Deson Development International Holdings Limited

迪臣發展國際集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The board of directors (the "Board") of Deson Development International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007, together with the comparative figures for the year ended 31 March 2006 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	3	**453,943**	617,414
Cost of sales		**(355,209)**	(509,177)
Gross profit		**98,734**	108,237
Other income and gains	3	**10,595**	13,201
Fair value gain on investment properties		**27,880**	–
Fair value gain, net on available-for-sale investments (transfer from equity)		**8,970**	–
Administrative expenses		**(114,264)**	(105,106)
Impairment for goodwill		–	(4,000)
Finance costs	4	**(5,733)**	(2,369)
Share of profits and losses of:			
A jointly-controlled entity		**(3,090)**	55
Associates		**710**	101
PROFIT BEFORE TAX		**23,802**	10,119
Tax	5	**(17,167)**	(1,656)
PROFIT FOR THE YEAR		**6,635**	8,463
Attributable to:			
Equity holders of the parent	6	**7,684**	10,181
Minority interests		**(1,049)**	(1,718)
		6,635	8,463
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		**1.44 cents**	2.04 cents
Diluted		**1.44 cents**	2.04 cents

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**105,309**	63,151
Investment properties		**80,106**	–
Prepaid land lease payments		**13,012**	13,262
Interest in a jointly-controlled entity		**11,409**	11,691
Interests in associates		**7,900**	7,403
Available-for-sale investments		**–**	16,174
Amounts due from investees		**17,721**	–
Long term deposits		**–**	30,200
Deferred tax assets		**262**	413
Total non-current assets		**235,719**	142,294
CURRENT ASSETS			
Amounts due from associates		**24,563**	19,166
Amounts due from minority shareholders		**7**	7
Properties held for sale		**395,379**	228,446
Gross amount due from contract customers		**12,283**	23,149
Inventories		**8,537**	8,674
Accounts receivable	*7*	**68,544**	60,083
Prepayments, deposits and other receivables		**26,220**	52,390
Cash and cash equivalents		**53,159**	47,167
Pledged time deposits		**68,184**	68,300
Total current assets		**656,876**	507,382

CONSOLIDATED BALANCE SHEET *(Continued)*

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
CURRENT LIABILITIES			
Gross amount due to contract customers		**29,104**	32,853
Accounts payable	*8*	**38,670**	61,682
Other payables and accruals		**175,060**	80,534
Amounts due to associates		**534**	443
Amounts due to minority shareholders		**11,824**	3,984
Tax payable		**22,334**	17,759
Interest-bearing bank and other borrowings		**87,560**	44,662
Total current liabilities		**365,086**	241,917
NET CURRENT ASSETS		**291,790**	265,465
TOTAL ASSETS LESS CURRENT LIABILITIES		**527,509**	407,759
NON-CURRENT LIABILITIES			
Convertible notes		**14,856**	–
Interest-bearing bank and other borrowings		**84,162**	28,800
Deferred tax liabilities		**11,749**	2,577
Total non-current liabilities		**110,767**	31,377
Net assets		**416,742**	376,382
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**57,268**	49,668
Reserves		**356,303**	324,439
Equity component of convertible notes		**1,259**	–
		414,830	374,107
Minority interests		**1,912**	2,275
Total equity		**416,742**	376,382

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effect of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

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

(c) the fitness centre operation and related business segment is engaged in the operation of fitness centres, trading of fitness and medical equipment and the provision of related installation and maintenance services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

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

2. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit/(losses) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

	Construction business		**Property development and investment business**		**Fitness centre operation and related business**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**274,241**	431,929	**112,094**	116,683	**67,608**	68,802	**453,943**	617,414
Other income and gains	**2,460**	2,869	**3,036**	1,999	**1,157**	1,074	**6,653**	5,942
Total	**276,701**	434,798	**115,130**	118,682	**68,765**	69,876	**460,596**	623,356
Segment results	**(10,283)**	15,510	**51,586**	14,449	**(17,871)**	(14,475)	**23,432**	15,484
Interest income and dividend income							**3,921**	5,491
Fair value gain, net on available-for-sale investments							**8,970**	–
Gain on disposal of partial interest in a subsidiary							**21**	–
Gain on disposal of subsidiaries	**–**	–	**–**	1,768	**–**	–	**–**	1,768
Unallocated expenses							**(4,429)**	(6,411)
Impairment of goodwill	**–**	–	**–**	–	**–**	(4,000)	**–**	(4,000)
Finance costs							**(5,733)**	(2,369)
Share of profits and losses of:								
A jointly-controlled entity	**(3,090)**	55	**–**	–	**–**	–	**(3,090)**	55
Associates	**710**	101	**–**	–	**–**	–	**710**	101
Profit before tax							**23,802**	10,119
Tax							**(17,167)**	(1,656)
Profit for the year							**6,635**	8,463

2. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Construction business		Property development and investment business		Fitness centre operation and related business		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**179,760**	202,436	**571,248**	332,431	**79,431**	54,350	**830,439**	589,217
Interest in a jointly-controlled entity	**11,409**	11,691	**–**	–	**–**	–	**11,409**	11,691
Interests in associates	**7,900**	7,403	**–**	–	**–**	–	**7,900**	7,403
Unallocated assets							**42,847**	41,365
Total assets							**892,595**	649,676
Segment liabilities	**(90,149)**	(77,064)	**(249,619)**	(77,715)	**(48,913)**	(22,897)	**(388,681)**	(177,676)
Unallocated liabilities							**(87,172)**	(95,618)
Total liabilities							**(475,853)**	(273,294)
Other segment information:								
Depreciation	**2,118**	1,293	**481**	254	**4,061**	2,339	**6,660**	3,886
Recognition of prepaid land lease payments	**250**	250	**–**	–	**–**	–	**250**	250
Loss on disposal of items of property, plant and equipment	**16**	–	**–**	–	**239**	746	**255**	746
Impairment of amount due from a jointly-controlled entity	**2,544**	–	**–**	–	**–**	–	**2,544**	–
Impairment/(reversal of impairment) of accounts receivable	**(1,706)**	693	**5,114**	116	**83**	(1,266)	**3,491**	(457)
Impairment/(reversal of impairment) of other receivables	**(1,407)**	5,798	**–**	(3,169)	**–**	12	**(1,407)**	2,641
Provision/(write-back of provision) for inventories	**(6)**	(209)	**–**	–	**23**	1,114	**17**	905
Fair value gain of investment properties	**–**	–	**27,880**	–	**–**	–	**27,880**	–
Capital expenditure	**113**	481	**58,959**	242	**41,271**	6,864	**100,343**	7,587

2. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

	Hong Kong		Mainland China		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**163,219**	333,769	**290,724**	283,645	**453,943**	617,414
Other segment information:						
Segment assets	**188,030**	214,840	**704,565**	434,836	**892,595**	649,676
Capital expenditure	**8,947**	4,559	**91,396**	3,028	**100,343**	7,587

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, and fitness centre operations and related business.

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

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Income from construction contracting and related business	**274,241**	431,929
Income from property development and investment business	**112,094**	116,683
Income from fitness centre operation and related business	**67,608**	68,802
	453,943	617,414
Other income and gains		
Bank interest income	**2,583**	1,017
Other interest income	**1,178**	1,964
Release of discounted amount of long term receivable arising from the passage of time	**–**	2,318
Gross rental income	**2,930**	2,161
Dividend income from available-for-sale investments	**160**	194
Gain on disposal of partial interest in a subsidiary	**21**	–
Gain on disposal of subsidiaries	**–**	1,768
Others	**3,723**	3,779
	10,595	13,201

4. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**12,549**	4,651
Interest on convertible notes	**955**	–
Total interest	**13,504**	4,651
Less: Interest capitalised on properties under development	**(7,771)**	(2,282)
	5,733	2,369

5. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$4,200,000 is charged to the consolidated income statement for the year ended 31 March 2007 (2006: Nil).

	2007	2006
	HK$'000	*HK$'000*
Current – Hong Kong		
Underprovision in prior years	**–**	79
Current – Elsewhere		
Charge for the year	**3,644**	3,221
Overprovision in prior years	**–**	(1,613)
Deferred	**9,323**	(31)
LAT in Mainland China	**4,200**	–
Total tax charge for the year	**17,167**	1,656

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share placements and exercise of share options during the year ended 31 March 2007.

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

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**7,684**	10,181
Interest on convertible notes	**955**	–
Profit attributable to ordinary equity holders of the parent before interest on convertible notes	**8,639***	10,181
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**534,710,415**	499,790,777
Effect of dilution - weighted average number of ordinary shares:		
Share options **	**266,667**	255,573
Convertible notes	**6,063,658**	–
	541,040,740*	500,046,350

* Because the diluted earnings per share amount is increased when taking convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount are based on the profit for the year attributable to ordinary equity holders of the parent of HK$7,684,000 and the weighted average of 534,977,082 ordinary shares.

