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Deson Development International Holdings Limited

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of directors (the “**Board**”) of Deson Development International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2016 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
REVENUE	3	642,189	399,965
Cost of sales		<u>(515,883)</u>	<u>(363,359)</u>
Gross profit		126,306	36,606
Fair value gain on investment properties, net	10	2,223	–
Other income and gains	3	16,137	30,853
Administrative expenses		(43,809)	(47,132)
Other operating income, net		3,264	569
Finance costs	5	(22,952)	(8,441)
Share of profits and losses of associates		<u>3,008</u>	<u>406</u>
PROFIT BEFORE TAX	4	84,177	12,861
Income tax expense	6	<u>(27,299)</u>	<u>(6,428)</u>
PROFIT FOR THE PERIOD		<u>56,878</u>	<u>6,433</u>

* for identification only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the six months ended 30 September 2016*

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		32,605	4,192
Non-controlling interests		24,273	2,241
		<u>56,878</u>	<u>6,433</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	<i>9</i>		
Basic		<u>HK3.33 cents</u>	<u>HK0.64 cent</u>
Diluted		<u>HK3.33 cents</u>	<u>HK0.64 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>56,878</u>	<u>6,433</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(2,801)	(400)
Exchange differences on translation of foreign operations	<u>(37,609)</u>	<u>(16,070)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(40,410)</u>	<u>(16,470)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>16,468</u>	<u>(10,037)</u>
Attributable to:		
Owners of the Company	(6,976)	(11,938)
Non-controlling interests	<u>23,444</u>	<u>1,901</u>
	<u>16,468</u>	<u>(10,037)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

		30 September	31 March
		2016	2016
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		215,789	221,282
Investment properties	<i>10</i>	894,882	1,056,900
Goodwill		–	–
Investments in associates		(3,009)	127
Available-for-sale investments		21,641	21,641
Pledged deposits		446,600	462,000
		<hr/>	<hr/>
Total non-current assets		1,575,903	1,761,950
		<hr/>	<hr/>
CURRENT ASSETS			
Amounts due from associates		573	4,964
Amount due from an investee		100	100
Amount due from a related company		1,573	1,347
Properties held for sale under development and properties held for sale	<i>11</i>	1,012,934	1,075,959
Gross amount due from contract customers		31,633	31,929
Inventories		11,439	14,456
Accounts receivable	<i>12</i>	108,662	110,635
Prepayments, deposits and other receivables		146,627	80,896
Equity investments at fair value through profit or loss	<i>13</i>	36,595	8,124
Tax recoverable		2,490	2,490
Pledged deposits		149,272	152,127
Cash and cash equivalents		65,183	57,689
		<hr/>	<hr/>
		1,567,081	1,540,716
Assets of a disposal group classified as held for sale	<i>7</i>	133,804	–
		<hr/>	<hr/>
Total current assets		1,700,885	1,540,716
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 September 2016

		30 September	31 March
		2016	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Audited)
CURRENT LIABILITIES			
Gross amount due to contract customers		116,364	114,914
Accounts payable	14	24,451	47,353
Other payables and accruals		296,608	288,821
Amounts due to associates		1,267	48
Amounts due to non-controlling shareholders		1,500	1,500
Tax payable		64,954	82,301
Financial liabilities at fair value through profit or loss	15	4,526	–
Interest-bearing bank and other borrowings		771,928	653,841
		1,281,598	1,188,778
Liabilities directly associated with the assets of a disposal group classified as held for sale	7	35,300	–
Total current liabilities		1,316,898	1,188,778
NET CURRENT ASSETS		383,987	351,938
TOTAL ASSETS LESS CURRENT LIABILITIES		1,959,890	2,113,888
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		394,771	560,040
Deferred tax liabilities		142,003	172,599
Convertible bonds	15	24,099	–
Total non-current liabilities		560,873	732,639
Net assets		1,399,017	1,381,249
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	97,788	97,788
Reserves		1,256,802	1,262,478
		1,354,590	1,360,266
Non-controlling interests		44,427	20,983
Total equity		1,399,017	1,381,249

