



*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 2008**

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 2008, together with the comparative figures for the year ended 31 March 2007 as follows:

### **CONSOLIDATED INCOME STATEMENT**

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	<b>599,787</b>	396,334
Cost of sales		<b>(517,788)</b>	(336,386)
Gross profit		<b>81,999</b>	59,948
Other income and gains	3	<b>29,771</b>	9,801
Fair value gain on investment properties		–	27,880
Fair value gain on available-for-sale investments, net (transfer from equity on disposal)		–	8,970
Administrative expenses		<b>(64,784)</b>	(55,475)
Other operating expenses		<b>(2,155)</b>	(4,349)
Finance costs	4	<b>(5,497)</b>	(3,322)
Share of profits and losses of:			
A jointly-controlled entity		<b>(243)</b>	(3,090)
Associates		<b>1,147</b>	710
<b>PROFIT BEFORE TAX</b>		<b>40,238</b>	41,073
Tax	5	<b>(18,671)</b>	(17,167)

**CONSOLIDATED INCOME STATEMENT** *(Continued)*

	<i>Notes</i>	<b>2008</b> <b><i>HK\$'000</i></b>	2007 <i>HK\$'000</i>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>21,567</b>	23,906
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation	6	<b>(5,144)</b>	(17,271)
PROFIT FOR THE YEAR		<b>16,423</b>	6,635
Attributable to:			
Equity holders of the Company	7	<b>16,893</b>	7,684
Minority interests		<b>(470)</b>	(1,049)
		<b>16,423</b>	6,635
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic			
– For profit for the year		<b>2.95 cents</b>	1.44 cents
– For profit from continuing operations		<b>3.85 cents</b>	4.66 cents
Diluted			
– For profit for the year		<b>2.95 cents</b>	1.52 cents
– For profit from continuing operations		<b>3.79 cents</b>	4.56 cents

# CONSOLIDATED BALANCE SHEET

31 March 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>100,124</b>	105,309
Investment properties		<b>134,040</b>	80,106
Prepaid land lease payments		<b>5,857</b>	13,012
Interest in a jointly-controlled entity		<b>12,892</b>	11,409
Interests in associates		<b>8,192</b>	7,900
Available-for-sale investments		–	–
Financial assets at fair value through profit or loss		<b>2,234</b>	–
Amounts due from investees		–	17,721
Deferred tax asset		–	262
Total non-current assets		<b>263,339</b>	235,719
<b>CURRENT ASSETS</b>			
Amounts due from associates		<b>23,620</b>	24,563
Amounts due from minority shareholders		–	7
Properties held for sale		<b>418,784</b>	395,379
Gross amount due from contract customers		<b>7,334</b>	12,283
Inventories		<b>2,604</b>	8,537
Accounts receivable	8	<b>56,850</b>	68,544
Prepayments, deposits and other receivables		<b>35,870</b>	26,220
Cash and cash equivalents		<b>31,087</b>	53,159
Pledged time deposits		<b>21,465</b>	68,184
Total current assets		<b>597,614</b>	656,876
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		<b>35,564</b>	29,104
Accounts payable	9	<b>32,861</b>	38,670
Other payables and accruals		<b>129,679</b>	175,060
Amounts due to associates		<b>547</b>	534
Amounts due to minority shareholders		<b>17,360</b>	11,824
Amounts due to related companies		<b>23,813</b>	–
Tax payable		<b>31,747</b>	22,334
Interest-bearing bank borrowings		<b>60,109</b>	87,560

**CONSOLIDATED BALANCE SHEET (Continued)**

31 March 2008

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Total current liabilities	331,680	365,086
<b>NET CURRENT ASSETS</b>	<b>265,934</b>	291,790
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>529,273</b>	527,509
<b>NON-CURRENT LIABILITIES</b>		
Convertible notes	15,274	14,856
Interest-bearing bank borrowings	39,654	84,162
Deferred tax liabilities	14,247	11,749
Total non-current liabilities	69,175	110,767
Net assets	460,098	416,742
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	57,274	57,268
Reserves	399,040	356,303
Equity component of convertible notes	1,259	1,259
	457,573	414,830
<b>Minority interests</b>	2,525	1,912
Total equity	460,098	416,742

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 Group and Treasury Share Transactions

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendment to HKAS 1 *Presentation of Financial Statements-Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

(b) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included where appropriate.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group’s equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group’s employees for identified services provided in accordance with the Group’s share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has not changed the terms of such contracts, the interpretation has had no effect on these financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 HKFRS 2 – *Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also address the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently does not have such transactions, the interpretation has had no impact on the Group.

