,674
Disposals	–	–	–	(22)	–	(31)	(53)
Deficit on revaluation	(3,002)	–	–	–	–	–	(3,002)
Depreciation provided during the year	(5,803)	(158)	(171)	(528)	(30)	(159)	(6,849)
Exchange realignment	(1)	(41)	(10)	(18)	(6)	(10)	(86)
At 31 March 2016	216,780	1,086	774	1,274	233	1,135	221,282
At 31 March 2016:							
Cost or valuation	216,780	3,600	3,131	5,948	2,746	4,255	236,460
Accumulated depreciation	–	(2,514)	(2,357)	(4,674)	(2,513)	(3,120)	(15,178)
Net carrying amount	216,780	1,086	774	1,274	233	1,135	221,282

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$213,081,000 (2016: HK$216,780,000) based on their existing use.

A revaluation surplus of HK$25,034,000 (2016: deficit of HK$3,002,000) resulting from the revaluation has been credited (2016: charged) to other comprehensive income.

As at 31 March 2017, certain leasehold land and buildings of the Group with an aggregate carrying amount of HK$141,100,000 (2016: HK$145,500,000) were pledged to secure certain banking facilities granted to the Group (note 31).

The Group appointed external valuers to be responsible for the external valuations of the Group's properties held for own use and had discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Properties held for own use	**–**	**–**	**213,081**	**213,081**

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Properties held for own use	–	–	216,780	216,780

During the year, 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:

	2017	2016
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**216,780**	170,912
Surplus/(deficit) on revaluation recognised in other comprehensive income	**25,034**	(3,002)
Depreciation	**(7,232)**	(5,803)
Disposal of subsidiaries	**(18,300)**	–
Transfer from properties held for sale (note 21)	–	54,674
Exchange realignment	**(3,201)**	(1)
Carrying amount at end of year	**213,081**	216,780

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of properties held for own use:

	Valuation techniques	Significant unobservable inputs	Range 2017	Range 2016
Properties held for own use	Direct comparison approach	Market unit sale price (per square foot)	**HK$2,340 to HK$6,670**	HK$2,080 to HK$6,670
	Discounted cash flow approach	Discounted rate	**11.04%**	11.16%
		Stabilised growth rate	**3%**	3%

The direct comparison approach

Under the direct comparison 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 characteristics of the properties held for own use, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square foot.

The key input was the market price per square foot, and a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties held for own use.

The discounted cash flow approach

Under the discounted cash flow approach, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, maintenance costs, and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The key input was the stabilised growth rate, and a significant increase/(decrease) in the growth rate in isolation would result in a significant increase/(decrease) in the fair value of the properties.

15. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**1,056,900**	535,184
Net gain from fair value adjustment recognised in statement of profit or loss	**35,461**	261,921
Transfer from completed properties held for sale (note 21)	**–**	277,059
Disposal of subsidiaries (note 38)	**(10,961)**	–
Assets included in a disposal group (note 37)	**(131,532)**	–
Exchange realignment	**(62,027)**	(17,264)
Carrying amount at end of year	**887,841**	1,056,900

The Group's investment properties were revalued on 31 March 2017 based on valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuers, at HK$887,841,000 (2016: HK$1,056,900,000).

As at 31 March 2017, certain investment properties of the Group with an aggregate carrying amount of HK$526,580,000 (2016: HK$541,200,000) were pledged to secure certain banking facilities granted to the Group (note 31).

As at 31 March 2017, investment properties of the Group with a carrying amount of HK$733,421,000 (2016: HK$1,046,040,000) were leased to independent third parties.

The directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risk of the properties. Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties and has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Particulars of the Group's investment properties are included on page 26.

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Hotel properties	**–**	**–**	**159,330**	**159,330**
Commercial properties	**–**	**–**	**728,511**	**728,511**
	–	**–**	**887,841**	**887,841**

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Hotel properties	–	–	288,000	288,000
Commercial properties	–	–	768,900	768,900
	–	–	1,056,900	1,056,900

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

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

	Hotel properties *HK$'000*	Commercial properties *HK$'000*
Carrying amount at 1 April 2015	307,768	227,416
Net gain/(loss) from fair value adjustment recognised in the statement of profit or loss	(9,840)	271,761
Transfer from properties held for sale (note 21)	–	277,059
Exchange realignment	(9,928)	(7,336)
Carrying amount at 31 March 2016 and 1 April 2016	**288,000**	**768,900**
Net gain from a fair value adjustment recognised in the statement of profit or loss	**19,764**	**15,697**
Assets included in a disposal group (note 37)	**(131,532)**	**–**
Disposal of subsidiaries (note 38)	**–**	**(10,961)**
Exchange realignment	**(16,902)**	**(45,125)**
Carrying amount at 31 March 2017	**159,330**	**728,511**

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 **2017**	2016
Hotel properties and commercial properties	Investment method	Estimated rental value (per square metre and per month)	**RMB51 to RMB123**	RMB51 to RMB123
		Term yield	**2.00% to 6.25%**	2.00% to 6.50%
		Reversionary yield	**6.00% to 7.25%**	6.50% to 7.50%
Commercial properties	Direct comparison approach	Market unit sale price (per square foot)	**N/A**	HK$34,600
Car park spaces	Direct comparison approach	Market unit selling price	**RMB280,000**	RMB350,000

The investment method

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.