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2015

Attributable to owners of the Company

	Issued capital HKS'000	Share premium account HKS'000	Contributed surplus HKS'000	Other reserve HKS'000	Property revaluation reserve HKS'000	Capital reserve HKS'000	Capital redemption reserve HKS'000	Share option reserve HKS'000	Exchange fluctuation reserve HKS'000	Investment revaluation reserve HKS'000	Reserve funds HKS'000	Retained profits HKS'000	Total equity HKS'000	Non-controlling interests HKS'000	Total equity HKS'000
At 1 April 2015 (audited)	65,184	173,678	15,262	23,061	123,810	(9,240)	14,407	-	43,105	3,792	4,529	695,146	1,152,734	16,337	1,169,071
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	4,192	4,192	2,241	6,433
Other comprehensive income/(loss) for the period:															
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	(400)	-	-	(400)	-	(400)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(15,730)	-	-	-	(15,730)	(340)	(16,070)
	-	-	-	-	-	-	-	-	(15,730)	(400)	-	4,192	(11,938)	1,901	(10,037)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(15,730)	(400)	-	4,192	(11,938)	1,901	(10,037)
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	4,771	-	-	-	-	4,771	-	4,771
Issue of shares upon exercise of share options	58	436	-	-	-	-	-	(82)	-	-	-	-	412	-	412
Issued shares expenses	-	(10)	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)
Repurchase of shares	(50)	(272)	-	-	-	-	50	-	-	-	-	(50)	(322)	-	(322)
Share repurchases expenses	-	(7)	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Release of revaluation reserve	-	-	-	-	(2,621)	-	-	-	-	-	-	2,621	-	-	-
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,953)	(1,953)
Final 2015 dividend declared	-	-	-	-	-	-	-	-	-	-	-	(6,517)	(6,517)	-	(6,517)
	65,192	173,825	15,262	23,061	121,189	(9,240)	14,457	4,689	27,375	3,392	4,529	695,392	1,139,123	16,285	1,155,408
At 30 September 2015															

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 September 2016

	Attributable to owners of the Company														
	Share premium account HK\$'000	Share Contributed surplus HK\$'000	Other reserve HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment revaluation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000		
At 1 April 2016 (audited)	97,788	243,040	15,262	23,061	116,880	(9,240)	14,457	4,689	12,180	2,801	4,529	834,819	1,360,266	20,983	1,381,249
Profit for the period	-	-	-	-	-	-	-	-	-	-	32,605	32,605	32,605	24,273	56,878
Other comprehensive income/(loss) for the period:															
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	(2,801)	-	-	(2,801)	-	(2,801)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(36,780)	-	-	-	(36,780)	(829)	(37,609)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(36,780)	(2,801)	-	32,605	(6,976)	23,444	16,468
Release of revaluation reserve	-	-	-	-	(2,481)	-	-	-	-	-	-	2,481	-	-	-
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	(1,333)	-	-	-	1,333	-	-	-
Equity-settled share option arrangement	-	-	-	-	-	-	-	1,300	-	-	-	-	1,300	-	1,300
At 30 September 2016	<u>97,788</u>	<u>243,040*</u>	<u>15,262*</u>	<u>23,061*</u>	<u>114,399*</u>	<u>(9,240)*</u>	<u>14,457*</u>	<u>4,656*</u>	<u>(24,600)*</u>	<u>-*</u>	<u>4,529*</u>	<u>871,238*</u>	<u>1,354,590</u>	<u>44,427</u>	<u>1,399,017</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,256,802,000 (31 March 2016: HK\$1,262,478,000) in the condensed consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group reorganisation on 21 May 1997.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China ("PRC"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties, which have been measured at fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2016.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2016, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) for the first time in the current period.

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

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

2. OPERATING SEGMENT INFORMATION

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

- (a) the construction business segment is engaged in construction contract works as a main contractor and decoration, as well as the provision of electrical and mechanical engineering services;
- (b) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties;
- (c) the investment in securities; and
- (d) the “others” segment comprises, principally, trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products of construction market.