### 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 in hotel properties; and
- (c) the "others" segment comprises, principally, trading of medical equipment and 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. SEGMENT INFORMATION (Continued)

#### (a) Business segments

The following tables present revenue, profits/(losses) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

	Continuing operations						Discontinued operation					
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>Segment revenue:</b>												
Sales to external customers	445,680	274,241	128,140	112,094	25,967	9,999	599,787	396,334	28,334	57,609	628,121	453,943
Other income and gains	13,698	2,460	6,163	3,036	391	380	20,252	5,876	1,026	777	21,278	6,653
<b>Total</b>	<b>459,378</b>	<b>276,701</b>	<b>134,303</b>	<b>115,130</b>	<b>26,358</b>	<b>10,379</b>	<b>620,039</b>	<b>402,210</b>	<b>29,360</b>	<b>58,386</b>	<b>649,399</b>	<b>460,596</b>
<b>Segment results</b>	<b>5,204</b>	<b>(10,283)</b>	<b>40,141</b>	<b>51,586</b>	<b>(1,556)</b>	<b>(2,994)</b>	<b>43,789</b>	<b>38,309</b>	<b>(8,272)</b>	<b>(14,877)</b>	<b>35,517</b>	<b>23,432</b>
Interest income and dividend income							9,519	3,904	17	17	9,536	3,921
Fair value gain on available-for-sale investments, net							-	8,970	-	-	-	8,970
Impairment of an available-for-sale investment							(2,400)	-	-	-	(2,400)	-
Gain on disposal of partial interest in a subsidiary							-	21	-	-	-	21
Gain on disposal of subsidiaries							-	-	3,163	-	3,163	-
Unallocated expenses							(6,077)	(4,429)	-	-	(6,077)	(4,429)
Finance costs							(5,497)	(3,322)	(60)	(2,411)	(5,557)	(5,733)
Share of profits and losses of:												
A jointly-controlled entity	(243)	(3,090)	-	-	-	-	(243)	(3,090)	-	-	(243)	(3,090)
Associates	1,147	710	-	-	-	-	1,147	710	-	-	1,147	710
Profit/(loss) before tax							40,238	41,073	(5,152)	(17,271)	35,086	23,802
Tax							(18,671)	(17,167)	8	-	(18,663)	(17,167)
Profit/(loss) for the year							21,567	23,906	(5,144)	(17,271)	16,423	6,635

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. SEGMENT INFORMATION (Continued)

