



*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 2009**

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 2009, together with the comparative figures for the year ended 31 March 2008 as follows:

### **CONSOLIDATED INCOME STATEMENT**

*Year ended 31 March 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	<b>698,194</b>	599,787
Cost of sales		<b>(587,101)</b>	(517,788)
Gross profit		<b>111,093</b>	81,999
Other income and gains	3	<b>7,555</b>	29,771
Fair value gain on investment properties, net		<b>2,599</b>	–
Administrative expenses		<b>(60,515)</b>	(64,784)
Other operating expenses		<b>(3,538)</b>	(2,155)
Finance costs	4	<b>(7,613)</b>	(5,497)
Share of profits and losses of:			
A jointly-controlled entity		<b>(10,708)</b>	(243)
Associates		<b>(259)</b>	1,147
<b>PROFIT BEFORE TAX</b>		<b>38,614</b>	40,238
Tax	5	<b>(24,954)</b>	(18,671)

	<i>Notes</i>	<b>2009</b> <b><i>HK\$'000</i></b>	2008 <i>HK\$'000</i>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>13,660</b>	21,567
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation		–	(5,144)
PROFIT FOR THE YEAR		<b>13,660</b>	16,423
Attributable to:			
Equity holders of the Company		<b>12,570</b>	16,893
Minority interests		<b>1,090</b>	(470)
		<b>13,660</b>	16,423
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>6</b>		
Basic			
– For profit for the year		<b>2.20 cents</b>	2.95 cents
– For profit from continuing operations		<b>2.20 cents</b>	3.85 cents
Diluted			
– For profit for the year		<b>2.20 cents</b>	2.95 cents
– For profit from continuing operations		<b>2.20 cents</b>	3.79 cents

# CONSOLIDATED BALANCE SHEET

31 March 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>64,350</b>	100,124
Investment properties		<b>181,704</b>	134,040
Prepaid land lease payments		<b>5,718</b>	5,857
Interest in a jointly-controlled entity		–	12,892
Interests in associates		<b>(2,408)</b>	8,192
Available-for-sale investments		–	–
Financial assets at fair value through profit or loss		<b>2,260</b>	2,234
Amount due from an investee		–	–
Total non-current assets		<b>251,624</b>	263,339
<b>CURRENT ASSETS</b>			
Amounts due from associates		<b>26,650</b>	23,620
Properties held for sale		<b>520,064</b>	418,784
Gross amount due from contract customers		<b>5,247</b>	7,334
Inventories		<b>1,497</b>	2,604
Accounts receivable	7	<b>59,472</b>	56,850
Prepayments, deposits and other receivables		<b>30,290</b>	35,870
Cash and cash equivalents		<b>53,807</b>	31,087
Pledged deposits		<b>31,331</b>	21,465
Non-current asset classified as held for sale		<b>9,295</b>	–
Total current assets		<b>737,653</b>	597,614
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		<b>38,626</b>	35,564
Accounts payable	8	<b>44,269</b>	32,861
Other payables and accruals		<b>171,116</b>	129,679
Amounts due to associates		<b>262</b>	547
Amounts due to minority shareholders		<b>19,529</b>	17,360
Amounts due to related companies		<b>27,166</b>	23,813
Tax payable		<b>45,914</b>	31,747
Convertible notes		<b>15,721</b>	–
Interest-bearing bank and other borrowings		<b>97,563</b>	60,109

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Total current liabilities	460,166	331,680
<b>NET CURRENT ASSETS</b>	<b>277,487</b>	265,934
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>529,111</b>	529,273
<b>NON-CURRENT LIABILITIES</b>		
Convertible notes	–	15,274
Interest-bearing bank and other borrowings	32,205	39,654
Deferred tax liabilities	19,252	14,247
Total non-current liabilities	51,457	69,175
Net assets	477,654	460,098
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	56,697	57,274
Reserves	416,091	399,040
Equity component of convertible notes	1,259	1,259
	474,047	457,573
<b>Minority interests</b>	<b>3,607</b>	2,525
Total equity	477,654	460,098

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	HKAS 19 – <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in 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 holding of investment 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, profit/(loss) and certain assets, liabilities and expenditures information for the Group's business segments for the years ended 31 March 2009 and 2008.