2. OPERATING SEGMENT INFORMATION (continued)

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

Segment assets exclude investments in associates, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

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

For the six months ended 30 September

	Construction business		Property development and investment business		Investment in securities		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	446,455	370,025	143,824	15,264	37,751	–	14,159	14,676	642,189	399,965
Other income and gains	575	648	5,808	21,086	–	–	107	460	6,490	22,194
Revenue	447,030	370,673	149,632	36,350	37,751	–	14,266	15,136	648,679	422,159
Segment results										
Operating profit	10,537	8,431	46,359	8,846	37,751	–	3,134	3,536	97,781	20,813
<i>Reconciliation:</i>										
Interest income									9,647	8,659
Unallocated expenses									(6,226)	(8,576)
Fair value gain on financial liabilities at fair value through profit or loss									2,919	–
Finance costs									(22,952)	(8,441)
Share of profits of associates									3,008	406
Profit before tax									84,177	12,861

2. OPERATING SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2016 and 31 March 2016:

	Construction business <i>HK\$'000</i>	Property development and investment business <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 September 2016					
Segment assets	189,914	2,201,665	32,709	30,493	2,454,781
<i>Reconciliation:</i>					
Investments in associates					(3,009)
Corporate and other unallocated assets					691,212
Assets related to a discontinued operation					<u>133,804</u>
Total assets					<u><u>3,276,788</u></u>
Segment liabilities	147,152	1,373,956	–	8,355	1,529,463
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					313,008
Liabilities related to a discontinued operation					<u>35,300</u>
Total liabilities					<u><u>1,877,771</u></u>

2. OPERATING SEGMENT INFORMATION (continued)

	Construction business HK\$'000	Property development and investment business HK\$'000	Others HK\$'000	Total HK\$'000
31 March 2016				
Segment assets	227,687	2,344,982	29,193	2,601,862
<i>Reconciliation:</i>				
Investments in associates				127
Corporate and other unallocated assets				<u>700,677</u>
Total assets				<u><u>3,302,666</u></u>
Segment liabilities	195,108	1,335,017	11,776	1,541,901
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>379,516</u>
Total liabilities				<u><u>1,921,417</u></u>

For the six months ended 30 September

	Construction business		Property development and investment business		Investment in securities		Others		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Other segment information:										
Loss on disposal of items of property, plant and equipment	-	44	-	-	-	-	8	-	8	44
Impairment of accounts receivable	-	-	-	-	-	-	52	-	52	-
Provision for inventories	-	-	112	-	-	-	87	41	199	41
Depreciation	<u>403</u>	<u>417</u>	<u>2,888</u>	<u>1,755</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>36</u>	<u>3,343</u>	<u>2,208</u>

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracts; income from property development and investment business; the net invoiced value of goods sold, after allowance for returns and trade discounts, and provision of related installation and maintenance services; and income from the sales of marketable securities.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Income from construction contracting and related business	446,455	370,025
Income from property development and investment business	143,824	15,264
Income from trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products of construction market	14,159	14,676
Income from investment in securities	37,751	–
	<u>642,189</u>	<u>399,965</u>
Other income and gains		
Bank interest income	9,647	8,659
Gross rental income	4,178	19,989
Others	2,312	2,205
	<u>16,137</u>	<u>30,853</u>

4. PROFIT BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of properties sold	81,914	5,266
Cost of construction contracting	424,445	348,800
Cost of inventories sold and services provided	9,524	9,293
Depreciation	3,343	2,208
Minimum lease payments under operating leases on land and buildings	659	704
Loss on disposal of items of property, plant and equipment [^]	8	44
Employee benefit expense (including directors' remuneration):		
Wages and salaries	25,937	24,832
Equity-settled share option expenses	1,300	4,771
Pension schemes contributions*	679	512
Less: Amount capitalised	<u>(7,657)</u>	<u>(6,457)</u>
	<u>20,259</u>	<u>23,658</u>
Directors' remuneration:		
Fee	180	188
Salaries and allowances	1,838	1,781
Equity-settled share option expenses	452	1,600
Pension schemes contributions	<u>23</u>	<u>23</u>
	<u>2,493</u>	<u>3,592</u>
Provision for inventories, included in cost of inventories sold	199	41
Impairment of accounts receivable [^]	52	–
Foreign exchange differences, net [^]	(405)	(613)
Fair value gain on financial liabilities at fair value through profit or loss [^]	<u>(2,919)</u>	<u>–</u>

* At 30 September 2016, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2015: Nil).