#### (a) Business segments (Continued)

	Continuing operations								Discontinued operation		Consolidated	
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
<b>Assets and liabilities:</b>												
Segment assets	128,214	170,732	598,005	507,831	61,016	42,161	787,235	720,724	-	30,879	787,235	751,603
Interest in a jointly-controlled entity	12,892	11,409	-	-	-	-	12,892	11,409	-	-	12,892	11,409
Interests in associates	8,192	7,900	-	-	-	-	8,192	7,900	-	-	8,192	7,900
Unallocated assets											52,634	121,683
Total assets											860,953	892,595
Segment liabilities	(113,987)	(88,276)	(116,734)	(117,591)	(5,666)	(4,008)	(236,387)	(209,875)	-	(26,986)	(236,387)	(236,861)
Unallocated liabilities											(164,468)	(238,992)
Total liabilities											(400,855)	(475,853)
<b>Other segment information:</b>												
Depreciation	2,077	2,118	469	481	2,512	1,107	5,058	3,706	1,457	2,954	6,515	6,660
Recognition of prepaid land lease payments	249	250	-	-	-	-	249	250	-	-	249	250
Fair value gain of investment properties	-	-	-	(27,880)	-	-	-	(27,880)	-	-	-	(27,880)
Net gain on disposal of a leasehold building	(12,819)	-	-	-	-	-	(12,819)	-	-	-	(12,819)	-
Loss on disposal of items of property, plant and equipment	156	16	-	-	-	-	156	16	78	239	234	255
Impairment of amount due from a jointly-controlled entity	243	2,544	-	-	-	-	243	2,544	-	-	243	2,544
Impairment of amount due from an investee	3,840	-	-	-	-	-	3,840	-	-	-	3,840	-
Impairment of accounts receivable	-	-	2,965	6,778	-	-	2,965	6,778	200	93	3,165	6,871
Reversal of impairment of accounts receivable	(128)	(1,706)	(5,279)	(1,664)	-	(10)	(5,407)	(3,380)	-	-	(5,407)	(3,380)
Impairment of other receivables	965	2,945	-	-	-	-	965	2,945	-	192	965	3,137
Reversal of impairment of other receivables	(3,933)	(4,544)	-	-	-	-	(3,933)	(4,544)	-	-	(3,933)	(4,544)
Provision/(write-back of provision) for inventories	-	(6)	-	-	107	-	107	(6)	-	23	107	17
Capital expenditure	220	113	51,132	58,959	3,204	37,908	54,556	96,980	1,185	3,363	55,741	100,343

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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 2008 and 2007.

	Hong Kong		Mainland China		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	262,916	163,219	365,205	290,724	628,121	453,943
Attributable to a discontinued operation	(6,170)	(15,554)	(22,164)	(42,055)	(28,334)	(57,609)
Revenue from continuing operations	<u>256,746</u>	<u>147,665</u>	<u>343,041</u>	<u>248,669</u>	<u>599,787</u>	<u>396,334</u>
<b>Other segment information:</b>						
Segment assets	127,007	188,030	733,946	704,565	860,953	892,595
Capital expenditure	<u>1,248</u>	<u>8,947</u>	<u>54,493</u>	<u>91,396</u>	<u>55,741</u>	<u>100,343</u>

### 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, trading of medical equipment, provision of related installation and maintenance services and an appropriate proportion of income from operation of fitness centres and trading of fitness equipment.

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

	Note	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>			
Income from construction contracting and related business		445,680	274,241
Income from property development and investment business		128,140	112,094
Income from trading of medical equipment, provision of related installation and maintenance services		<u>25,967</u>	<u>9,999</u>
Attributable to continuing operations reported in the consolidated income statement		599,787	396,334
Income from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation	6	<u>28,334</u>	<u>57,609</u>
		<u>628,121</u>	<u>453,943</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. REVENUE, OTHER INCOME AND GAINS (Continued)

	Note	2008 HK\$'000	2007 HK\$'000
<b>Other income and gains</b>			
Bank interest income		1,626	2,566
Other interest income		1,083	1,178
Gross rental income		1,686	2,930
Dividend income from available-for-sale investments		6,810	160
Gain on disposal of partial interest in a subsidiary		–	21
Net gain on disposal of a leasehold building		12,819	–
Others		5,747	2,946
		<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement		29,771	9,801
Other income and gains from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation:			
Bank interest income	6	17	17
Others	6	1,026	777
		<hr/>	<hr/>
		<b>30,814</b>	<b>10,595</b>
		<hr/> <hr/>	<hr/> <hr/>

### 4. FINANCE COSTS

		2008 HK\$'000	2007 HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years		11,410	12,549
Interest on convertible notes		1,050	955
		<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss		12,460	13,504
Less: Interest capitalised on properties under development		(6,903)	(7,771)
		<hr/>	<hr/>
		5,557	5,733
		<hr/> <hr/>	<hr/> <hr/>
Attributable to continuing operations reported in the consolidated income statement		5,497	3,322
Attributable to a discontinued operation (note 6)		60	2,411
		<hr/>	<hr/>
		5,557	5,733
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. TAX