** The share options granted on 23 December 2006 had an anti-dilutive effect on the basis earnings per share and have not been included in the diluted earnings per share calculation for the year ended 31 March 2007.

7. ACCOUNTS RECEIVABLE

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

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

	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**43,844**	29,743
91 to 180 days	**3,803**	8,037
181 to 360 days	**2,975**	11,564
Over 360 days	**13,813**	6,282
	64,435	55,626
Retention money receivable	**4,109**	4,457
Total	**68,544**	60,083

8. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**30,103**	53,929
91 to 180 days	**168**	2,186
181 to 360 days	**1,436**	1,128
Over 360 days	**6,963**	4,439
	38,670	61,682

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

DIVIDENDS

No interim dividend was paid during the year and the Directors do not recommend the payment of final dividend in respect of the year (2006: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 August 2007 to 30 August 2007, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on 31 August 2007, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company's branch shares registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 23 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the year was HK$453,943,000 which represented a decrease of 26% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK$7,684,000 representing a decrease of 25% as compared with last year. Earnings per share is approximately HK1.44 cent.

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

During the year, the Group completed projects such as the main contractor for construction of a residential building at no.1 The Peak, Hong Kong, main contractor for design and build of a monastery building including E&M works at Lautau Island, Hong Kong, 2 years' term contract for inspection, repair, overhaul and testing of electrical and mechanical installations at various sewage treatment works and pumping station in the New Territories, Hong Kong and several school improvement works in Hong Kong.

More to note, during the year, the Group sold certain units in Phase II and Phase III of Asian Villas, Phase I of Asian Villas City Square, Haikou, Hainan Province, and certain apartments and villas in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. The enthusiastic sales response together with the fair value gain on investment properties were demonstrated by the 257% increase in the segment results as compared to last year.

On the other hand, the fitness club and related business generated a meaningful turnover totaling HK$68 million to the Group during the year. In the current year, two new fitness centres were opened at Fortune-King Plaza in Chengdu and Xinjiagwan, Shanghai, PRC, and positive feedback and enquiries were received since the opening.

FINANCIAL REVIEW

Turnover

During the year, the Group's turnover amounted to HK$454 million, down by 26% as compared to last year. The decrease is mainly driven by the contraction in the construction contracting business, as a result of the construction market remained intensely competitive, and certain significant projects in Hong Kong had been completed in last year, whilst new projects, such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong with a contract value of HK$169 million, are still at the preliminary stage. However, construction contracting business still accounted for 60% of the Group's turnover. Turnover generated from property development and investment business and fitness club business amounted to approximately HK$112 million and HK$68 million respectively, which represent 25% and 15% of the Group's total turnover respectively.

Gross profit margin

During the year under review, the Group's gross profit margin was approximately 22%, up by 4% as compared to last year's 18%, this improvement was mainly contributed by the distinctive sales record achieved for the villas at Parkview, Shanghai and the increasing trend of Shanghai residential property price.

Liquidity and financial resources

As at 31 March 2007, the Group had total assets of HK$892,595,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK$365,086,000, HK$110,767,000, HK$414,830,000 and HK$1,912,000, respectively.

The gearing ratio for the Group is, at 21% (2006: 7.7%). It was calculated based on the long term borrowings of HK$110,767,000 (2006: HK$31,377,000) and long term capital of HK$527,509,000 (2006: HK$407,759,000).

Capital expenditure

Total capital expenditure for the year was approximately HK$100 million, which are mainly used in purchase of building, leasehold improvements, equipment in connection with the expansion of its property investment and fitness club businesses in PRC.

Contingent liabilities

At the balance sheet date, there were no significant contingent liabilities for the Group.

Commitments

The Group had the following capital commitments at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for, in respect of:		
Acquisition of properties	**–**	16,503
Renovation cost of investment properties	**11,007**	–
	11,007	16,503
Authorised, but not contracted for, in respect of:		
Renovation cost of investment properties	**17,410**	–
	28,417	16,503

Charges on group assets

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong and Mainland China of HK$77,356,000 (2006: HK$45,398,000).

(ii) the pledge of the Group's leasehold lands situated in Hong Kong of HK$13,262,000 (2006: HK$13,512,000).

(iii) the pledge of the Group's time deposits of HK$68,184,000 (2006 : HK$68,300,000).

(iv) the pledge of the Group's completed properties for sale of HK$50,471,000 (2006 : HK$74,306,000).

Treasury policies

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

Exchange risk exposure

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

PROSPECTS

Construction business (including E&M works)

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

During the year, new projects such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong, decoration work for 4th and 5th floors of Ongoing Department Store, Shanghai, PRC, decoration work for a hotel at Beijing, PRC, air-conditioning and mechanical ventilation installation at Hong Kong School of Creativity at Kowloon Tong, Hong Kong, fitting out works for Club Monaco at New World Tower, Hong Kong, and building services installation for the construction of several primary school in Hong Kong. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK$688 million.

Property development and investment

The development of high-class residential property development project, Parkview, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in December 2003. Certain units of the Parkview were sold at a total contractual sum of over RMB356 million. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and logistic center, the Directors believe that this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings.

In addition, Asian Villas City Square, Haikou, Hainan Province is developing into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres. Construction is on schedule, up to now, Phase I and II were completed and 2 blocks of residential building of Phase III are under pre-sale. It is expected the whole development will be completed by the end of 2007. Up to the date of this report, the total contract sum achieved amounted to approximately RMB140 million.

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting District of the City of Kai Feng. The Directors intend to develop a commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, the development is at the removal and demolish stage, processing smoothly, and the removal and demolish is expected to be completed by August 2007. In April 2007, the Group was granted another land use rights of a development site adjacent to the original site in Long Ting District, with a site area of approximately 20,000 sq. metres, the Directors intend to develop this additional site together with the original site.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. It is expected the development will soon be commenced.

During the year, the Group had purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary. The hotel has a gross floor area of 22,739.05 square metres and is under decoration. The Group intends to lease out the hotel to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

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

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

Operation of sports club, fitness and spa centres and related business

In the past few years, several fitness and spa centres were opened in various locations in the PRC including Shanghai, Xian, Wuhan and Chengdu. In May 2004, one of the biggest sport club in the PRC was opened in Jinqaio, Shanghai, PRC, this sports club has a total gross floor area of approximately 11,000 square meters equipped with swimming pool, tennis court, spa and gym facilities, also this sports club is the first club in Shanghai who has obtained "Approved China Sport Service (Fitness Club) Five Star Certification" in year 2007. In addition, one new fitness club was opened at Xinjiagwan, Shanghai with a gross floor area of approximately 4,500 square metres, fine-equipped with indoor heated swimming pool, squash field, gymnasium and aerobic exercise equipment etc. The brand "Megafit" is very well known in PRC, especially when Megafit obtained the right to name the "Megafit 2007 Asian Body Building and Fitness Championships" under "Megafit", a championship which will be held at the end of August, 2007 in Shanghai and will have more than 40 countries participated, furthermore, Megafit has becomes one of the co-operative unit in this championship, and the organization of which will greatly increase "Megafit"'s reputation in fitness club business and it's brand name. There are currently 9 fitness clubs which are operating under the brand name "Megafit". The Group currently has over 11,000 members. As Beijing has won the right to host the 2008 Olympic Games and Guangzhou has won the right to host the 2010 Asian Games, the Directors believe that these events will stimulate the public's enthusiasm in fitness and sports and this business segment will provide a favourable contribution to the Group's revenue in the future.

During the year, the Group had signed two co-operation agreements to open two more fitness clubs at Meilongzhen, Shanghai and Xinpujiang, Shanghai, these fitness clubs will have gross floor area of approximately 5,000 square metres and 4,000 square metres respectively, fine-equipped with indoor heated swimming pool, spa, children's workshop, spinning room, gymnasium and aerobic exercise equipments etc. The soft opening of these fitness clubs will be in October 2007.

HUMAN RESOURCES

As at 31 March 2007, the Group has 437 employees, 295 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK$46 million as compared to HK$42 million in last year.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

Summary of derivation of the CG Code:

Code Provision A4.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2007.

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2007. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

REMUNERATION COMMITTEE

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

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The annual results announcement is published on the Stock Exchange website (**http://www.hkex.com.hk**) and the Company's website (**http://www.deson.com**). The annual report for the year ended 31 March 2007 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course.

By Order of the Board
Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong, 24 July 2007.

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

* *for identification purpose*