	Continuing operations								Discontinued operation		Consolidated	
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business			
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000		
<b>Segment revenue:</b>												
Sales to external customers	591,014	445,680	94,990	128,140	12,190	25,967	698,194	599,787	-	28,334	698,194	628,121
Other income and gains	1,952	13,698	4,397	6,163	-	391	6,349	20,252	-	1,026	6,349	21,278
<b>Total</b>	<b>592,966</b>	<b>459,378</b>	<b>99,387</b>	<b>134,303</b>	<b>12,190</b>	<b>26,358</b>	<b>704,543</b>	<b>620,039</b>	<b>-</b>	<b>29,360</b>	<b>704,543</b>	<b>649,399</b>
<b>Segment results</b>	<b>16,005</b>	<b>5,204</b>	<b>46,241</b>	<b>40,141</b>	<b>(667)</b>	<b>(1,556)</b>	<b>61,579</b>	<b>43,789</b>	<b>-</b>	<b>(8,272)</b>	<b>61,579</b>	<b>35,517</b>
Interest income and dividend income							1,206	9,519	-	17	1,206	9,536
Impairment of an available-for-sale investment							-	(2,400)	-	-	-	(2,400)
Gain on disposal of subsidiaries							-	-	-	3,163	-	3,163
Unallocated expenses							(5,591)	(6,077)	-	-	(5,591)	(6,077)
Finance costs							(7,613)	(5,497)	-	(60)	(7,613)	(5,557)
Share of profits and losses of:												
A jointly-controlled entity	(10,708)	(243)	-	-	-	-	(10,708)	(243)	-	-	(10,708)	(243)
Associates	(259)	1,147	-	-	-	-	(259)	1,147	-	-	(259)	1,147
Profit/(loss) before tax							38,614	40,238	-	(5,152)	38,614	35,086
Tax							(24,954)	(18,671)	-	8	(24,954)	(18,663)
Profit/(loss) for the year							<b>13,660</b>	<b>21,567</b>	<b>-</b>	<b>(5,144)</b>	<b>13,660</b>	<b>16,423</b>

# 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000		
<b>Assets and liabilities:</b>												
Segment assets	130,217	128,214	763,017	598,005	3,934	61,016	897,168	787,235	-	-	897,168	787,235
Interest in a jointly-controlled entity	-	12,892	-	-	-	-	-	12,892	-	-	-	12,892
Interests in associates	(2,408)	8,192	-	-	-	-	(2,408)	8,192	-	-	(2,408)	8,192
Non-current asset classified as held for sale	9,295	-	-	-	-	-	9,295	-	-	-	9,295	-
Unallocated assets							85,222	52,634	-	-	85,222	52,634
<b>Total assets</b>							<b>989,277</b>	<b>860,953</b>	<b>-</b>	<b>-</b>	<b>989,277</b>	<b>860,953</b>
Segment liabilities	(141,825)	(113,987)	(155,282)	(116,734)	(1,942)	(5,666)	(299,049)	(236,387)	-	-	(299,049)	(236,387)
Unallocated liabilities							(212,574)	(164,468)	-	-	(212,574)	(164,468)
<b>Total liabilities</b>							<b>(511,623)</b>	<b>(400,855)</b>	<b>-</b>	<b>-</b>	<b>(511,623)</b>	<b>(400,855)</b>
<b>Other segment information:</b>												
Depreciation	1,719	2,077	1,048	469	989	2,512	3,756	5,058	-	1,457	3,756	6,515
Recognition of prepaid land lease payments	139	249	-	-	-	-	139	249	-	-	139	249
Fair value gain of investment properties	-	-	(2,599)	-	-	-	(2,599)	-	-	-	(2,599)	-
Net gain on disposal of a leasehold building	-	(12,819)	-	-	-	-	-	(12,819)	-	-	-	(12,819)
Loss/(gain) on disposal of items of property, plant and equipment	(3)	156	42	-	-	-	39	156	-	78	39	234
Impairment of an amount due from a jointly-controlled entity	3,174	243	-	-	-	-	3,174	243	-	-	3,174	243
Impairment of an amount due from an investee	-	3,840	-	-	-	-	-	3,840	-	-	-	3,840
Impairment of accounts receivable	2,816	-	1,290	2,965	1,007	-	5,113	2,965	-	200	5,113	3,165
Reversal of impairment of accounts receivable	(186)	(128)	(2,437)	(5,279)	-	-	(2,623)	(5,407)	-	-	(2,623)	(5,407)
Impairment of other receivables	153	965	-	-	-	-	153	965	-	-	153	965
Reversal of impairment of other receivables	(900)	(3,933)	-	-	-	-	(900)	(3,933)	-	-	(900)	(3,933)
Provision for inventories	-	-	-	-	136	107	136	107	-	-	136	107
Capital expenditure	358	220	5,953	51,132	252	3,204	6,563	54,556	-	1,185	6,563	55,741