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the year or have available tax losses brought forward from prior years to offset the assessable profits generated during the year (2007: 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") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Current – Elsewhere		
Charge for the year	<b>12,752</b>	3,644
Deferred	<b>262</b>	9,323
LAT in Mainland China	<b>5,657</b>	4,200
	<hr/>	<hr/>
Total tax charge for the year	<b>18,671</b>	17,167
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### 6 DISCONTINUED OPERATION

On 27 September 2007, the Company announced the decision of its board of directors to dispose of its entire interest in Fitness Concept Limited ("FCL") and its subsidiaries (the "Disposed Group"). The Disposed Group is engaged in the operation of fitness centres and trading of fitness equipment and is a separate business segment. The disposal of the Disposed Group was completed on 30 September 2007. As at 31 March 2008, no assets or liabilities of the Group were attributable to this discontinued operation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6 DISCONTINUED OPERATION (Continued)

The results of the Disposed Group for the year are presented below:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue, other income and gains (note 3)	<b>29,377</b>	58,403
Expenses	<b>(37,632)</b>	(73,263)
Finance costs (note 4)	<b>(60)</b>	(2,411)
	<hr/>	<hr/>
Loss of the discontinued operation	<b>(8,315)</b>	(17,271)
Gain on disposal of the Disposed Group	<b>3,163</b>	–
	<hr/>	<hr/>
Loss before tax from the discontinued operation	<b>(5,152)</b>	(17,271)
Tax	<b>8</b>	–
	<hr/>	<hr/>
Loss for the year from the discontinued operation	<b>(5,144)</b>	(17,271)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the Company	<b>(5,127)</b>	(17,229)
Minority interests	<b>(17)</b>	(42)
	<hr/>	<hr/>
	<b>(5,144)</b>	(17,271)
	<hr/> <hr/>	<hr/> <hr/>
Loss per share:		
Basic, from the discontinued operation	<b>(0.90 cent)</b>	(3.22 cents)
Diluted, from the discontinued operation	<b>(0.84 cent)</b>	(3.04 cents)
	<hr/> <hr/>	<hr/> <hr/>

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	<b>2008</b>	2007
Loss attributable to ordinary equity holders of the Company from the discontinued operation	<b>HK\$5,127,000</b>	HK\$17,229,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>572,634,425</b>	534,710,415
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<b>608,331,739</b>	567,771,603
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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share repurchase and exercise of share options during the year ended 31 March 2008.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. 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:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Earnings</b>		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	<b>22,020</b>	24,913
From a discontinued operation	<b>(5,127)</b>	(17,229)
	<b>16,893</b>	7,684
Interest on convertible notes	<b>1,050</b>	955
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	<b>17,943</b>	8,639
Attributable to:		
Continuing operations	<b>23,070</b>	25,868
Discontinued operation	<b>(5,127)</b>	(17,229)
	<b>17,943</b>	8,639

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

	Number of shares	
	2008	2007
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	572,634,425	534,710,415
Effect of dilution-weighted average number of ordinary shares:		
Share options	697,314	266,667
Convertible notes	35,000,000	32,794,521
	<u>608,331,739</u>	<u>567,771,603</u>

### 8. 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 monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction 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:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	25,636	43,844
91 to 180 days	7,061	3,803
181 to 360 days	5,797	2,975
Over 360 days	13,727	13,813
	<u>52,221</u>	<u>64,435</u>
Retention monies receivable	4,629	4,109
	<u>56,850</u>	<u>68,544</u>
Total	<u><u>56,850</u></u>	<u><u>68,544</u></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. ACCOUNTS PAYABLE

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

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	<b>25,544</b>	30,103
91 to 180 days	<b>2</b>	168
181 to 360 days	<b>1,043</b>	1,436
Over 360 days	<b>6,272</b>	6,963
	<hr/> <b>32,861</b> <hr/>	<hr/> 38,670 <hr/>

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

### 10. COMPARATIVE AMOUNTS

As further explained in note 1, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2008. In addition, the comparative income statement has been re-represented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 6).

### 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 (2007: Nil).

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 August 2008 to 21 August 2008, 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 22 August 2008, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company's branch shares registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 14 August 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's turnover for the year from the continuing operations was HK\$599,787,000 which represented an increase of 51% as compared with last year. The profit attributable to equity holders of the Company amounted to approximately HK\$16,893,000 representing an increase of 120% as compared with last year. Basic earning per share for the year was approximately HK2.95 cents.