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank and other borrowings (including convertible bonds)	36,353	43,326
Less: Interest capitalised	<u>(13,401)</u>	<u>(34,885)</u>
	<u><u>22,952</u></u>	<u><u>8,441</u></u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (2015: 16.5%), unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	–	400
Current – Elsewhere		
Charge for the period	7,026	3,653
Overprovision in prior years	(2,095)	–
Deferred	1,428	373
LAT in Mainland China	<u>20,940</u>	<u>2,002</u>
Total tax charge for the period	<u><u>27,299</u></u>	<u><u>6,428</u></u>

7. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 September 2016, the Company announced the decision of its board of directors to dispose of Yew Siang Limited (“**Yew Siang**”). Yew Siang is engaged in property development business. The disposal of Yew Siang is due to be completed in January 2017. As at 30 September 2016, as the disposal of Yew Siang is still pending for completion, and Yew Siang and its subsidiary (“**Yew Siang Group**”) were classified as a disposal group held for sale.

The major classes of assets and liabilities of Yew Siang Group classified as held for sale as at 30 September 2016 are as follows:

	2016
	HK\$'000
Assets	
Property, plant and equipment	465
Investment properties	128,992
Properties held for sale	635
Prepayments, deposits and other receivables	551
Cash and cash equivalents	<u>3,161</u>
Assets classified as held for sale	<u>133,804</u>
Liabilities	
Other payables and accruals	(31,069)
Tax payables	37,583
Deferred tax liabilities	<u>28,786</u>
Liabilities directly associated with the assets classified as held for sale	<u>35,300</u>
Net assets directly associated with the Yew Siang Group	<u><u>98,504</u></u>

8. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect of the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (30 September 2015: 651,721,360) in issue during the period.

No adjustment was made to the basic earnings per share amount presented for the six months ended 30 September 2016 and 2015 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount for both periods end.

10. INVESTMENT PROPERTIES

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Carrying amount at 1 April	1,056,900	535,184
Net gain from fair value adjustment	2,223	261,921
Transferred from completed properties held for sale	–	277,059
Transferred to asset of a disposal group classified as held for sale	(128,992)	–
Exchange realignment	(35,249)	(17,264)
	<hr/>	<hr/>
Carrying amount at 30 September/31 March	<u>894,882</u>	<u>1,056,900</u>

As at 30 September 2016, investment properties of the Group with a carrying amount of HK\$884,384,000 (31 March 2016: HK\$1,046,040,000) were leased to independent third parties.

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

	30 September 2016 <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>
Completed properties held for sale	620,696	733,223
Properties held for sale under development	<u>392,238</u>	<u>342,736</u>
	<u>1,012,934</u>	<u>1,075,959</u>
Properties held for sale under development – expected to be recovered:		
Within one year	<u>1,012,934</u>	<u>1,075,959</u>

As at 30 September 2016, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK\$366,440,000 (31 March 2016: HK\$234,403,000) were pledged to secure certain banking facilities granted to the Group.

12. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 14 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Accounts receivable are non-interest-bearing.

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

	30 September 2016 <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>
Current to 90 days	47,670	59,312
91 to 180 days	9,315	6,177
181 to 360 days	4,949	848
Over 360 days	<u>1,762</u>	<u>1,648</u>
	63,696	67,985
Retention monies receivable	<u>44,966</u>	<u>42,650</u>
Total	<u>108,662</u>	<u>110,635</u>

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>
Listed equity investments, at market value	<u>36,595</u>	<u>8,124</u>

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

14. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2016 <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>
Current to 90 days	11,950	33,577
91 to 180 days	2,654	3,677
181 to 360 days	231	–
Over 360 days	<u>9,616</u>	<u>10,099</u>
	<u>24,451</u>	<u>47,353</u>

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

15. CONVERTIBLE BONDS

On 29 March 2016, the Group entered into a placing agreement with a placing agent, Koala Securities Limited (the “**Placing Agent**”), pursuant to which a subsidiary of the Company, has placed, through the Placing Agent, convertible bonds (“**Convertible Bonds**”) with principal amounts of HK\$30,900,000 at the conversion price of HK\$0.30 per share of the subsidiary and the annual coupon rate is 2%. The Convertible Bonds will mature on 17 April 2019.