## 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 2009 and 2008.

	Hong Kong		Mainland China		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	<b>282,486</b>	262,916	<b>415,708</b>	365,205	<b>698,194</b>	628,121
Attributable to a discontinued operation	–	(6,170)	–	(22,164)	–	(28,334)
Revenue from continuing operations	<b>282,486</b>	256,746	<b>415,708</b>	343,041	<b>698,194</b>	599,787
<b>Other segment information:</b>						
Segment assets	<b>114,372</b>	127,007	<b>874,905</b>	733,946	<b>989,277</b>	860,953
Capital expenditure	<b>483</b>	1,248	<b>6,080</b>	54,493	<b>6,563</b>	55,741

### 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:

	Group	
	2009	2008
	HK\$'000	HK\$'000
<b>Revenue</b>		
Income from construction contracting and related business	<b>591,014</b>	445,680
Income from property development and investment business	<b>94,990</b>	128,140
Income from trading of medical equipment, provision of related installation and maintenance services	<b>12,190</b>	25,967
Attributable to continuing operations reported in the consolidated income statement	<b>698,194</b>	599,787
Income from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation	–	28,334
	<b>698,194</b>	628,121

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income and gains</b>		
Bank interest income	611	1,626
Other interest income	595	1,083
Gross rental income	3,210	3,919
Dividend income from available-for-sale investments	–	6,810
Net gain on disposal of a leasehold building	–	12,819
Others	3,139	3,514
	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement	7,555	29,771
Other income and gains from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation:		
Bank interest income	–	17
Others	–	1,026
	<hr/>	<hr/>
	<b>7,555</b>	<b>30,814</b>
	<hr/> <hr/>	<hr/> <hr/>

### 4. FINANCE COSTS

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	9,185	11,410
Interest on convertible notes	1,077	1,050
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	10,262	12,460
Less: Interest capitalised on properties under development	(2,649)	(6,903)
	<hr/>	<hr/>
	7,613	5,557
	<hr/> <hr/>	<hr/> <hr/>
Attributable to continuing operations reported in the consolidated income statement	7,613	5,497
Attributable to a discontinued operation	–	60
	<hr/>	<hr/>
	7,613	5,557
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/09, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. No Hong Kong profits tax had been provided in the prior year as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during that year or had available tax losses brought forward from prior years to offset the assessable profits generated during that year. 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 from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – Hong Kong		
Charge for the year	<b>9</b>	–
Current – Elsewhere		
Charge for the year	<b>9,360</b>	8,095
Underprovision/(overprovision) in prior years	<b>(21)</b>	4,657
Deferred	<b>3,757</b>	262
LAT in Mainland China	<b>11,849</b>	5,657
Total tax charge for the year	<b>24,954</b>	18,671
Represented by:		
Tax credit attributable to a discontinued operation	–	(8)
Tax charge attributable to continuing operations reported in the consolidated income statement	<b>24,954</b>	18,671
	<b>24,954</b>	18,663

### 6. 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 during the year ended 31 March 2009.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

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

	Group	
	2009	2008
	<i>HK\$'000</i>	<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	12,570	22,020
From a discontinued operation	–	(5,127)
	<u>12,570</u>	<u>16,893</u>
Interest on convertible notes	1,077	1,050
	<u>13,647</u>	<u>17,943</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	<u>13,647</u>	<u>17,943</u>
Attributable to:		
Continuing operations	13,647	23,070
Discontinued operation	–	(5,127)
	<u>13,647</u>	<u>17,943</u>
	<u>13,647</u>	<u>17,943</u>
	<b>Number of shares</b>	
	2009	2008
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	570,127,894	572,634,425
Effect of dilution-weighted average number of ordinary shares:		
Share options	–	697,314
Convertible notes	35,000,000	35,000,000
	<u>605,127,894*</u>	<u>608,331,739</u>