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

The investment method *(continued)*

The valuation takes into account the characteristics 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 input was the estimated rental value, term yield and reversionary yield, and a significant increase/(decrease) in these inputs would result in a significant increase/(decrease) in the fair value of the investment properties.

The direct comparison approach

Under the direct comparison 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 characteristics 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 per square foot.

The key input was the market price per square foot, and a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the investment properties.

16. GOODWILL

	HK$'000
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017:	
Cost	606
Accumulated impairment	(606)
Net carrying amount	–

17. INVESTMENTS IN ASSOCIATES

	2017	2016
	HK$'000	*HK$'000*
Share of net assets	**33,571**	127
Goodwill on acquisition	**64,689**	–
	98,260	127
Amounts due from associates	**356**	4,964
Amounts due to associates	**(5,549)**	(48)

The balances with associates are unsecured, interest-free and repayable on demand.

17. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the material associates are as follows:

Name	Issued ordinary/ registered share capital	Place of incorporation/ registration and business	Percentage of ownership attributable to the Group 2017	2016	Principal activities
Asia Construction Holdings Limited	HK$980,000	Hong Kong	**49**	49	Investment holding
Deson Metals Company Limited*	HK$2,000,000	Hong Kong/ Mainland China	**40**	40	Trading of construction materials
Deson Construction International Holdings Limited	HK$25,000,000	The Cayman Islands/ Hong Kong	**31.18** (iv)	–	Investment holding
Beijing Chang-de Architectural & Decoration Co., Ltd. (a)*	RMB16,000,000	PRC/ Mainland China	**18.71** (iii & iv)	–	Decoration engineering
Deson Development Limited	HK$20,000,100 (Class A) (i) HK$20,000,000 (Class B) (i)	Hong Kong	**31.18** (iv)	–	Construction contracting and investment holding
Deson Engineering Limited	HK$10,000	Hong Kong	**31.18** (iv)	–	Decoration engineering
Deson Industries Limited*	US$1	BVI/ Hong Kong	**31.18** (iv)	–	Investment holding
Kenworth Engineering Limited	HK$54,374,140 (Ordinary) HK$20,000,000 (Preference) (ii)	Hong Kong	**31.18** (iv)	–	Provision of electrical and mechanical engineering services and investment in securities
上海迪申建築裝潢有限公司 (b)*	US$900,000	PRC/ Mainland China	**31.18** (iv)	–	Decoration engineering

(a) Registered as a Sino-foreign investment enterprise under PRC law.

(b) Registered as a wholly-foreign-owned enterprise under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

(i) The holders of class A shares have voting rights and are entitled to dividend distributions. Upon the winding up of this company, the class A shareholders are entitled to return of assets. The holders of non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of this company are less than HK$100 trillion.

(ii) The holders of the preference shares have a cumulative preferential right to this company's profits at 10% of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

(iii) The Group has significant influence in this company through an associate and this company is accounted for as an associate.

(iv) Upon the completion of the placing of 200,000,000 shares of DCIHL to independent placees, as further detailed in note 12 to the financial statements, DCIHL and its subsidiaries have become associates of the Group.

17. INVESTMENTS IN ASSOCIATES *(continued)*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group's shareholdings in the associates are held through subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of certain associates because it exceeded the Group's interests in these associates and the Group has no obligation to take up further losses. The Group's aggregate unrecognised share of profit for the current year and share of accumulated losses of these associates amounted to HK$251,000 (2016: HK$45,000) and HK$1,465,000 (2016: HK$1,716,000), respectively.

The DCIHL Group, which is considered material associate of the Group, is engaged in the construction contract works, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services and investment in securities, and is accounted for using the equity method.

The following table illustrates the summarised consolidated financial information in respect of the DCIHL Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2017 ***HK$'000***
Current assets	**340,659**
Non-current assets	**30,690**
Current liabilities	**(240,345)**
Non-current financial liabilities	**(25,600)**
Other non-current liabilities	**(2,873)**
Net assets	**102,531**
Reconciliation to the Group's interest in the DCIHL Group:	
Proportion of the Group's ownership	**31.18%**
The Group's share of net assets of the DCIHL Group	**31,969**
Goodwill on acquisition	**64,689**
Carrying amount of the investment	**96,658**
Fair value of the Group's investment	**96,658**

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017 ***HK$'000***	2016 *HK$'000*
Share of the associates' profit for the year	**1,616**	483
Share of the associates' other comprehensive loss	**(2,801)**	(991)
Share of the associates' total comprehensive loss	**(1,185)**	(508)
Aggregate carrying amount of the Group's investments in these associates	**1,602**	127

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted equity investments, at cost	**11,550**	11,550
Advance to an investee	**16,521**	16,521
Impairment	**(6,430)**	(6,430)
	10,091	10,091
	21,641	21,641

The above investments represent investments in equity securities which are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted available-for-sale investments were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors are of the opinion that their fair values could not be measured reliably.