The Convertible Bonds contained two components, liability and derivative components. The initial fair value of both components combined was determined based on gross proceeds at issuance. The initial fair value of the derivative component was estimated to be approximately HK\$7,445,000 as at the issuance date using the Crank-Nicolson finite difference method, taking into accounts the terms and conditions of the Convertible Bonds. In subsequent periods, derivative component is measured at fair value with changes in fair value recognised in profit or loss. The residual amount, representing the value of the liability component at approximately HK\$23,455,000, was subsequently measured at amortised cost using effective interest rate method. The effective interest rate of the liability component of the Convertible Bonds is 9.13% per annum.

15. CONVERTIBLE BONDS (continued)

	Liabilities component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>
At issue date	23,455	7,445
Transaction cost	(725)	–
Interest charge	1,369	–
Changes in fair value	–	(2,919)
	<u>24,099</u>	<u>4,526</u>
At 30 September 2016	<u>24,099</u>	<u>4,526</u>

16. SHARE CAPITAL

	30 September 2016 <i>HK\$'000</i>	31 March 2016 <i>HK\$'000</i>
Authorised:		
1,500,000,000 (31 March 2016: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
977,880,400 (31 March 2016: 977,880,400) ordinary shares of HK\$0.10 each	<u>97,788</u>	<u>97,788</u>

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

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016 and 30 September 2016	<u>977,880,400</u>	<u>97,788</u>	<u>243,040</u>	<u>340,828</u>

17. EVENTS AFTER THE REPORTING PERIOD

On 30 September 2016, Deson Ventures Limited (“**DVL**”), an indirect wholly owned subsidiary of the Company, has entered into the shareholders’ agreement (“**Shareholders’ Agreement**”) with Hoverjet Limited (“**Hoverjet**”) to establish New Leaves Limited (“**Joint Venture**”). Pursuant to the Shareholders’ Agreement, Hoverjet has transferred 30 shares, representing 30% of the issued and paid-up share capital of the Joint Venture to the DVL for the consideration of US\$30. Upon completion of such a transfer of the shares, the Joint Venture is owned as to 70% by Hoverjet and 30% by the DVL.

The Joint Venture is set up for the purpose of the disposal of Yew Siang, an indirect wholly owned subsidiary of the Company. The Joint Venture will be the holding company of Yew Siang Group.

On 30 September 2016, DVL, as the vendor, the Company, as the guarantor, and the Joint Venture, as the purchaser, entered into a sales and purchase agreement (“**Agreement**”), pursuant to which, DVL has agreed to sell entire issued share capital of the Yew Siang at a consideration of approximately RMB82,100,000 (subject to adjustments) to the Joint Venture.

Completion of the Agreement is subject to and conditional upon the shareholders’ approval of the Company and other condition precedents. The transaction is expected to be completed in January 2017.

Details of the transaction are set out in the announcement of the Company dated 30 September 2016 and the circular of the Company dated 24 October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2016 recorded at HK\$642,189,000, which represented an increase of 61% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$32,605,000 representing an increase of 678% as compared with the same period last year. The increase was mainly due to (i) the sales of six-floor offices (6,235 square ("sq") metre) to a customer with sales proceeds amounted to approximately HK\$112 million and income recognised (before taxation) amounted to approximately HK\$44 million; and (ii) during the last quarter of the year ended 31 March 2016, the Group, through its subsidiary, Deson Construction International Holdings Limited ("DCIHL") which was separately listed on the Growth Enterprise Market ("GEM"), has developed a new business segment, which includes long-term and short-term investments in marketable securities and other related financial and/or investment products and opportunities (including without limitation fixed income products, foreign exchange products, commodities and related products, investment funds, pre-IPO investment opportunities, etc.) (the "New Business"). Earnings per share is approximately HK3.33 cents.

The Group's major business segments during the period comprised of (i) property development and investment; (ii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market; (iii) construction as a main contractor and decoration, as well as the provision of electrical and mechanical ("E&M") engineering service; and (iv) investment in securities.

During the Reporting Period, China's property market sentiment was positive and the Group's projects in Mainland China, which benefited from favourable Government policies, performed satisfactorily. During the six months ended 30 September 2016, segment operating profit generated from the property development and investment business increased by 424% as compared to same period last year. This is mainly due to the effect of a significant sale of offices of Expo at Kaifeng during the period. Turnover generated from the sale of property increased by 842% from HK\$15,264,000 for the period ended 30 September 2015 to HK\$143,824,000 for same period in current year.