\* Because the diluted earnings per share amount is increased when taking the 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, diluted earnings per share amounts are based on the profit for the year of HK\$12,570,000 and the weighted average of 570,127,894 ordinary shares in issue during the year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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 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:

	Group	
	2009 HK\$'000	2008 HK\$'000
Current to 90 days	32,153	25,636
91 to 180 days	5,989	7,061
181 to 360 days	333	5,797
Over 360 days	13,662	13,727
	<hr/>	<hr/>
	52,137	52,221
Retention monies receivable	7,335	4,629
	<hr/>	<hr/>
Total	<u>59,472</u>	<u>56,850</u>

### 8. ACCOUNTS PAYABLE

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Current to 90 days	36,713	25,544
91 to 180 days	260	2
181 to 360 days	277	1,043
Over 360 days	7,019	6,272
	<hr/>	<hr/>
	<u>44,269</u>	<u>32,861</u>

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 (2008: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 1 September 2009 to 6 September 2009, 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 7 September 2009, 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 4:30 p.m. on 31 August 2009.

## **POST BALANCE SHEET EVENTS**

- (a) On 6 May 2009, Deson Development Holdings Limited ("DDHL"), a wholly-owned subsidiary of the Company entered into a shareholders' agreement with Skill Achieve Investments Limited ("Skill Achieve"), an independent third party, pursuant to which the parties agreed to form a joint venture company named Deson Development International Holdings Investment Limited ("DDIHIL"). DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited ("ZJC"), a state-owned enterprise in the PRC as reorganised under a reorganisation scheme. ZJC is principally engaged in the businesses of construction investment management and construction contracting in the PRC as a main contractor.

According to the above mentioned shareholders' agreement and a supplementary agreement dated 25 June 2009, the issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC, DDHL and Skill Achieve agreed to advance shareholders' loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million and Skill Achieve shall advance a total amount of RMB116 million to DDIHIL. Up to the date of this announcement, shareholders' loan in the amount of RMB8.7 million has been advanced by DDHL to DDIHIL.

- (b) On 23 April 2009, the convertible notes issued in prior years were fully redeemed at HK\$15,750,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's turnover for the year was HK\$698,194,000 which represented an increase of 16% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$12,570,000 representing a decrease of 26% as compared with last year. Earning per share is approximately HK2.20 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; and (iii) trading of medical equipment, provision of related installation and maintenance services.

During the year, the Group completed projects such as the main contractor for development of Good Hope School at Ngau Chi Wan, Hong Kong, renovation of external wall finishing of Saint Joseph's Catholic Church, Hong Kong, building services installation for the construction of primary schools in Yuen Long and Shamshuipo, Hong Kong, additional columbarium at Diamond Hill, Hong Kong, decoration of Prada shop at Xian, PRC, supply and installation of granite and marble for Jiu Guang Department Store, Life Style Mall in Suzhou, PRC. In current year, the Group continued the strong growth in last year and generated 33% more revenue in this segment as compared to that of last year.

More to note, during the year, the Group had completed phase IV of Asian Villas City Square, Haikou, Hainan Province and Phase I of Century Place, Kaifeng, Henan Province. The Group sold certain units of Asian Villas City Square, Haikou, certain service apartments of Parkview Garden, Shanghai, and certain units of Phase I of Century Place, Kaifeng, which contributed a meaningful turnover and profit to the Group. However, due to the global economic downturn commencing from the third quarter of 2008, PRC economy was unavoidably affected by it, and the undermined consumer sentiment seriously affected the customers' purchase attitude of long term capital assets, therefore, sales generated from this segment decreased by 26% as compared to that of 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.

## **FINANCIAL REVIEW**

### **Turnover**

During the year, the Group's turnover surged to HK\$698 million, increased by 16% as compared to last year, and is the highest turnover in 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 in the last two years, the construction and contracting segment itself also set a new high record in history. Such growth is partly offset by the contraction in the property development and investment segment where customers are tended to delay the purchase long term capital asset when confronting the financial tsunami. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$591 million, HK\$95 million, HK\$12 million respectively, which represent an increase by 33%, a decrease by 26% and a decrease by 53% 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, half year's result in this business was accounted for in the last year, and no turnover is generated from this business in this year.