The advance to an investee above is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this advance is considered as a quasi-equity loan to the investee.

Included in the above provision for impairment of an advance to an investee is a provision for individually impaired receivable of HK$6,430,000 (2016: HK$6,430,000) with a carrying amount before provision of HK$16,521,000 (2016: HK$16,521,000). The individually impaired advance to the investee is assessed that only a portion of the receivable is expected to be recovered.

19. DUE FROM AN INVESTEE

In the prior year, the amount due from an investee was unsecured, interest-free and repayable on demand.

20. DUE FROM RELATED COMPANIES

All the balances with related companies are unsecured, interest-free and repayable on demand.

The particulars of amounts due from related companies are as follows:

Name	31 March 2017 HK$'000	Maximum amount outstanding during the year HK$'000	1 April 2016 HK$'000
Excel Win Limited	**2,562**	2,562	1,159
上海美格菲健身中心有限公司	**–**	111	111
Deson City Development Limited	**33**	36	35
Deson New City Development (HK) Limited	**42**	42	42
	2,637		1,347

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

	2017 HK$'000	2016 HK$'000
Completed properties held for sale	**605,884**	733,223
Properties held for sale under development	**470,088**	342,736
	1,075,972	1,075,959
Properties held for sale under development		
– expected to be recovered:		
Within one year	**470,088**	342,736

During the year ended 31 March 2016, certain items of the Group's properties held for sale with an aggregate carrying value of HK$277,059,000 (note 15) were transferred to investment properties and certain property of the Group with a carrying value of HK$54,674,000 (note 14) was transferred from completed properties held for sale to property, plant and equipment.

As at 31 March 2017, certain completed properties held for sale under development and properties held for sale of the Group with an aggregate carrying amount of HK$360,307,000 (2016: HK$234,403,000) were pledged to secure certain banking facilities granted to the Group (note 31).

Particulars of the Group's properties held for sale under development and properties held for sale are included on page 25.

22. CONSTRUCTION CONTRACTS

	2017 HK$'000	2016 HK$'000
Gross amount due from contract customers	–	31,929
Gross amount due to contract customers	–	(114,914)
	–	(82,985)

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	–	3,290,327
Less: Progress billings	–	(3,373,312)
	–	(82,985)

23. INVENTORIES

	2017 HK$'000	2016 HK$'000
Trading goods	**8,444**	14,456

24. ACCOUNTS RECEIVABLE

	2017 HK$'000	2016 HK$'000
Accounts receivable	**35,673**	76,699
Impairment	**(1,087)**	(8,714)
	34,586	67,985
Retention monies receivable	**–**	42,650
	34,586	110,635

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts 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:

	2017 HK$'000	2016 HK$'000
Current to 90 days	**13,571**	59,312
91 to 180 days	**4,094**	6,177
181 to 360 days	**16,598**	848
Over 360 days	**323**	1,648
	34,586	67,985
Retention monies receivable	**–**	42,650
Total	**34,586**	110,635

24. ACCOUNTS RECEIVABLE *(continued)*

The movements in the provision for impairment of accounts receivable are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**8,714**	4,811
Provision of impairment losses (note 6)	**651**	3,903
Amount written off as uncollectible	**(2)**	–
Disposal of subsidiaries	**(8,276)**	–
At end of year	**1,087**	8,714

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$1,087,000 (2016: HK$8,714,000) with a carrying amount before provision of HK$1,087,000 (2016: HK$8,714,000). The individually impaired accounts receivable relate to customers that were in financial difficulties or customers that were in default in repayments and the receivables were not expected to be recovered.

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,109**	59,312
Less than 3 months past due	**6,007**	6,997
3 to 6 months past due	**14,943**	5
More than 6 months past due	**527**	1,671
	34,586	67,985

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In the prior year, none of the retention monies receivable was either past due or impaired.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**16,710**	34,035
Deposits	**723**	1,830
	17,433	35,865
Other receivables	**35,342**	56,531
Impairment	**(17,330)**	(11,500)
	18,012	45,031
	35,445	80,896

Except for other receivables against which impairment has been made, the remaining assets are neither past due nor impaired. The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

The movements in the provision for impairment of other receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**11,500**	9,589
Impairment losses (note 6)	**10,096**	2,112
Disposal of subsidiaries	**(3,614)**	–
Exchange realignment	**(652)**	(201)
At end of year	**17,330**	11,500

Included in the above provision for impairment of other receivables is a provision for individual other receivables that defaulted in repayments and these receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Listed equity investments, at market value	**4,329**	8,124

The above equity investments at 31 March 2017 and 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$4,408,000.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**67,073**	68,289
Time deposits	**182,900**	603,527
	249,973	671,816
Less: Pledged deposits for banking facilities (note 31)		
– Current	**(182,900)**	(152,127)
– Non-current	**–**	(462,000)
	(182,900)	(614,127)
Cash and cash equivalents	**67,073**	57,689