Regarding the construction segment, during the six months ended 30 September 2016, the Group completed or substantially completed projects such as acting as the main contractor for the development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong, fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau, fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, PRC.

The New Business commenced in the last quarter of the year ended 31 March 2016. As at 30 September 2016, the Group held approximately HK\$33 million of equity investments which are classified as “equity investments at fair value through profit or loss”. As the overall market condition of the Hong Kong stock market improves, the Group records a realised gain and a net unrealised gain of approximately HK\$33 million and HK\$5 million respectively. Details of the Group’s market securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

On 30 September 2016, the Group entered into a sale and purchase agreement to dispose of 70% equity interest of Yew Siang (“**Disposal**”), an indirect wholly owned subsidiary, to an independent third party. The Yew Siang Group owns the Starway Parkview South Station Hotel. It is intended that it will be converted into and operated as a service apartment. Details of the Disposal are set out in note 17 to the condensed financial statements.

The Disposal is expected to be completed in January 2017.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2016, the Group’s turnover amounted to HK\$642 million, increased by 61% as compared to the same period last year. The increase was mainly contributed by (i) the increase in the sale of properties at the PRC; (ii) more revenue was recognized for E&M projects that were granted after last period end; and (iii) the commencement of the New Business since last quarter of the year ended 31 March 2016. Turnover generated from property development and investment business, construction contracting business, investment in securities business and other business amounted to approximately HK\$144 million, HK\$446 million, HK\$38 million and HK\$14 million respectively, which represent an increase of 842%, an increase of 21%, an increase of 100% and a decrease of 4% respectively as compared the same period last year.

Gross profit margin

During the six months ended 30 September 2016, the Group’s gross profit margin was approximately 20%, up by 11% as compared to last period’s 9%. This was mainly driven by the increase of realised gain and unrealised gain for the investment in securities in marketable securities which started from the last quarter for the year ended 31 March 2016.

Liquidity and financial resources

As at 30 September 2016, the Group had total assets of HK\$3,276,788,000, which has been financed by total liabilities, shareholders’ equity and non-controlling interests of HK\$1,877,771,000, HK\$1,354,590,000 and HK\$44,427,000, respectively. The Group’s current ratio at 30 September 2016 was 1.29 compared to 1.30 at 31 March 2016.

The gearing ratio for the Group as at 30 September 2016 was 29% (31 March 2016: 35%). It was calculated based on the non-current liabilities of HK\$560,873,000 (31 March 2016: HK\$732,639,000) and long term capital (equity and non-current liabilities) of HK\$1,959,890,000 (31 March 2016: HK\$2,113,888,000).

Capital expenditure

Total capital expenditure for the six months ended 30 September 2016 was approximately HK\$246,000, which were mainly used in the purchase of office equipment.

Contingent liabilities

At the end of the reporting date, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting date, there were no significant capital commitments for the Group.

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain leasehold land and buildings of the Group situated in Hong Kong of HK\$142,869,000 (31 March 2016: HK\$145,500,000);
- (ii) the pledge of certain investment properties of the Group situated in Mainland China, which had an aggregate carrying value at the end of reporting period of HK\$523,160,000 (31 March 2016: HK\$541,200,000);
- (iii) the pledge of certain properties held for sale under development and properties held for sale of the Group situated in Mainland China of HK\$366,440,000 (31 March 2016: HK\$234,403,000); and
- (iv) the pledge of the Group's deposits of HK\$595,872,000 (31 March 2016: HK\$614,127,000).

Treasury policies

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

Exchange risk exposure

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

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

SIGNIFICANT INVESTMENTS

As at 30 September 2016, the Group held approximately HK\$33 million equity investments at fair value through profit or loss from the New Business. Details of the significant investments are as follows:

		Stock code	Place of incorporation	Fair value gain/(loss) HK\$'000	Market values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %
	<i>Notes</i>					
Master Glory Group Limited	1	275	Bermuda	820	1,820	6
China Information Technology Development Limited	2	8178	Cayman Islands	4,666	17,697	54
First Credit Finance Group Limited	3	8215	Cayman Islands	372	1,825	6
Leap Holdings Group Limited	4	1499	Cayman Islands	(880)	9,601	29
Shun Wo Group Holdings Limited	5	1591	Cayman Islands	60	1,766	5

Notes:

1. Master Glory Group Limited is principally engaged in (i) trading of securities – trading of investments held for trading; (ii) property development trading – development and sale of properties; and (iii) water supply – provision of water. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$3,736,066,000 as at 31 March 2016.
2. China Information Technology Development Limited is principally engaged in (A) the software development and system integration segment in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and (B) the in-house developed products segment in the lease of in-house developed computer hardware. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$584,193,000 as at 30 June 2016.