### **Gross profit margin**

During the year under review, the Group's gross profit margin from the continuing operations was approximately 16%, up by 2% as compared to last year's 14%, this is mainly contributed from the construction contracting business, which the segment gross profit margin is up by 3% due to the supply and installation of granite and marble conducted during the year in PRC, which had a comparatively higher gross profit margin as compared to other tradition construction contracting work.

### **Liquidity and financial resources**

As at 31 March 2009, the Group had total assets of HK\$989,277,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$511,623,000, HK\$474,047,000 and HK\$3,607,000, respectively. The Group's current ratio at 31 March 2009 was 1.60 compared to 1.80 at 31 March 2008.

The gearing ratio for the Group is 10% (2008: 13%). It was calculated based on the non-current liabilities of HK\$51,457,000 (2008: HK\$69,175,000) and long term capital (equity and non-current liabilities) of HK\$529,111,000 (2008: HK\$529,273,000). 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\$7 million, which are mainly used in the purchase of leasehold improvements in connection with the property investment business in PRC.

## **Contingent liabilities**

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

## **Commitments**

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

## **Charges on group assets**

Assets with carrying value of HK\$372,184,000 were pledged as security for the Group's banking facilities.

## **Treasury policies**

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development projects in Kaifeng and Huizhou, 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 inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

## **PROSPECT**

### **Construction business (including E&M 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 foundation work of an industrial building and ancillary office at Fanling, Hong Kong, building services installation for the extension to Jockey Club Elaine Field School, Tai Po, Hong Kong, design, supply and installation of fine screen and replacement of fine screen of preliminary treatment works at North Point and Central, Hong Kong, provision of electronic systems installation, modification, repair and maintenance works at various sewage treatment works and their outstations for region 2, Hong Kong, renovation for a condominium’s club house in Beijing, PRC, renovation for a hotel in Beijing, PRC were granted. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$804 million.

### **Property development and investment**

Asian Villas City Square, Haikou, Hainan Province is developed into a residential and commercial complex with a total gross floor area of approximately 117,000 sq. metres. Construction were completed during the year. Up to the date of this announcement, the total sales contract sum achieved amounted to approximately RMB237 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 Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 202,000 sq. metres. Up to now, gross floor area of 22,900 sq. metres had completed construction and started to contribute sales revenue to the Group, the remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2011. 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 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 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, PRC through the acquisition of a subsidiary in the prior years. The hotel has a gross floor area of 20,668 square metres. Up to the date of this announcement, 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 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 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 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 Shanghai, 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 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 PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

The global economy has been seriously affected by the financial tsunami which commenced from the third quarter of 2008 and with no exception, Hong Kong and the PRC economy were adversely affected. Extensive rescue exercises through fiscal and monetary policies were undertaken by the governments of the major world economies and there are signs that the economies are beginning to restore stability, but the ultimate effects of such massive joint efforts are still to be seen. Since the first quarter of 2009, the property markets, notably in the PRC, has staged substantial recovery. The economy in the PRC appears to be least affected by the financial tsunami and there are indications that the PRC economy may be the first to recover. The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. On the other hand, following the recent financial tsunami, there was substantial change in the general investment climate and the Group has accordingly adopted a more vigorous and static approach in assessing new investment proposals.

## **HUMAN RESOURCES**

As at 31 March 2009, the Group has 125 employees, 18 of whom were based in the PRC. The total employee benefits expenses including Directors' emoluments for the year under review amounted to HK\$33 million as compared to HK\$41 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, and the discontinuance of the operation of fitness centres in Chengdu, PRC on 1 April 2008, have 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 Company's targets.

## Purchase, redemption or sale of listed securities

During the year, the Company purchased certain of its shares on the The Stock Exchange of Hong Kong Limited (“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\$'	
July 2008	400,000	0.270	0.260	106
August 2008	190,000	0.320	0.320	61
September 2008	1,095,000	0.275	0.248	292
October 2008	2,920,000	0.260	0.184	615
November 2008	730,000	0.200	0.170	137
January 2009	40,000	0.125	0.125	5
February 2009	390,000	0.125	0.120	47
	<u>5,765,000</u>			<u>1,263</u>

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$577,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$686,000 paid on the repurchased shares and share repurchase expenses of HK\$17,000 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 A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

### **Summary of deviation of the CG Code:**

#### *Code Provision A.4.1*

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2009.

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 2009. 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 2009 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 2009.

*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*