At the end of the reporting period, the aggregate cash and bank balances and deposits of the Group denominated in RMB amounted to approximately HK$178,251,000 (2016: approximately HK$572,866,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. 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:

	2017 HK$'000	2016 HK$'000
Current to 90 days	**1,221**	33,577
91 to 180 days	**–**	3,677
181 to 360 days	**39**	–
Over 360 days	**7,889**	10,099
	9,149	47,353

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

29. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Deposits received	**19,854**	4,951
Other payables	**218,065**	251,926
Accruals	**16,552**	31,944
	254,471	288,821

Other payables are non-interest-bearing and are repayable on demand or within one year.

30. DUE TO A NON-CONTROLLING SHAREHOLDER

In the prior year, the amount due to a non-controlling shareholder was unsecured, interest-free and repayable on demand.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Contractual interest rate (%) per annum	**Maturity**	**HK$'000**	Contractual interest rate (%) per annum	Maturity	HK$'000
Current						
Bank loans-secured	**4.3 to 9.0**	**2018**	**487,090**	3.821 to 8.20	2017	480,360
Bank overdrafts – secured	**–**	**–**	**–**	prime rate (note) + 0.75	–	28,186
Trust receipt loans – secured	**–**	**–**	**–**	prime rate (note) + 0.875	2017	13,475
Other borrowings	**9.5 to 12.0**	**2018**	**25,888**	12.0	2017	131,820
			512,978			653,841
Non-current						
Bank loans-secured	**7.67 to 8.2**	**2018 to 2023**	**182,495**	6.1 to 8.2	2017 to 2023	560,040
Other borrowings	**9.5**	**2019**	**94,920**	–	–	–
			277,415			560,040
			790,393			1,213,881

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2017 *HK$'000*	2016 *HK$'000*
Analysed into:		
Bank loans, overdrafts and trust receipt loans repayable:		
Within one year or on demand	**487,090**	522,021
In the second year	**69,495**	410,040
In the third to fifth years	**84,750**	90,000
Beyond five years	**28,250**	60,000
	669,585	1,082,061
Other borrowings, repayable:		
Within one year or on demand	**25,888**	131,820
In the third to fifth years	**94,920**	–
	120,808	131,820
	790,393	1,213,881

Note: The rates represent the prevailing prime lending rates used by the respective banks in Hong Kong.

Except for secured bank loans of HK$619,585,000 (2016: HK$1,010,400,000) and unsecured other borrowings of HK$120,808,000 (2016: HK$131,820,000) which are denominated in RMB, all remaining borrowings are in Hong Kong dollars.

The carrying amounts of these bank and other borrowings approximate to their fair values as at the end of the reporting period. The fair value of bank and other borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

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$141,100,000 (2016: HK$145,500,000) (note 14);

(ii) the pledge of certain of the Group's investment properties situated in the PRC of HK$526,580,000 (2016: HK$541,200,000) (note 15);

(iii) the pledge of certain of the Group's properties held for sale and properties held for sale under development situated in the PRC of HK$360,307,000 (2016: HK$234,403,000) (note 21); and

(iv) the pledge of the Group's deposits of HK$182,900,000 (2016: HK$614,127,000) (note 27).

In addition, certain banking facilities are secured by corporate guarantees executed by the Company and guarantees from a director of the Company and a director of a subsidiary.

32. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	2017			
	Accelerated/ (decelerated) tax depreciation	**Revaluation of properties**	**Withholding taxes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At beginning of year	**(1,775)**	**162,315**	**12,059**	**172,599**
Deferred tax charged/(credited) to the statement of profit or loss during the year	**(279)**	**8,865**	**(692)**	**7,894**
Deferred tax debited to the statement of comprehensive income during the year	**–**	**4,630**	**–**	**4,630**
Disposal of subsidiaries (note 38)	**2,347**	**(5,034)**	**(186)**	**(2,873)**
Liabilities included in a disposal group (note 37)	**–**	**(29,510)**	**–**	**(29,510)**
Exchange realignment	**(293)**	**(5,460)**	**–**	**(5,753)**
At end of year	**–**	**135,806**	**11,181**	**146,987**

	2016			
	Accelerated/ (decelerated) tax depreciation	Revaluation of properties	Withholding taxes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	239	98,789	12,827	111,855
Deferred tax charged/(credited) to the statement of profit or loss during the year	(2,014)	65,209	(768)	62,427
Deferred tax credited to the statement of comprehensive income during the year	–	(655)	–	(655)
Exchange realignment	–	(1,028)	–	(1,028)
At end of year	(1,775)	162,315	12,059	172,599

The Group has estimated tax losses arising in Hong Kong of approximately HK$108,216,000 (2016: approximately HK$625,839,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$13,938,000 (2016: approximately HK$2,694,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

Shares

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2016: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
977,880,400 (2016: 977,880,400) ordinary shares of HK$0.10 each	**97,788**	97,788

A summary of movements in the Company's share capital and share premium account is as follows:

	Notes	**Number of shares in issue**	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 April 2015		651,840,267	65,184	173,678	238,862
Shares repurchased	*(i)*	(500,000)	(50)	(272)	(322)
Shares repurchase expenses	*(i)*	–	–	(7)	(7)
Share options exercised	*(ii)*	580,000	58	436	494
Issue of shares	*(iii)*	325,960,133	32,596	71,711	104,307
Share issue expenses	*(ii), (iii)*	–	–	(2,506)	(2,506)
At 31 March 2016, 1 April 2016 and 31 March 2017		977,880,400	97,788	243,040	340,828

Notes:

(i) In the prior year, the Company repurchased a total of 500,000 of its own shares on the Stock Exchange at a price ranging from HK$0.64 to HK$0.65 per share at a total consideration, before expenses, of HK$322,000. 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 repurchased shares and shares repurchase expenses of HK$7,000 were charged against the share premium account.

(ii) In the prior year, 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, which was credited to the share premium account. The corresponding share option reserve of HK$82,000 was released, of which HK$58,000 was credited to share capital and the remaining HK$24,000 was credited to the share premium account.

The related share issue expenses of HK$10,000 were charged against the share premium account.

(iii) In the prior year, on 27 November 2015, the Company entered into an underwriting agreement for an open offer of shares with an underwriter, pursuant to which the Company agreed to issue not less than 325,960,133 shares and not more than 330,670,133 shares of the Company through the underwriter at HK$0.32 each. On 13 January 2016, 325,960,133 ordinary shares of the Company of HK$0.10 each were issued for cash of HK$0.32 per share for a total cash consideration, before related expenses, of HK$104,307,000.

The premium of HK$71,711,000 received on the issue of shares was credited to the share premium account. The related expenses of HK$2,496,000 were charged against the share premium account.

33. SHARE CAPITAL *(continued)*

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEMES

The Company's 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 was 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.

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.

34. SHARE OPTION SCHEMES *(continued)*

The Company's share option scheme *(continued)*

The following share options were outstanding under the Scheme during the year:

	2017 Weighted average exercise price *HK$*	**2017** Number of options *'000*	2016 Weighted average exercise price *HK$*	2016 Number of options *'000*
At beginning of year	**0.71**	**39,420**	–	–
Expired during the year	**0.71**	**(9,420)**	–	–
Granted during the year	**–**	**–**	0.71	40,000
Exercised during the year	**–**	**–**	0.71	(580)
At end of year	**0.71**	**30,000**	0.71	39,420

During the year, 9,420,000 share options expired and the corresponding share option reserve of HK$1,333,000 was released to retained profits. No share options were exercised for the year ended 31 March 2017. In the prior year, 580,000 share options were exercised with the weighted average price of the date of exercise amounted to HK$0.71 per share.

2017

Number of options *'000*	**Exercise price *** *HK$*	**Exercise period**
15,260	**0.71**	**17 April 2016 to 16 April 2017**
14,740	**0.71**	**17 April 2017 to 16 April 2018**
30,000		

2016

Number of options *'000*	Exercise price * *HK$*	Exercise period
9,420	0.71	17 April 2015 to 16 April 2016
15,260	0.71	17 April 2016 to 16 April 2017
14,740	0.71	17 April 2017 to 16 April 2018
39,420		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year ended 31 March 2016 was HK$6,124,000 (HK$0.15 each), of which the Group recognised share option expenses of HK$1,300,000 (2016: HK$4,771,000) during the current year.

34. SHARE OPTION SCHEMES *(continued)*

The Company's share option scheme *(continued)*

In the prior year, the fair value of equity-settled share options granted on 17 April 2015 was estimated as at the date of grant using a Trinomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Dividend yield (%)	3.24
Expected volatility (%)	39.94 to 54.51
Historical volatility (%)	39.94 to 54.51
Risk-free interest rate (%)	0.12 to 0.63
Expected life of options (year)	1 to 3
Weighted average share price (HK$ per share)	0.1415-0.1627

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 580,000 share options exercised during the prior year resulted in the issue of 580,000 ordinary shares of the Company and new share capital of HK$58,000 and share premium of HK$436,000 (before share issue expenses), as further defined in note 33(ii) to the financial statements.

At the end of the reporting period, the Company had 30,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 30,000,000 additional ordinary shares of the Company and additional share capital of HK$3,000,000 and share premium of HK$18,300,000 (before share issue expenses).

At the date of approval of these financial statements, the Company had 14,740,000 share options outstanding under the Scheme, which represented approximately 1.5% of the Company's shares in issue as at that date.

DCIHL share option scheme

DCIHL operates a share option scheme (the "**DCIHL Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the DCIHL Group. Eligible participants of the DCIHL Share Option Scheme include any full-time or part-time employees, executives, officers of directors (including independent non-executive directors) of any member of the DCIHL Group. The DCIHL Share Option Scheme became effective on 10 August 2015 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 DCIHL Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of DCIHL in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the DCIHL Share Option Scheme within any 12-month period is limited to 1% of the shares of DCIHL 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.