3. First Credit Finance Group Limited is principally engaged in provision and arrangement of credit facilities in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$906,408,000 as at 30 June 2016.
4. Leap Holdings Group Limited is principally engaged in (i) foundation works and ancillary services: Provision of site formation works, excavation and lateral support works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works and lease of machinery; and (ii) construction wastes handling: Provision of management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for construction and demolition materials. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$166,461,000 as at 31 March 2016.
5. Shun Wo Group Holdings Limited is principally engaged in acting as contractor engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$62,029,000 as at 31 March 2016.

During the six months ended 30 September 2016, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$73 million and income recognised in revenue for the amount of approximately HK\$33 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds <i>HK\$'000</i>	Realised gain/(loss) <i>HK\$'000</i>
Wealth Glory Holdings Limited	8269	Cayman Islands	7,299	(412)
AP Rentals Holdings Limited	1496	Cayman Islands	5,796	2,009
Hypebeast Limited	8359	Cayman Islands	25,320	21,380
Expert Systems Holdings Limited	8319	Cayman Islands	5,728	3,455
Ever Harvest Group Holdings Limited	1549	Cayman Islands	5,241	468
Sandmartin International Holdings Limited	482	Bermuda	1,118	(165)
Royal Catering Group Holdings Company Limited	8300	Cayman Islands	9,338	4,793
CROSSTEC Group Holdings Limited	3893	Cayman Islands	2,552	280
Shun Wo Group Holdings Limited	1591	Cayman Islands	8,088	995
Huisheng International Holdings Limited	1340	Cayman Islands	2,831	(90)

In view of the recent volatile and weakness in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

PROSPECT

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in the Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 square (“sq.”) metres. Up to now, construction for a total gross floor area of 190,000 sq. metres was completed and the total sales contract sum achieved amounted to approximately RMB754 million. The remaining portions of the complex are under construction. The process is going well and it is expected that the construction will be completed by 2017.

On 16 February 2012, the Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, construction for a gross floor area of 20,000 sq. metres was completed. It includes two commercial buildings with gross floor area of 15,000 sq. metres and an animation theatre with gross floor area of around 5,000 sq. metres. The total sales contract sum achieved from the sales of commercial properties amounted to approximately RMB139 million. The animation theatre is named as “Qing-Ming Riverside Anime Exhibition” and is used to show the animation of 清明上河圖 which was shown in the 2010 Shanghai Expo. It is planned to become a tourist spot at Kaifeng City. It is expected the construction of the whole project will be completed by 2018.

In September 2014, the Group was granted another land use right in the city of Kaifeng, PRC, namely as Zhu Ji Lane (“珠璣巷”). The Group intended to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use in the 27th World Hakka Conference held in October 2014. As of now, the project has been completed. The total contract sum achieved for the sales of this area amounted to approximately RMB3 million. Most of the units have already been rented out during the period.

In the first half of 2016, the Central Government continued its relaxation policies towards the property sector on the mainland, with the lowering of down-payment proportion, alleviation of tax charges and easing of credit. This served to spur demand across all cities, which rendered an overall increase in price and volume in the property market. The local governments, to cope with their own conditions and specific needs, adopted different policies to regulate the market demand and supply. To bring about the long term and healthy development of the property market, many significant policies were put forward by the Central Government during the period, which included the stimulation of both end-user and upgrading demands, the establishment of a housing regime to accommodate rental and buying demands, the implementation of the reform from Business Tax to Value Added Tax in the real estate sector, as well as the comprehensive registration of the immovable assets nationwide.

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

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

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including building construction and E&M works) in the PRC, Hong Kong and Macau. To cope with the difficulties encountered in the construction and engineering industry, the Company had adopted a prudent strategy in project tendering.