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; (iii) trading of medical equipment, provision of related installation and maintenance services; and (iv) operation of fitness centres and trading of fitness equipment business.

During the year, the Group completed projects such as the main contractor for construction of four residential houses at 10 Pollock's Path (formerly Sky Height), the Peak, Hong Kong, fitting out works for Club Monaco at New World Tower, Hong Kong, interior fitting out works at De Beers at Landmark, Hong Kong and air-conditioning and mechanical ventilation installation at Hong Kong School of Creativity, Hong Kong. In the current year, the Group had successfully enhanced its customer base by locating some new customers, and as a result generated more revenue in this segment. This can be shown by the 63% increase in the segment sales as compared to that of last year.

More to note, during the year, the Group sold certain units in Phase I and Phase III 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 Group also benefited from the increase of property prices in the People's Republic of China (the "PRC"). The enthusiastic sales response together with the upward property price trend were demonstrated by the 14% increase in the segment sales as compared to last year. In September 2007, Asian Villas City Square was awarded one of the "Top 100 Best Property in China for year 2007 (third anniversary)". In May 2008, the Company was awarded one of the "Top 500 Most Influential Property Development Enterprise in China" for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會.

On 25 September 2007, the Group entered into a sales and purchase agreement with Ideal Choice Holdings Limited, a company wholly-owned by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, in relation to the disposal of 100% interest in Fitness Concept Limited and the related shareholder's loan, at a total consideration of HK\$6,000,000. Fitness Concept Limited and its subsidiaries are principally engaged in the operation of fitness centres and trading of fitness equipment business. Before the disposal, the fitness centre operation and fitness equipment trading business generated turnover in the amount of HK\$28 million to the Group during the year.

The Group also enjoyed contribution from an available-for-sale investment – Gain Huge Limited, which the Group holds a 10% shareholding interest. This company is principally engaged in property development in Hong Kong. After the disposal of land interest during the year, the dividend income derived from this available-for-sale investment amounted to HK\$6.8 million.

## **FINANCIAL REVIEW**

### **Turnover**

During the year, the Group's turnover surged to HK\$628 million (including the turnover generated from discontinued operation of HK\$28 million), an increase of 38% as compared to last year, and is the third highest turnover in its history. The turnover generated from the construction contracting segment and the property development and investment segment each also were the second highest in its history. The impetus behind such notable growth can largely be traced to our effective efforts to expand our customer base in the construction and contracting segment, such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong with a contract value of HK\$182 million and decoration work for a hotel in Beijing, PRC has commenced and generated meaningful turnover to the Group. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$446 million, HK\$128 million, HK\$26 million respectively, which represent increases by 63%, 14% and 160% respectively as compared to last year. For the fitness centre operation and fitness equipment trading business, since the Group had disposed of its 100% interest in Fitness Concept Limited on 30 September 2007, only half year's result in this segment is accounted for in the report, so the turnover generated from this segment dropped by 51% as compared to last year.

### **Gross profit margin**

During the year under review, the Group's gross profit margin from the continuing operations was approximately 14%, down by 1% as compared to last year's 15%, which is the dilution effect from the 63% increase in segment turnover from construction contracting business, where its turnover represents 74% of the total turnover from the continuing operations and historically the gross profit margin from this segment is comparatively low at 6%.

## Liquidity and financial resources

As at 31 March 2008, the Group had total assets of HK\$860,953,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$400,855,000, HK\$457,573,000 and HK\$2,525,000, respectively. The Group's current ratio at 31 March 2008 was 1.8 compared to 1.8 at 31 March 2007.

The gearing ratio for the Group is 13% (2007: 21%). It was calculated based on the long term borrowings of HK\$69,175,000 (2007: HK\$110,767,000) and long term capital of HK\$529,273,000 (2007: HK\$527,509,000). The improvement was mainly derived from the decrease in the level of long term borrowings of the Group during the year.

## Capital expenditure

Total capital expenditure for the year was approximately HK\$56 million, which were mainly used in the decoration of investment properties, leasehold improvements and equipment in connection with the fitness centres operations business in the 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Contracted, but not provided for, in respect of:		
Renovation cost of investment properties	–	11,007
Authorised, but not contracted for, in respect of:		
Renovation cost of investment properties	–	17,410
	<u>–</u>	<u>28,417</u>
	<u>–</u>	<u>28,417</u>

## **Charges on group assets**

Assets with an aggregate carrying value of HK\$246,498,000 were pledged as security for the Group's banking facilities.

## **Treasury policies**

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

## **Exchange risk exposure**

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the PRC, the continuing appreciation of RMB will inevitably increase its development and operating costs. However, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

## **PROSPECT**

### **Construction business (including E&M works)**

The Group will uphold an on-going parallel development of its construction business (including 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", this enables the Group to take an active part in the construction business development (including E&M works).

During the year, new projects such as fitting out works for a residential house at Pollock's Path, Hong Kong, building services installation for the construction of primary schools in Sham Tseng and Sham Shui Po, Hong Kong, air-conditioning and electrical works for Ocean Park redevelopment project – Astounding Asia, Hong Kong, E&M work for Asia Society Hong Kong Center at Admiralty, Hong Kong, supply of granite and marble and interior fitting out work for a shopping centre in Suzhou, the PRC, renovation of a 7-storey hotel in Beijing, the PRC, and renovation of an apartment building in Beijing, the PRC were won. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$814 million.

### **Property development and investment**

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, and up to now, Phases I, II and III were completed and Phase IV is under construction. It is expected the whole development will be completed by the first quarter of 2009. Up to the date of this announcement, the total sales contract sum achieved amounted to approximately RMB218 million.

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 commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, a portion of the land had completed removal and commenced construction, and the remaining land is at the removal and demolition stage, processing smoothly, and it is expected the removal and demolition will be completed by October 2008. 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 gross floor area of approximately 25,000 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 the 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.

The Group purchased a hotel in Haikou, the capital of Hainan Province, the PRC through the acquisition of a subsidiary in last year. The hotel has a gross floor area of 20,668 square metres. The hotel is leased out 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 measures had only a moderate and short term impact on the property market in the PRC. With strong sustained economic growth in the PRC, coupled with the constant 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 to increase its land reserve, specifically in the second and third tier cities in the PRC which the market trend and growth potential is consistently increasing. However, the Group has no specific investment plan in relation to any particular project currently.

Noteworthy is the fact that Directors believe the hosting of the World Expo in Shanghai, the PRC in 2010 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.

### **Trading of medical equipment**

With rising affluence especially in Hong Kong and the major cities in the PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in the PRC. In the coming year, we will expand our distribution channels and introduce a broader range of products to spur sales growth.

The Directors believe that the business development of the Group will fare towards the better in the forthcoming year, given the extensive experiences and resources in the construction contracting business and property development business, our sound governance structure and our management's proven ability in identifying and capturing business opportunities.

## HUMAN RESOURCES

As at 31 March 2008, the Group has 200 employees, 90 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK\$38 million as compared to HK\$46 million in last year. The discontinuance of the operation of fitness centres and trading of fitness equipment business on 30 September 2007 through the disposal of 100% shareholding interest in Fitness Concept Limited, has led to the decrease in number of staff and the total employee benefits expenses in the year under review as compared to 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 Company offers discretionary bonus and share options to staff based on the individual performance and the achievements of the Group's targets.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company purchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$'	Lowest HK\$'	
January 2008	500,000	0.34	0.335	170
February 2008	245,000	0.34	0.335	83
	<u>745,000</u>			<u>253</u>

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$74,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$179,000 paid on the repurchased shares and share repurchase expenses of HK\$2,000 were charged against the share premium account.

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

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 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 (“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 deviation of the CG Code:**

#### *Code Provision A4.1*

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2008.

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 2008. The audit committee comprises the 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 this 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 and 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 this 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 2008 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, 23 July 2008.

*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 and Mr. Keung Kwok Cheung, 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*