34. SHARE OPTION SCHEMES *(continued)*

DCIHL share option scheme *(continued)*

Share options granted to a director, chief executive or substantial shareholder of DCIHL, 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 DCIHL, or to any of their associates, in excess of 0.1% of the shares of DCIHL in issue at any time or with an aggregate value (based on the price of DCIHL'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 DCIHL Share Option 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.

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

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

The following share options were outstanding under the DCIHL Share Option Scheme during the year:

	2016			
	Weighted average exercise price *HK$*	Number of options *'000*	Exercise price* *HK$*	Exercise period
At beginning of year and end of year	0.28	18,000	0.28	3 February 2016 to 2 February 2019

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the DCIHL's share capital.

No share options were exercised in the years ended 31 March 2017 and 31 March 2016.

The fair value of the share options granted during the year ended 31 March 2016 was HK$1,183,000 (HK$0.0657 each), of which DCIHL recognised share option expenses of HK$1,183,000 during the year ended 31 March 2016.

34. SHARE OPTION SCHEMES *(continued)*

DCIHL share option scheme *(continued)*

In the prior year, the fair value of equity-settled share options granted on 3 February 2016 was estimated as at the date of grant, using a Trinomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Dividend yield (%)	0.784
Expected volatility (%)	43.458
Historical volatility (%)	N/A
Risk-free interest rate (%)	0.969
Expected life of options (year)	3
Weighted average share price (HK$ per share)	0.0657

The expected life of the options is based on the historical data over the past three years/since incorporation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, DCIHL had 18,000,000 share options outstanding under the DCIHL Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of DCIHL, result in the issue of 18,000,000 additional ordinary shares of DCIHL and additional share capital of HK$450,000 and share premium of HK$4,590,000 (before share issue expenses), representing approximately 1.8% of DCIHL's shares in issue as at that date.

As of 31 March 2017, the Group no longer accounts for the DCIHL share option scheme as DCIHL became an associate of the Group from the same date onwards.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 56 and 57 of the financial statements.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

In the prior year, DCIHL and its subsidiaries were considered as subsidiaries of the Group that had material non-controlling interests, details are set out below:

	2016
	HK$'000
Percentage of equity interest held by non-controlling interests:	48.82%
Profit for the year allocated to non-controlling interests:	6,788
Accumulated balances of non-controlling interests at the reporting dates	20,983

The following tables illustrate the summarised audited financial information of the DCIHL Group for the year ended 31 March 2016. The amounts disclosed are before any inter-company eliminations:

	2016
	HK$'000
	(Restated)
Revenue	813,264
Total expenses	(800,919)
Profit for the year	12,345
Total comprehensive income for the year	10,465
Current assets	239,414
Non-current assets	28,494
Current liabilities	(229,235)
Non-current liabilities	(2,767)
Net cash flows from operating activities	1,532
Net cash flows from investing activities	416
Net cash flows used in financing activities	(7,649)
Net decrease in cash and cash equivalents	(5,701)

37. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 September 2016, the Company and Deson Ventures Limited ("**DVL**"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of Yew Siang Limited ("**Yew Siang**"), a subsidiary of DVL. Yew Siang and its subsidiary are mainly engaged in property investment in the PRC. As at 31 March 2017, one of the default terms in the sale and purchase agreement had not been fulfilled, Yew Siang and its subsidiary were classified as a disposal group held for sale.

As at 31 March 2017, the major classes of assets and liabilities of Yew Siang and its subsidiary classified as held for sale are as follows:

	Notes	***HK$'000***
Assets		
Property, plant and equipment	*14*	**27**
Investment properties	*15*	**131,532**
Properties held for sale		**530**
Prepayments, deposits and other receivables		**13,513**
Cash and cash equivalents		**714**
Assets classified as held for sale		**146,316**
Liabilities		
Other payables and accruals		**(2,532)**
Tax payable		**(36,679)**
Deferred tax liabilities	*32*	**(29,510)**
Liabilities directly associated with the assets classified as held for sale		**(68,721)**
Net assets directly associated with the disposal group		**77,595**

38. DISPOSAL OF SUBSIDIARIES

As disclosed in note 12, Deson Development Holdings Limited, a wholly-owned subsidiary of the Company, entered into a placing agreement with a placing agent for the placing of 200,000,000 shares of DCIHL to independent placees. Upon the completion of the Placing on 31 March 2017, DCIHL and its subsidiaries ceased to be subsidiaries of the Group. The net assets of the DCIHL Group at the date of disposal on 31 March 2017 were as follows:

	Notes	***HK$'000***
Net assets disposed of:		
Property, plant and equipment	*14*	**19,729**
Investment properties	*15*	**10,961**
Gross amount due from contract customers		**27,780**
Due from related companies		**5,900**
Accounts receivable		**129,431**
Prepayments, deposits and other receivables		**29,346**
Equity investments at fair value through profit or loss		**65,301**
Tax recoverable		**1,079**
Pledged deposits		**32,780**
Cash and cash equivalents		**49,042**
Gross amount due to contract customers		**(124,840)**
Accounts payable		**(27,786)**
Other payables and accruals		**(72,295)**
Due to a non-controlling shareholder		**(1,500)**
Due to a related company		**(14)**
Tax payable		**(1,134)**
Derivative component of convertible bonds		**(8,321)**
Interest-bearing bank borrowings		**(4,455)**
Liability component of convertible bonds		**(25,600)**
Deferred tax liabilities	*32*	**(2,873)**
Non-controlling interests		**(53,575)**
		48,956
Exchange fluctuation reserve		**(998)**
		47,958
Gain on disposal of subsidiaries	*12*	**106,373**
Transaction costs		**2,327**
		156,658
Satisfied by:		
Cash and cash equivalents		**60,000**
Investments in associates		**96,658**
		156,658

38. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	HK$'000
Cash consideration	**60,000**
Transaction costs	**(2,327)**
Cash and bank balances disposed of	**(49,042)**
Bank overdrafts disposed of	**1,422**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**10,053**

39. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

The Group leased certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**35,732**	44,010
In the second to fifth years, inclusive	**106,800**	142,213
After five years	**179,382**	255,433
	321,914	441,656

No contingent rental receivable was recognised by the Group during the year (2016: Nil).

(b) The Group as lessee

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

At 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**379**	810
In the second to fifth years, inclusive	**1,468**	2,690
After five years	**244**	606
	2,091	4,106

40. 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 year:

	Notes	2017 HK$'000	2016 HK$'000
Management fees received from associates	*(i)*	–	792
Management fees received from a related company	*(i)*	**55**	55
Rental income from related companies	*(ii)*	**359**	426

Notes:

(i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.

(ii) During the year, rental income was charged to Fitness Concept Limited ("**FCL**") at HK$26,000 per month. Mr. Tjia is a director of and has beneficial interests in the Company and FCL while Mr. Tjia Wai Yip, William is a director of the Company and FCL.

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with associates as at the end of the reporting period are included in note 17 to the financial statements.

(ii) Details of the Group's balance with a non-controlling shareholder as at 31 March 2016 are included in note 30 to the financial statements.

(iii) Details of the Group's balances with related companies as at the end of the reporting period are included in note 20 to the financial statements.

(iv) Details of the Group's balance with an investee as at 31 March 2016 are included in note 19 to the financial statements. Mr. Tjia is a director of the Company and this investee.

(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 their remuneration are disclosed in note 8 to the financial statements.

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*
Equity investments at fair value through profit or loss (note 26)	4,329

	Loans and receivables *HK$'000*	Available-for-sale investments *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	21,641	21,641
Due from associates	356	–	356
Due from related companies	2,637	–	2,637
Accounts receivable	34,586	–	34,586
Financial assets included in prepayments, deposits and other receivables (note 25)	18,735	–	18,735
Pledged deposits	182,900	–	182,900
Cash and cash equivalents	67,073	–	67,073
	306,287	21,641	327,928

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	9,149
Financial liabilities included in other payables and accruals	232,888
Due to associates	5,549
Interest-bearing bank and other borrowings	790,393
	1,037,979

41. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2016

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*
Equity investments at fair value through profit or loss (note 26)	8,124

	Loans and receivables *HK$'000*	Available-for-sale investments *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	21,641	21,641
Due from associates	4,964	–	4,964
Due from an investee	100	–	100
Due from related companies	1,347	–	1,347
Accounts receivable	110,635	–	110,635
Financial assets included in prepayments, deposits and other receivables (note 25)	46,861	–	46,861
Pledged deposits	614,127	–	614,127
Cash and cash equivalents	57,689	–	57,689
	835,723	21,641	857,364

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	47,353
Financial liabilities included in other payables and accruals	279,615
Due to associates	48
Due to a non-controlling shareholder	1,500
Interest-bearing bank and other borrowings	1,213,881
	1,542,397

42. 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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investments at fair value through profit or loss				
– Held for trading (note 26)	**4,329**	8,124	**4,329**	8,124
Financial liabilities				
Interest-bearing bank and other borrowings	**305,665**	618,240	**305,665**	618,240

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

Management has assessed that the fair values of cash and cash equivalents, equity investments at fair value through profit or loss, pledged deposits, accounts receivable, account payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to associates, an investee and related companies, and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 value of listed equity investments is based on quoted market prices.

The fair values of interest-bearing bank and other borrowings repayable beyond one year after the end of the reporting period as assessed on an individual borrowing basis have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group did not have any financial assets measured at fair value as at 31 March 2017 and did not have any financial liabilities measured at fair value as at 31 March 2017 and 31 March 2016.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments at fair value through profit or loss	**4,329**	**–**	**–**	**4,329**

As at 31 March 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments at fair value through profit or loss	8,124	–	–	8,124

As at 31 March 2017, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings of HK$305,665,000 (2016: HK$618,240,000). 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 unobservable (Level 3).

During the year, 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 (2016: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, available-for-sale investments, balances with associates and related companies, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as equity investments at fair value through profit or loss, accounts receivable, accounts payable, deposits and other receivables, and other payables and certain accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates in Hong Kong and the PRC.

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 31 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, other interest-bearing loans, cash and cash equivalents, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated statement of profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax and equity (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
		HK$'000	*HK$'000*
2017			
Hong Kong dollar	**100**	**(11,164)**	**–**
Hong Kong dollar	**(100)**	**11,164**	**–**
2016			
Hong Kong dollar	100	(12,032)	–
Hong Kong dollar	(100)	12,032	–

* Excluding retained profits

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
2017			
If the Hong Kong dollar weakens against RMB	**5**	**(37,957)**	**–**
If the Hong Kong dollar strengthens against RMB	**(5)**	**37,957**	**–**
2016			
If the Hong Kong dollar weakens against RMB	5	(34,205)	–
If the Hong Kong dollar strengthens against RMB	(5)	34,205	–

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise amounts due from associates, an amount due from an investee, amounts due from related companies, available-for-sale investments, deposits and other receivables, equity investments at fair value through profit or loss, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, deposits and other receivables are disclosed in notes 24 and 25 to the financial statements, respectively.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance stable liquidity.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

		2017		
	On demand	**Less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Accounts payable	**–**	**9,149**	**–**	**9,149**
Financial liabilities included in other payables and accruals	**232,888**	**–**	**–**	**232,888**
Due to associates	**5,549**	**–**	**–**	**5,549**
Interest-bearing bank and other borrowings	**–**	**556,707**	**325,349**	**882,056**
	238,437	**565,856**	**325,349**	**1,129,642**

		2016		
	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	47,353	–	47,353
Financial liabilities included in other payables and accruals	193,215	86,400	–	279,615
Due to associates	48	–	–	48
Due to a non-controlling shareholder	1,500	–	–	1,500
Interest-bearing bank and other borrowings	28,186	693,767	616,925	1,338,878
	222,949	827,520	616,925	1,667,394

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to associates and a non-controlling shareholder, and interest-bearing bank and other borrowings, less pledged deposits, and cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The gearing ratios as at the end of the reporting periods were as follows:

	2017	2016
	HK$'000	*HK$'000*
Accounts payable	**9,149**	47,353
Other payables and accruals	**254,471**	288,821
Due to associates	**5,549**	48
Due to a non-controlling shareholder	**–**	1,500
Interest-bearing bank and other borrowings	**790,393**	1,213,881
Less: Pledged deposits	**(182,900)**	(614,127)
Less: Cash and cash equivalents	**(67,073)**	(57,689)
Net debt	**809,589**	879,787
Capital	**1,456,593**	1,360,266
Total capital and net debt	**2,266,182**	2,240,053
Gearing ratio	**36%**	39%

44. COMPARATIVE AMOUNTS

As a result of the partial disposal of the DCIHL Group, as further detailed in note 12, the comparative amounts in the consolidated statement of profit or loss have been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**598,091**	606,289
CURRENT ASSETS		
Due from a related company	**42**	42
Prepayments	**55**	89
Cash and cash equivalents	**95**	90
Total current assets	**192**	221
CURRENT LIABILITIES		
Accruals	**1,319**	1,427
Due to subsidiaries	**62,766**	64,595
Due to a related company	**7,719**	5,019
Total current liabilities	**71,804**	71,041
NET CURRENT LIABILITIES	**(71,612)**	(70,820)
Net assets	**526,479**	535,469
EQUITY		
Issued capital	**97,788**	97,788
Reserves (note)	**428,691**	437,681
Total equity	**526,479**	535,469

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2015	173,678	155,531	14,407	–	39,351	382,967
Loss for the year and total comprehensive loss for the year	–	–	–	–	(12,820)	(12,820)
Equity-settled share option arrangement	–	–	–	4,689	–	4,689
Repurchase of shares	(272)	–	50	–	(50)	(272)
Shares repurchase expenses	(7)	–	–	–	–	(7)
Share options exercised	436	–	–	–	–	436
Issue of shares	71,711	–	–	–	–	71,711
Share issue expenses	(2,506)	–	–	–	–	(2,506)
Final 2015 dividend paid	–	–	–	–	(6,517)	(6,517)
At 31 March 2016 and 1 April 2016	**243,040**	**155,531**	**14,457**	**4,689**	**19,964**	**437,681**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(10,290)**	**(10,290)**
Equity-settled share option arrangement	**–**	**–**	**–**	**1,300**	**–**	**1,300**
Share options expired	**–**	**–**	**–**	**(1,333)**	**1,333**	**–**
At 31 March 2017	**243,040**	**155,531**	**14,457**	**4,656**	**11,007**	**428,691**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 21 May 1997 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, issued share capital and share premium is less than the realisable value of its assets.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2017.