With its proven track records and adequate expertise in the main contracting business, the Group obtained “List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR”. Together with the licence in Group II under the “Turn-key Interior Design and Fitting-out Works” under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works”, the 11 licences held under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR” and Specialist Contractor (site formation works category) by the Building Department, the Group is well-equipped to take an active part in the construction business development.

During the Reporting Period, new projects such as site formation and foundation works for residential re-development at Peak Road, Hong Kong, addition and alteration works at East-Point Centre, Causeway Bay, Hong Kong, fitting-out works including electrical and mechanical works for three Prada/Miu Miu shops at City of Dreams, Macau, construction works of Beijing subway Line 1, Beijing, China, subcontracting fitting-out works for the redevelopment of residential buildings and carparks at ChangPing District, Beijing and fitting-out works of offices at Jintian Film and Television Industrial Park, Beijing. As at the date of this announcement, the Group had contracts on hand with a total contract sum of over HK\$1,523 million.

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

While the outlook for the construction industry in Hong Kong looks promising in the long run, there remains challenges that are unlikely to dissipate in the near future. They include continuous rising labour wages and cost of construction materials and shortage of skilled labour. In addition, the sluggish progress of deliberation in the Legislative Council, which has resulted in the mounting backlog of funding proposals, also delays the rolling out of public infrastructure works in Hong Kong. The business and profitability of the Group may be affected if such delay continues.

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

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong building services industry.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) further expanding the Group's service scope by applying for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthening the Group's construction department through recruiting additional qualified and experienced staff.

Trading of medical equipment and home security and automation products

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

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

Going forward, the uncertainty in the global economy and the decline in economic growth in the PRC will continue to pose challenges to the business. The tightening policies such as restrictions on home purchase as part of its efforts to control inflation and maintain a stable and healthy economic growth, has caused certain negative impact on the mainland property market. However, it is expected the economy of the PRC will still maintain a healthy growth. Hong Kong remains well positioned to benefit from the PRC's continuing growth and development, as such, the Group remains optimistic in the long run and has confidence in the growth momentum in the PRC and Hong Kong.

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control measures to cope with challenges and to improve competitiveness within the volatile operating environment. The Directors will continue to make every effort to maximise the interests of the shareholders of the Group.

Investment in securities

Regarding the New Business in investments in securities by DCIHL, DCIHL has set up a Treasury Management Committee (“**Treasury Management Committee**”) to implement the investment policy and guidelines on behalf of DCIHL. The Treasury Management Committee comprises one chairman and two committee members (comprising two directors and the financial controller of DCIHL, including at least one executive director of DCIHL who acts as the investment manager). The board of directors of DCIHL will adopt cautious measures to manage this business activity aiming at generating additional investment return on available funds of the DCIHL and its subsidiaries from time to time.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Except for the Disposal mentioned in note 17 to the condensed financial statements, during the six months ended 30 September 2016, there has been no other significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2016.

HUMAN RESOURCES

As at 30 September 2016, the Group had 299 employees, 184 of whom were based in the PRC. The total employee benefits expenses including directors’ emoluments for the period under review decreased to approximately HK\$20 million from approximately HK\$24 million in the same period last year. The decrease was mainly due to more staff cost were capitalised to projects and the decrease of share option expenses recognised during the Reporting Period.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

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 Reporting Period.

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the six months ended 30 September 2016 are set out in the note 16 to the condensed financial statements.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2016, the Company's corporate governance practices are based on the principles and the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2016, 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 have not been appointed for a specific term. However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2016.

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group’s internal controls, risk management and financial reporting matters including the review of the interim results for the six months ended 30 September 2016, and adequacy of resources and qualifications of the Company’s accounting staff. The audit committee comprises three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Company for the six months ended 30 September 2016 have not been audited by the Company’s independent auditors. The Audit Committee held a meeting on 9 November 2016. The Audit Committee has considered and reviewed the interim report and interim financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the 2016 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

NOMINATION COMMITTEE

The Company has a nomination committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant appropriate blend of skills, knowledge and experience. The nomination committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien, Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Ir Siu Man Po 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, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The interim results announcement is published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.deson.com>). The interim report for the six months ended 30 September 2016 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, 9 November 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Lu Quanzhang, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Tjia Wai Yip, William, the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau.